Brønnøysundregistrene

# ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

**Enheten**

| | |
|---|---|
| Organisasjonsnummer: | 917 327 122 |
| Organisasjonsform: | Aksjeselskap |
| Foretaksnavn: | NAVICO GROUP AS |
| Forretningsadresse: | Elganeveien 1<br>4373 EGERSUND |

**Regnskapsår**

| | |
|---|---|
| Årsregnskapets periode: | 06.06.2016 - 31.12.2016 |

**Konsern**

| | |
|---|---|
| Morselskap 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: | 20.04.2017 |

**Grunnlag for avgivelse**

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

*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

| Beløp i: USD | Note | 2016 | 2015 |
|---|---|---|---|
| **RESULTATREGNSKAP** | | | |
| **Inntekter** | | | |
| Salgsinntekt | | | 14 000 |
| **Sum inntekter** | | | **14 000** |
| **Kostnader** | | | |
| Varekostnad | | | 369 000 |
| Lønnskostnad | | | 2 289 000 |
| Avskrivning | | | 17 026 000 |
| Annen driftskostnad | 4 | 12 496 000 | 21 293 000 |
| **Sum kostnader** | | **12 496 000** | **40 977 000** |
| **Driftsresultat** | | **-12 496 000** | **-40 963 000** |
| **Finansinntekter og finanskostnader** | | | |
| Annen finansinntekt | | | 45 293 000 |
| **Sum finansinntekter** | | | **45 293 000** |
| Annen finanskostnad | | 25 000 | 20 906 000 |
| **Sum finanskostnader** | | **25 000** | **20 906 000** |
| **Netto finans** | | **-25 000** | **24 387 000** |
| **Ordinært resultat før skattekostnad** | | **-12 521 000** | **-16 576 000** |
| Skattekostnad på ordinært resultat | 5 | | |
| **Ordinært resultat etter skattekostnad** | | **-12 521 000** | **-16 576 000** |
| **Årsresultat** | | **-12 521 000** | **-16 576 000** |
| **Overføringer og disponeringer** | | | |
| Udekket tap | | | 16 576 000 |
| **Sum overføringer og disponeringer** | | | **16 576 000** |

# Balanse

| Beløp i: USD | Note | 2016 | 2015 |
|---|---|---|---|
| **BALANSE - EIENDELER** | | | |
| **Anleggsmidler** | | | |
| **Immaterielle eiendeler** | | | |
| Forskning og utvikling | | | 41 656 000 |
| **Sum immaterielle eiendeler** | | | **41 656 000** |
| **Varige driftsmidler** | | | |
| Maskiner og anlegg | | | 59 000 |
| **Sum varige driftsmidler** | | | **59 000** |
| **Finansielle anleggsmidler** | | | |
| Investering i datterselskap | 1 | 242 580 000 | 143 246 000 |
| Lån til foretak i samme konsern | | | 171 411 000 |
| Andre fordringer | | | 4 000 |
| **Sum finansielle anleggsmidler** | | **242 580 000** | **314 661 000** |
| **Sum anleggsmidler** | | **242 580 000** | **356 376 000** |
| **Omløpsmidler** | | | |
| **Varer** | | | |
| **Fordringer** | | | |
| Kundefordringer | | 3 500 000 | 8 873 000 |
| **Sum fordringer** | | **3 500 000** | **8 873 000** |
| **Bankinnskudd, kontanter og lignende** | | | |
| Bankinnskudd, kontanter og lignende | 2 | 559 000 | 250 000 |
| **Sum bankinnskudd, kontanter og lignende** | | **559 000** | **250 000** |
| **Sum omløpsmidler** | | **4 059 000** | **9 123 000** |
| **SUM EIENDELER** | | **246 639 000** | **365 499 000** |

**BALANSE - EGENKAPITAL OG GJELD**

# Balanse

| Beløp i: USD | Note | 2016 | 2015 |
|---|---|---|---|
| **Egenkapital** | | | |
| **Innskutt egenkapital** | | | |
| Aksjekapital | | 296 000 | 18 482 000 |
| Overkurs | | 255 182 000 | 54 731 000 |
| **Sum innskutt egenkapital** | | **255 478 000** | **73 213 000** |
| | | | |
| **Opptjent egenkapital** | | | |
| Udekket tap | | 12 499 000 | 27 035 000 |
| **Sum opptjent egenkapital** | | **-12 499 000** | **-27 035 000** |
| | | | |
| **Sum egenkapital** | 3 | **242 979 000** | **46 178 000** |
| | | | |
| **Gjeld** | | | |
| **Langsiktig gjeld** | | | |
| **Annen langsiktig gjeld** | | | |
| Øvrig langsiktig gjeld | | | 156 000 |
| **Sum annen langsiktig gjeld** | | | **156 000** |
| | | | |
| **Sum langsiktig gjeld** | | **0** | **156 000** |
| | | | |
| **Kortsiktig gjeld** | | | |
| Gjeld til kredittinstitusjoner | | 3 500 000 | 311 076 000 |
| Leverandørgjeld | | 160 000 | 8 089 000 |
| **Sum kortsiktig gjeld** | | **3 660 000** | **319 165 000** |
| | | | |
| **Sum gjeld** | | **3 660 000** | **319 321 000** |
| | | | |
| **SUM EGENKAPITAL OG GJELD** | | **246 639 000** | **365 499 000** |

# Konsernets resultatregnskap

| Beløp i: USD | Note | 2016 | 2015 |
|---|---|---|---|
| **RESULTATREGNSKAP** | | | |
| **Inntekter** | | | |
| Salgsinntekt | | 74 744 000 | 308 775 000 |
| **Sum inntekter** | | **74 744 000** | **308 775 000** |
| **Kostnader** | | | |
| Varekostnad | | 39 937 000 | 159 422 000 |
| Lønnskostnad | 8 | 14 069 000 | 58 855 000 |
| Avskrivning | 9 | 9 739 000 | 26 802 000 |
| Annen driftskostnad | 7,10 | 19 912 000 | 36 147 000 |
| **Sum kostnader** | | **83 657 000** | **281 226 000** |
| **Driftsresultat** | | **-8 913 000** | **27 549 000** |
| **Finansinntekter og finanskostnader** | | | |
| Annen finansinntekt | 11 | 3 697 000 | 4 486 000 |
| **Sum finansinntekter** | | **3 697 000** | **4 486 000** |
| Annen finanskostnad | 11 | 6 031 000 | 29 320 000 |
| **Sum finanskostnader** | | **6 031 000** | **29 320 000** |
| **Netto finans** | | **-2 334 000** | **-24 834 000** |
| **Ordinært resultat før skattekostnad** | | **-11 247 000** | **2 715 000** |
| Skattekostnad på ordinært resultat | 15 | -1 188 000 | 6 697 000 |
| **Ordinært resultat etter skattekostnad** | | **-10 059 000** | **-3 982 000** |
| **Årsresultat** | | **-10 059 000** | **-3 982 000** |
| **Overføringer og disponeringer** | | | |
| Udekket tap | | 10 059 000 | 3 982 000 |
| **Sum overføringer og disponeringer** | | **10 059 000** | **3 982 000** |

# Konsernets balanse

| Beløp i: USD | Note | 2016 | 2015 |
|---|---|---|---|
| **BALANSE - EIENDELER** | | | |
| **Anleggsmidler** | | | |
| **Immaterielle eiendeler** | | | |
| Forskning og utvikling | 12 | 218 818 000 | 62 691 000 |
| Utsatt skattefordel | 15 | 13 284 000 | 5 065 000 |
| Goodwill | 12 | 193 137 000 | 65 247 000 |
| **Sum immaterielle eiendeler** | | **425 239 000** | **133 003 000** |
| **Varige driftsmidler** | | | |
| Maskiner og anlegg | 14 | 40 263 000 | 26 544 000 |
| Driftsløsøre, inventar, verktøy, kontormaskiner | | 4 000 | 5 000 |
| **Sum varige driftsmidler** | | **40 267 000** | **26 549 000** |
| **Sum anleggsmidler** | | **465 506 000** | **159 552 000** |
| **Omløpsmidler** | | | |
| **Varer** | | | |
| Varer | 16 | 59 402 000 | 61 420 000 |
| **Sum varer** | | **59 402 000** | **61 420 000** |
| **Fordringer** | | | |
| Kundefordringer | 17 | 61 010 000 | 52 320 000 |
| **Sum fordringer** | | **61 010 000** | **52 320 000** |
| **Bankinnskudd, kontanter og lignende** | | | |
| Bankinnskudd, kontanter og lignende | 18 | 7 333 000 | 5 723 000 |
| **Sum bankinnskudd, kontanter og lignende** | | **7 333 000** | **5 723 000** |
| **Sum omløpsmidler** | | **127 745 000** | **119 463 000** |
| **SUM EIENDELER** | | **593 251 000** | **279 015 000** |

**BALANSE - EGENKAPITAL OG GJELD**

**Egenkapital**

# Konsernets balanse

| Beløp i: USD | Note | 2016 | 2015 |
|---|---|---|---|
| **Innskutt egenkapital** | | | |
| Aksjekapital | 19 | 296 000 | 21 879 000 |
| Overkurs | 19 | 255 182 000 | 54 731 000 |
| **Sum innskutt egenkapital** | | **255 478 000** | **76 610 000** |
| | | | |
| **Opptjent egenkapital** | | | |
| Udekket tap | 19 | 10 638 000 | 173 991 000 |
| **Sum opptjent egenkapital** | | **-10 638 000** | **-173 991 000** |
| | | | |
| **Sum egenkapital** | | **244 840 000** | **-97 381 000** |
| | | | |
| **Gjeld** | | | |
| **Langsiktig gjeld** | | | |
| Utsatt skatt | 15 | 63 231 000 | 55 000 |
| **Sum avsetninger for forpliktelser** | | **63 231 000** | **55 000** |
| **Annen langsiktig gjeld** | | | |
| Gjeld til kredittinstitusjoner | 20 | 226 868 000 | |
| Øvrig langsiktig gjeld | | | 19 732 000 |
| **Sum annen langsiktig gjeld** | | **226 868 000** | **19 732 000** |
| | | | |
| **Sum langsiktig gjeld** | | **290 099 000** | **19 787 000** |
| | | | |
| **Kortsiktig gjeld** | | | |
| Gjeld til kredittinstitusjoner | 20 | 7 526 000 | 310 659 000 |
| Leverandørgjeld | 22 | 43 170 000 | 38 355 000 |
| Annen kortsiktig gjeld | 23 | 7 616 000 | 7 595 000 |
| **Sum kortsiktig gjeld** | | **58 312 000** | **356 609 000** |
| | | | |
| **Sum gjeld** | | **348 411 000** | **376 396 000** |
| | | | |
| **SUM EGENKAPITAL OG GJELD** | | **593 251 000** | **279 015 000** |

## Navico Group AS

Org. nr. 917327122

| Kontantstrømoppstilling | 2016 |
|---|---|
| **Kontantstrømmer fra operasjonelle aktiviteter** | |
| Resultat før skattekostnad | -12 521 |
| Endring i kundefordringer | -3 500 |
| Endring i leverandørgjeld | 3 660 |
| **Netto kontantstrøm fra operasjonelle aktiviteter** | **-12 361** |
| **Kontantstrømmer fra investeringsaktiviteter** | |
| Utbetalinger ved kjøp av aksjer og andeler i andre foretak | 242 580 |
| **Netto kontantstrøm fra investeringsaktiviteter** | **-242 580** |
| **Kontantstrømmer fra finansieringsaktiviteter** | |
| Innbetalinger av egenkapital | 255 500 |
| **Netto kontantstrøm fra finansieringsaktiviteter** | **255 500** |
| Netto endring i kontanter og kontantekvivalenter | 559 |
| **Beholdning av kontanter og kontantekvivalenter 31.12** | **559** |

**Tilleggsopplysninger**

Kontanter og kontantekvivalenter består av kontanter, bank og postgiro.

## Navico Group AS
Org. nr. 917327122

## Konsern
## Kontantstrømoppstilling

| | 2016 |
|---|---|
| **Kontantstrømmer fra operasjonelle aktiviteter** | |
| Resultat før skattekostnad | -11 247 |
| Ordinære avskrivninger | 9 739 |
| Endring i varelager | 2 382 |
| Endring i kundefordringer | -11 002 |
| Endring i leverandørgjeld | 2 852 |
| Endring i andre tidsavgrensningsposter | -889 |
| **Netto kontantstrøm fra operasjonelle aktiviteter** | **-8 165** |
| **Kontantstrømmer fra investeringsaktiviteter** | |
| Utbetalinger ved kjøp av varige driftsmidler | 6 950 |
| **Netto kontantstrøm fra investeringsaktiviteter** | **-6 950** |
| **Kontantstrømmer fra finansieringsaktiviteter** | |
| Innbetalinger ved opptak av ny langsiktig gjeld | 243 500 |
| Utbetalinger ved nedbetaling av langsiktig gjeld | 288 052 |
| Utbetalinger ved nedbetaling av kortsiktig gjeld | 29 340 |
| Netto endring i kassekreditt | -9 824 |
| Utbetalinger av renter | 3 627 |
| Innbetalinger av egenkapital | 255 500 |
| Tilbakebetalinger av egenkapital | 145 709 |
| **Netto kontantstrøm fra finansieringsaktiviteter** | **22 448** |
| Netto endring i kontanter og kontantekvivalenter | 7 333 |
| **Beholdning av kontanter og kontantekvivalenter 31.12** | **7 333** |

**Tilleggsopplysninger**
Kontanter og kontantekvivalenter består av kontanter, bank og postgiro.

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 EGERSUND

## 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 www.skatteetaten.no | 800 80 000 |
| 0134 Oslo | Org.nr: 996250318 | Telefaks |
| | E-post: skatteetaten.no/sendepost | 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*

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Statsautoriserte revisorer
Ernst & Young AS

Vassbotnen 11a Forus, NO-4313 Sandnes
Postboks 8015, NO-4068 Stavanger

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
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www.ey.no
Medlemmer av Den norske revisorforening

**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 2016, the income statement and statement 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 2016, the 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 2016, and of its financial performance and its cash flows for the year 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 2016 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 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 Director (management) is responsible for the other information. Our opinion on the audit of 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

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, 20 April 2017
ERNST & YOUNG AS

Erik Søreng
State Authorised Public Accountant (Norway)

LOWRANCE

SIMRAD

B&G


navico

# Annual Report 2016


LOWRANCE
StructureScan 3D
Range
Advanced
Contrast
A+9
Palette
6
3D
View
Left + right
Source
S3D-55.1.74
Stop sonar
Outboard
107
HDS12
2

# Contents


# A Message from the CEO

## 2016 has been a successful year for Navico, with a change of ownership and continued growth in revenues.

In 2016 Navico saw a change in ownership from previously having the Altor 2003 Fund as majority shareholder, to having a partnership between Altor Fund IV and Goldman Sachs' Merchant Banking Division as majority shareholders. The management team is excited with the new ownership structure, which demonstrates Altor's and Goldman Sachs' belief in the growth potential of the business and support in Navico's management approach and potential.

Navico, working under new ownership, has identified a number of key strategic initiatives to deliver accelerated growth over the next 5 years. In addition to these key strategic initiatives identified, Navico is considering attractive opportunities to grow the business through strategic acquisitions and business partnerships.

2016 was a strong year for recreational sales but the trading environment for commercial sales was difficult due to an overall downturn in the merchant marine market. In the recreational market, Navico records its 8th year of growth in a row with 5% growth in sales. In particular the Simrad brand did very well in both the salt water market and the fresh water recreational boat market with 29% growth year on year. Of note was the growth of the new entry level product, the Go series.

Lowrance continues to be the largest brand in the Navico portfolio and had mixed success across its product range, with strong sales of its new Hook value range, good sales of the Elite Ti mid range, but some weakening of sales in the top of the line HDS range. Despite this, Lowrance is still the preferred choice of professional fishermen, once again winning more tournaments than its competitors combined and winning the champion of champions event, the Bassmaster Classic for the sixth year in a row.

B&G continues to win accolades for its performance in the grand-prix sailing end of the market, having recently been on the winning and second placed boats for the Vendee Globe single-hand non-stop around the world race and will again be official supplier for the next Volvo Ocean Race starting in 2017. Management is pleased to note the growth of units for B&G in the boat builder market, and via the club racers and cruisers markets with the new Vulcan series product range.

In 2017 the divisional arrangements of Navico are being re-aligned to provide a consolidated approach to mapping and digital services and focus Navico on the two core divisions of Recreational and Commercial. Within each of these divisions, there will be a specific focus on enhancing the digital integration across the platforms and services.

2017 will see Navico continue to develop products, services and internal teams with an increased focus on customers. Growing the businesses of trade customers, whilst simultaneously enhancing the safety, ease-of-use and enjoyment of end users on the water experience. Navico is well placed to achieve this with a stable management team and clear new strategies. In 2017 Navico will adopt a more customer centric approach to sales and marketing, focusing on customer needs across the entire business operation. With this renewed focus Navico believe that they will improve market share and sell through.

In the recreational market Navico will continue to develop its unique position of focusing each of its brands on consumers core needs. Supporting Fishing, Sailing and Powerboating with distinct brands that serve these individual markets. Navico will continue to provide solutions that make boating experiences easier, safer and more rewarding.

To drive growth Navico will be increasing its focus on engaging with consumers throughout the purchase process. This will include a greater emphasis on supporting partners at point of sale and building a stronger relationship directly with the end consumer with increased expenditure on digital marketing.

In the commercial market, Navico will concentrate on meeting the needs of vessel owners and operators, building a reliable portfolio of products, training, and passage information from mapping to route planning. A key component to providing this will be building a strong dealer network and service team.

To support success across both recreational and commercial markets, Navico has a roadmap of new products, driven by a strong R&D program and a clear focus on end user needs. These developments do not just consist of new ranges of hardware, but also include innovative solutions to digital integration, user interfaces and added-value services.

Navico is dedicated to its employees and partner companies, ensuring that everyone is well trained and motivated. Employing around 1500 people Navico operates directly in 14 countries and has product distribution in more than 100. This means Navico is able to source and develop talent on an international basis, which combined with a rich heritage and dedicated focus on the marine industry gives Navico a unique platform for success.

**Leif Ottosson**
President & CEO

# Division Strategy

Navico is a specialist electronics company; its brands operate in navigation, fishfinding equipment and value added applications for the marine industry.

The company is made up of two business divisions: Recreational Marine is aimed at the consumer market and Commercial Marine targets the commercial marine segment.

**Recreational Marine Division**

The Navico Recreational Marine Division is the world's largest provider 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.

**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

**2016 saw the evolution of the commercial and recreational divisions, pushing Navico further into the large shipping arena with Simrad Commercial and expanding the focus on the smaller sailing and power boat markets with the B&G and Simrad brands.**

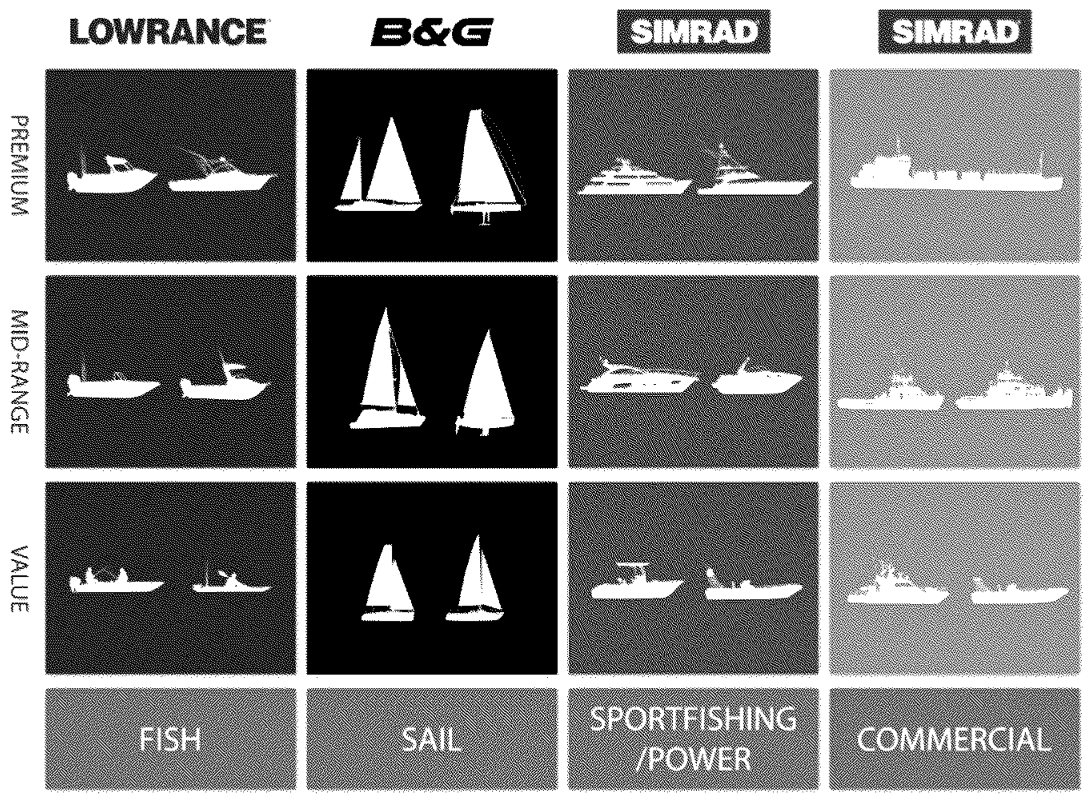
Lowrance is the world leader in marine electronics for fishing, developing original technology for anglers. From the beginning, Lowrance has used innovative design and leading sonar technologies to help anglers find and catch more fish – a tradition of making it easier for anglers to recapture the enjoyment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

Since the brand strategy was solidified, Navico's recreational and commercial businesses have thrived, giving customers a clear picture of the brands' roles and ambitions. 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®

**Established in 1957, and celebrating it's 60th anniversary in 2017, Lowrance is the dominant 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. 2016 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 a Jordan Lee win marking the sixth 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 9 and -12 inch Elite Ti models were introduced in the last half of 2016 as an expansion of the already popular series of touchscreen fishfinders and chartplotters. The HOOK series was a success in 'everyday value' with the quality you expect from Lowrance for anglers considering the purchase of a new fishfinder.

StructureScan® 3D was awarded the NMMA Innovation Award for marine electronics at the 2016 Miami Boat Show. DownScan Imaging™ continues to be a driving sonar technology to support the complete range of Lowrance fishfinders.

Lowrance continued its ambitious promotional campaign throughout 2016 with success in the early season continuing throughout the year. We continued a recognizable theme, the early-season Ultimate Upgrade and the spring-summer Catch A Great Deal programs.

# SIMRAD

## Simrad is the 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 Sportsfishing and powerboating.

In 2016 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, which has been well received by the consumer, in turn increasing the addressable number of vessels for the brand. Of particular note was the adoption of the Go Series by Pontoon boat builders who chose to make the Go 5 standard fit. The pontoon market is the fastest growing market in the USA. As part of the on-going development of the Go Series, a 9-inch version launched in September of 2016.

For many years, the Simrad brand has been renowned as the industry's leading autopilot solution. In 2016 a new range of autopilot solutions launched, featuring Continuum Steering Technology, representing a refinement of over 60 years of expertise and experience. These new autopilot solutions aim to retain and solidify the Simrad brand position as the leading autopilot solution on the market.

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 won the prestigious 2015 DAME Technology Category Award. During 2016, a number of competitors introduced new radar offerings, but the Simrad product still has a clear advantage in performance, clarity and accuracy.

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.

At the annual Mets show in 2016, Simrad revealed the new NSS evo3 multifunction chartplotter/fishfinder. This unit continues to offer a solution to both the cruising boat and Sportsfishing markets, featuring a bright wide-angle HD SolarMAX™ screen, duel sounders and ForwardScan® for fishing, combined with an all-weather touchscreen and expanded keypad for total control in all conditions. With the addition of a new deep water S5100 high-performance CHIRP sonar module scheduled for Feb 2017 Simrad have a very strong portfolio to drive further growth in 2017.


Stefan Coppers / Team Brunel / Volvo Ocean Race

# B&G

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

With a heritage stretching over 60 years, B&G is a true leader in sailboat electronics. 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.

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 5 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 2016 B&G launched a full range of new products. The Zeus3 in 7, 9, 12 and 16 inches provides the very best in sailing chartplotter technology with the latest dedicated sailing software, combined with an ultra-bright-wide-angle SolarMAX display and all-weather touchscreen. The Triton2 offers the clearest, multi-purpose sailing instrument with full-colour display; and the Vulcan 9 completed the Vulcan Chartplotter series also radar compatible and with B&G's unique sailing software including Sailsteer, Laylines and and RacePanel.

In 2017 B&G will continue to push innovation and strive to build products sailors will rely on and trust and that will allow them to follow their sailing dreams. B&G aims 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.

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.

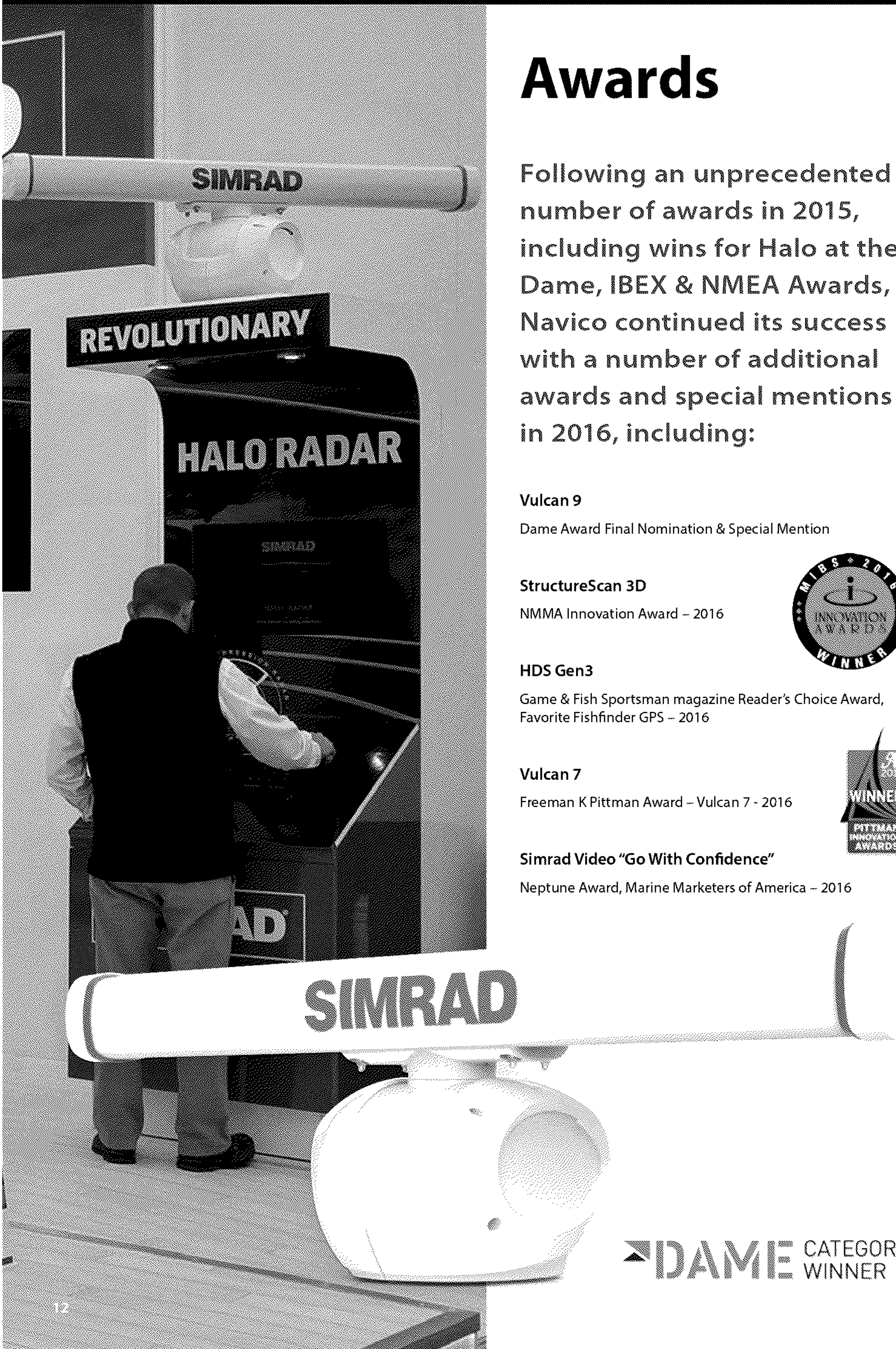
We continue to ensure that our products give captains and crew the confidence to go wherever the job takes them –our growing product portfolio is dependable, adaptable and smart, and continues to push innovation boundaries whilst ensuring ease of use.

2016 saw the addition of the M5027 to our family of type approve monitors. The 27" M5027 is suited to large passenger ships, tankers, and cargo ships as well as specialty vessels such as OSV, and is compliant with our 340mm CAT 1 Radars - both X&S band, and with our ECDIS platforms.

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 world-class 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 2017 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

**Following an unprecedented number of awards in 2015, including wins for Halo at the Dame, IBEX & NMEA Awards, Navico continued its success with a number of additional awards and special mentions in 2016, including:**

**Vulcan 9**

Dame Award Final Nomination & Special Mention

**StructureScan 3D**

NMMA Innovation Award – 2016

**HDS Gen3**

Game & Fish Sportsman magazine Reader's Choice Award, Favorite Fishfinder GPS – 2016

**Vulcan 7**

Freeman K Pittman Award – Vulcan 7 - 2016

**Simrad Video "Go With Confidence"**

Neptune Award, Marine Marketers of America – 2016

DAME CATEGORY WINNER

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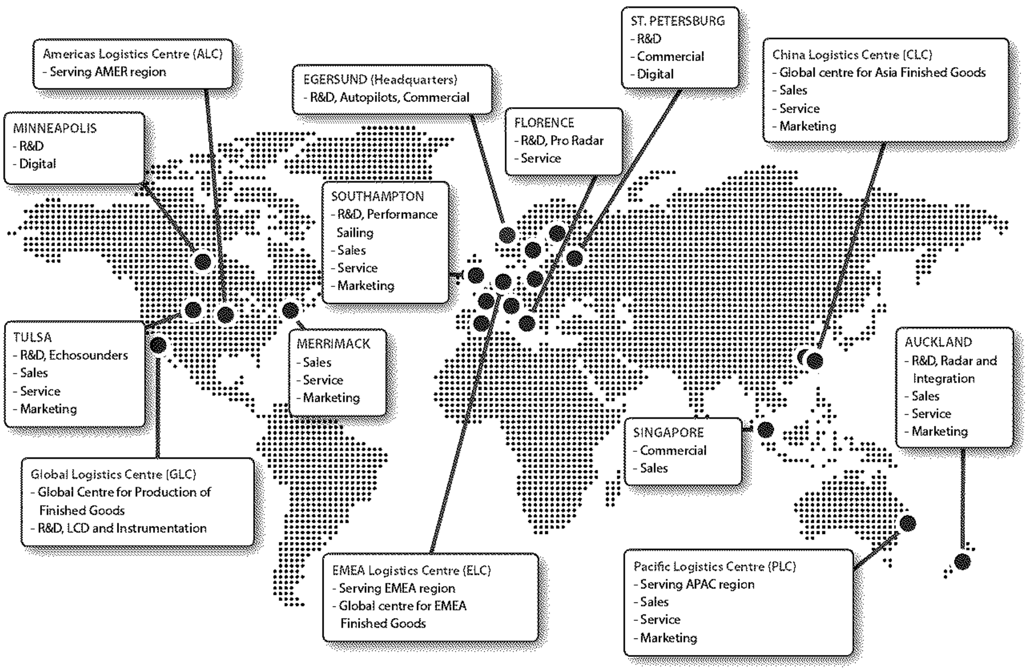
## Navico Global Presence

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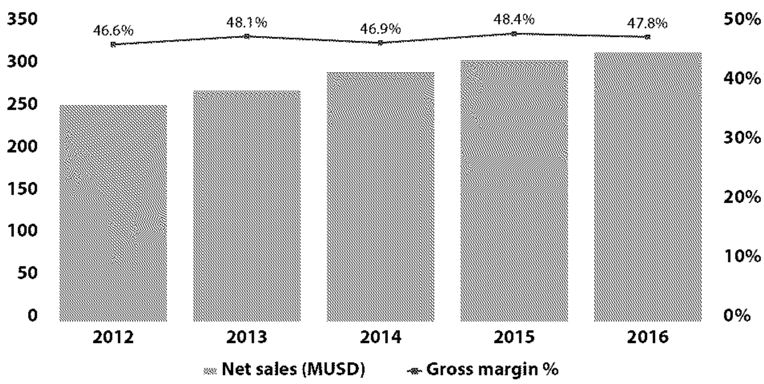
# Financial Summary

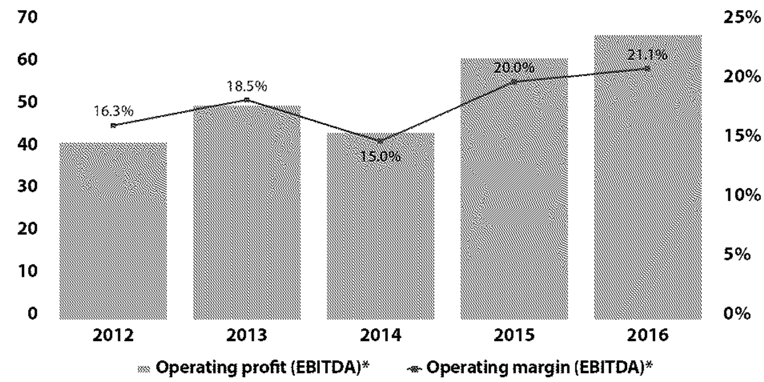
| | 2012 | 2013 | 2014 | 2015 | 2016[†] |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net sales | 256.0 | 273.1 | 294.7 | 308.8 | 317.7 |
| Gross profit | 119.3 | 131.5 | 138.3 | 149.4 | 151.9 |
| Operating profit (EBITDA) * | 41.7 | 50.5 | 44.1 | 61.7 | 67.2 |
| Profit before financial items (EBIT) * | 21.9 | 29.1 | 18.8 | 34.9 | 38.4 |
| **Balance sheet** | | | | | |
| Inventories | 51.9 | 64.0 | 63.8 | 61.4 | 59.4 |
| Trade and other receivables | 45.5 | 42.3 | 51.8 | 52.3 | 61.0 |
| Total assets | 246.7 | 263.0 | 281.2 | 279.0 | 593.3 |
| Shareholders' equity | (104.0) | (96.2) | (96.8) | (97.4) | 244.8 |
| **Cash flow and investments** | | | | | |
| Cash flow from operating activities | 17.2 | 28.6 | 38.2 | 43.7 | 35.7 |
| Net investments, including acquisitions | 13.6 | 27.8 | 32.1 | 28.2 | 23.5 |
| **Performance ratios (%)** | | | | | |
| Gross margin | 46.6% | 48.1% | 46.9% | 48.4% | 47.8% |
| Operating margin (EBITDA) | 16.3% | 18.5% | 15.0% | 20.0% | 21.1% |

* before exceptional items
[†]Pro-forma full year numbers to reflect actual Navico activities. The years 2012 up to and including 2015 relate to the consolidated financial statements of Navico Holding AS.

## Sales and gross margin




## Operating profit



# President & Chief Executive Officer

## Leif Ottosson

Leif Ottosson has an impressive depth of experience from strategic, financial and operational roles in a variety of industries. He holds a BSc (magna cum laude) in Finance and Mathematics from Northern Arizona University and an MBA from Harvard University. The 12 years prior to Navico he worked as an entrepreneur and successfully built three companies within manufacturing, software and consulting. Prior to 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.

Louis Chemi

EVP, Managing Director Recreational Marine Division

Louis Chemi joined Navico in 2007 as EVP Product Management to develop the product roadmap and product management team. He then undertook management roles including, EVP sales and marketing & Americas COO, before taking global responsibility for recreational marine.

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.

Tom Edvardsen

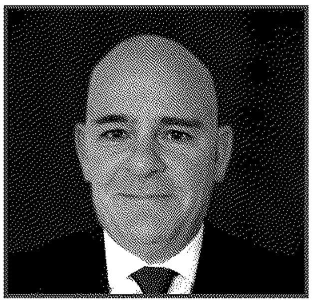
EVP, Head of R&D

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.

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.



Martin Louden

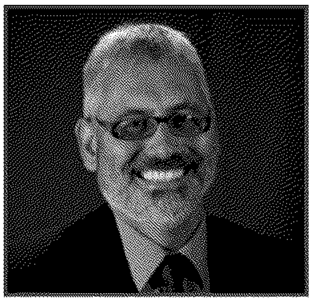
NZ, R&D Manager

Martin Louden joined Navico in 2010. Based in the New Zealand office, Martin is responsible for both local Research and Development activities & global Project Management. His entire career has been spent in new product development across defence, consumer & marine sectors.

John Scott

EVP, Head of Product Management & Marketing

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.



Andrew Corbett

Chief Technical Officer

Andrew Corbett has 23 years' experience in electronics product and software development. He graduated from the University of Canterbury with a B.E (Honours) in electrical and electronic engineering. He was R&D manager when Navman was acquired by Navico. In 2012, Andrew became Global CTO for Navico.

Anita Hatherley

SVP Global Logistics

Originally from the UK, Anita Hatherley has over 25 years' experience in both the Marine Industry and Logistics field. She has spent the past 7 years with Navico, and is currently responsible for the Global Logistics function. She is currently a member of the NMMA BoatPAC board.

Greg Wilson

Global Director of Information Technology

Greg Wilson has developed IT strategies for regional and global companies alike. He holds a BS in Mathematics from Oklahoma State University and an MBA from the University of Tulsa. Prior to Navico, Greg worked in IT consulting for a systems integrator and managed his own successful IT consulting firm.

Jonathon Pudney

Global Marketing Director

Jonathon Pudney has had an impressive career in global brand development and marketing with experience in over 28 countries. His expertise in the diamond markets led to the development of the world's first diamond hallmark (Forevermark). He also led the World Diamond Council Diamondfacts.org campaign.

John Lloyd

Director Global Quality

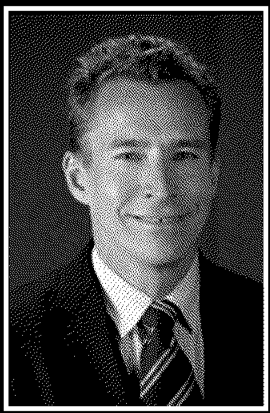
John Lloyd joined Navico in early 2015. Working out of the Ensenada factory, John is responsible for Supplier Quality, the Global Repair Center and Regulatory Compliance. John has an Electrical Engineering degree from the University of Maryland and an MBA from San Diego State University.

Shawna Santos

PMO & Strategy

Shawna Santos joined Navico in 2007 as Controller, Product Management. She has since held positions in R&D, Finance, and Operations and is now responsible for the Program Management Office. Shawna has 20 years of experience in the marine industry, she holds a BS (magna cum laude) from Southern NH University.

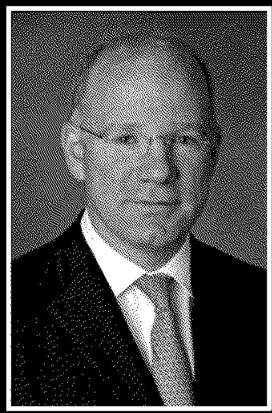
# Board of Directors



## 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.



## Martin Hintze

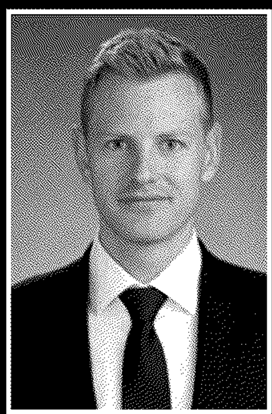
Martin is a managing director in the Merchant Banking Division and co-heads the corporate equity investing business in Europe. He is a member of the MBD Corporate Investment Committee. Martin joined Goldman Sachs in 1999 in the Investment Banking Division in Frankfurt and joined the Principal Investment 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.

## 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.



## 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.

# Report of the Board of Directors and Chief Executive Officer

**(All figures between brackets are related to the comparative 2015 figures)**

## 1. General Information

The market for maritime electronics used in recreational boats has proven to be a relatively stable business 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 which 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 17 million (USD 28 million) for the pro forma full year, highly impacted by transaction related expenses. Net Sales for the Group in 2016 increased to USD 318 million from USD 309 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 2016. The improved liquidity situation is due to solid Operating Results combined with tight control on CAPEX and Working Capital.

Navico has met all its bank covenants as per 31 December 2016 and the Board is of the opinion that this will be the case for 2017 as well. As per March 31st, 2017 Navico's bank financing is re-financed by means of a new finance structure, with lesser financial covenants.

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, the impairment tests that have been presented, and in light of the group's liquidity situation, the group budget for 2017 and the medium term plans, 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, 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 consolidated annual report 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 29).

## 2. Financials

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

The consolidated financial statement for 2016 only covers the last 3 months of the year as explained in section 1 above. Later in this section also pro-forma full year numbers will be presented (including comparative numbers - see note 29). The Group's revenue in Q4-2016 was USD 75 million. Earnings after taxes were negative, at USD 10 million, highly impacted by transaction costs. EBITDA for the period was USD 16.2 million when excluding special items. Parent company's earnings after taxes were negative at USD 12.5 million.

On a pro forma full year basis the Group revenue for 2016 was USD 318 million (USD 309 million). Earnings after taxes were negative at USD 8.6 million mainly due to special items. The pro forma 2016 EBITDA would have been USD 67.2 million (USD 61.7 million), when excluding special items.

The investments during the fourth quarter of 2016 in property, plant and equipment in the Group were USD 2.7 million. On a pro-forma full year basis these investments are USD 8 million (USD 7 million) and mainly related to equipment, machinery and tools. In addition the Group added USD 4 million in the fourth quarter on intangible assets, which mainly relate to capitalized development cost. On a pro-forma ful year basis the additions in intangible assets amounts to USD 15.4 million.

The Group's liquidity and unused credit facilities as of 31 December 2016 were USD 25 million.

The Group's total assets at the end of the year amounted to USD 593 million. Paid in equity in the Group as of 31 December 2016 was USD 256 million. After transfer of the current year's results, the Group stands with a positive equity of USD 245 million. The parent company's equity is positive at USD 243 million. The Board considers the equity to be adequate to operate the company going forward.

### Acquisitions

Other than the merger described in section 1 "General Information", Navico Group AS has not been involved in any acquisitions in 2016.

### Financing

On September 30th, 2016 the group entered into a finance agreement with a number of banks for a total amount of USD 265 million for a period of 6 years, which included specific financial covenants. As per March 31st, 2017 this debt was refinanced under new conditions also for a period of 6 years as of March 31st , 2017.

### 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 2016 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 for the last few years. The Group has hedged part of 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. Key elements to improve the company's liquidity reserves are increased profitability, and continued focus on reducing the working capital; especially through a close control of receivables, and a further reduction of inventories. Furthermore the liquidity position was improved by a capital injection from the new shareholders.

### Annual results and allocations

The board recommends that the statutory Navico Group AS negative annual result of USD 12,521 thousand is deducted from the retained earnings.

## 3. People

At the end of 2016, the group had 1,599 full-time equivalent (FTE) employees (1,417 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 a global monitoring system is under development.

### 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 2017 and onwards

The Group strategy has been further defined within the Board of Directors and the Corporate Executive Committee and after change in ownership during 2016 the group will also strongly focus on further developing in the commercial market segment and capitalizing on its strong installed base to drive revenues from digital business models. To accomplish this the company also is 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 a limited number of shareholders with a Board of Directors and with a Corporate Executive Committee. The Board of Directors meets at least 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.

During 2016 the company established an audit committee to improve its governance and 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. 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

As per March 2017 the company entered into a new finance agreement which secures financing for the next 6 years.

Egersund, 20 April 2017

Board of Directors

Mr. Hugo Maurstad - Chairman

Mr. Martin Hintze

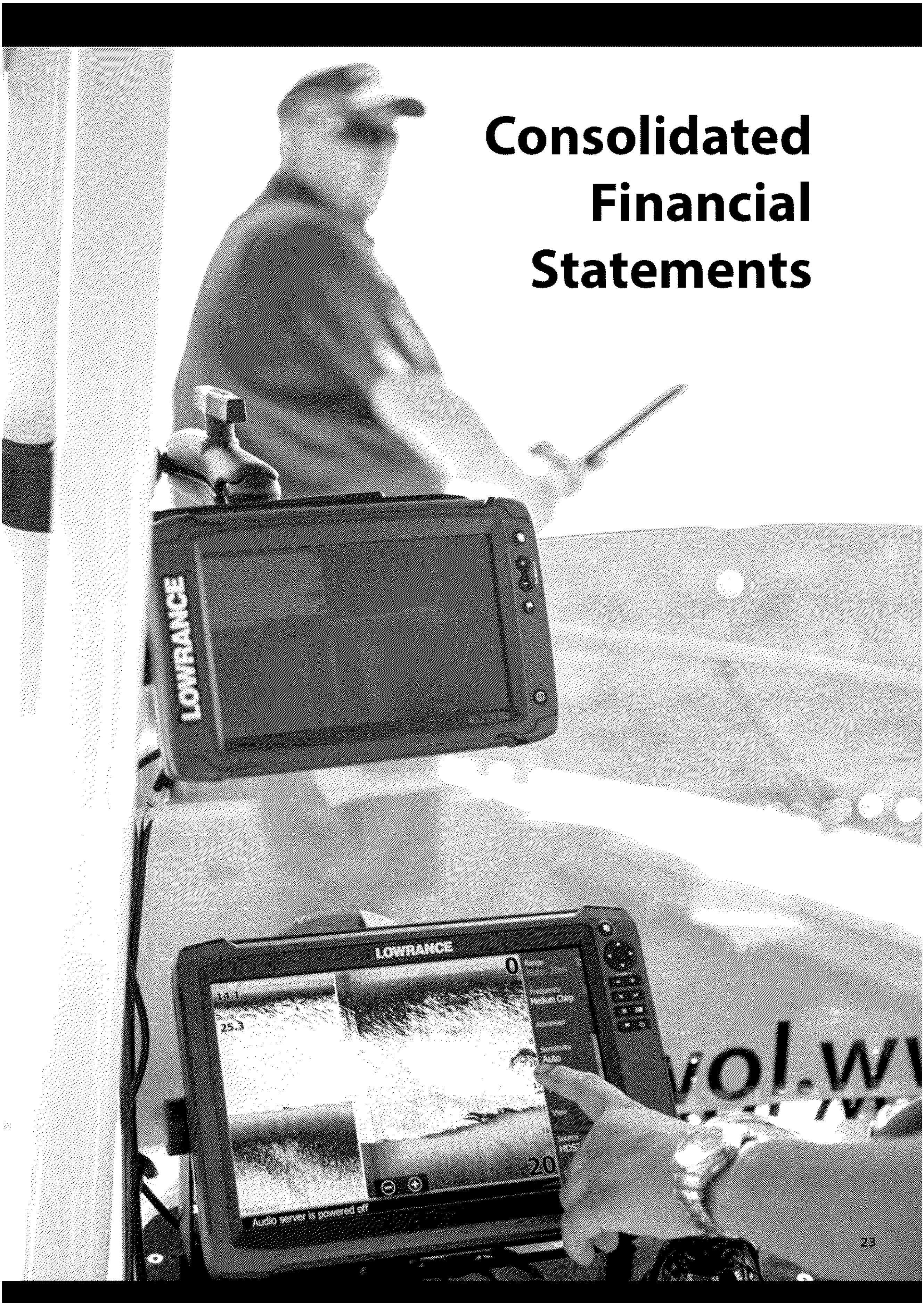
Mr. David Hess

Mr. Michael Bruun

**President & CEO**

Mr. Leif Ottosson

# Consolidated Financial Statements



## Consolidated income statement

| Continuing operations<br>*USD (thousands)* | Notes | 6 June -<br>31 December 2016 |
|---|---|---|
| **Revenue** | | **74,744** |
| Cost of sales | | (39,937) |
| **Gross profit** | | **34,807** |
| | | |
| Other external expenses | 7 | (4,522) |
| Employee benefit expenses | 8 | (14,069) |
| Depreciation, amortization and impairment | 9 | (9,739) |
| Special items | 10 | (15,390) |
| **Results from operating activities** | | **(8,913)** |
| | | |
| Finance income | 11 | 3,697 |
| Finance expense | 11 | (6,031) |
| **Net finance costs** | | **(2,334)** |
| | | |
| Share of profit / (loss) of equity-accounted investees, net of tax | | - |
| **Profit / (loss) before tax** | | **(11,247)** |
| | | |
| Income tax credit / (expense) | 15 | 1,188 |
| **Profit / (loss) for the year** | | **(10,059)** |
| | | |
| **Discontinued operation** | | |
| Profit (loss) from discontinued operation (net of tax) | | - |
| **Profit / (loss) for the year** | | **(10,059)** |
| | | |
| **Profit / (loss) attributable to:** | | |
| Equity holders of the parent | | (10,059) |
| Non-controlling interests | | - |
| **Profit / (loss) for the year** | | **(10,059)** |

## Consolidated statement of comprehensive income

| *USD (thousands)* | Notes | 6 June -<br>31 December 2016 |
|---|---|---|
| **Profit / (loss) for the year** | | **(10,059)** |
| | | |
| **Other comprehensive income** | | |
| Exchange differences on translation of foreign operations | | (601) |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | | **(601)** |
| | | |
| **Total comprehensive income / (loss) for the year** | | **(10,660)** |
| | | |
| **Total comprehensive income / (loss) attributable to:** | | |
| Equity holders of the parent | | (10,660) |
| Non-controlling interests | | - |
| **Total comprehensive income** | | **(10,660)** |

## Consolidated balance sheet

| USD (thousands) | Notes | 31 December 2016 |
|---|---|---|
| **Assets** | | |
| Intangible assets | 12 | 411,955 |
| Property, plant and equipment | 14 | 40,263 |
| Other non-current assets | | 4 |
| Deferred tax assets | 15 | 13,284 |
| **Total non-current assets** | | **465,506** |
| | | |
| Inventories | 16 | 59,402 |
| Trade and other receivables | 17 | 61,010 |
| Cash and cash equivalents | 18 | 7,333 |
| **Total current assets** | | **127,745** |
| | | |
| **Total assets** | | **593,251** |
| | | |
| Total equity attributable to owners of the Company | 19 | 244,840 |
| Non-controlling interests | | - |
| **Total equity** | | **244,840** |
| | | |
| **Liabilities** | | |
| Interest-bearing loans and borrowings | 20 | 226,868 |
| Other non-current liabilities | | - |
| Deferred income tax liabilities | 15 | 63,231 |
| **Total non-current liabilities** | | **290,099** |
| | | |
| Interest-bearing loans and borrowings | 20 | 7,526 |
| Trade and other payables | 22 | 43,170 |
| Provisions | 23 | 6,790 |
| Current income tax liabilities | | 826 |
| **Total current liabilities** | | **58,312** |
| | | |
| **Total liabilities** | | **348,411** |
| | | |
| **Total equity and liabilities** | | **593,251** |

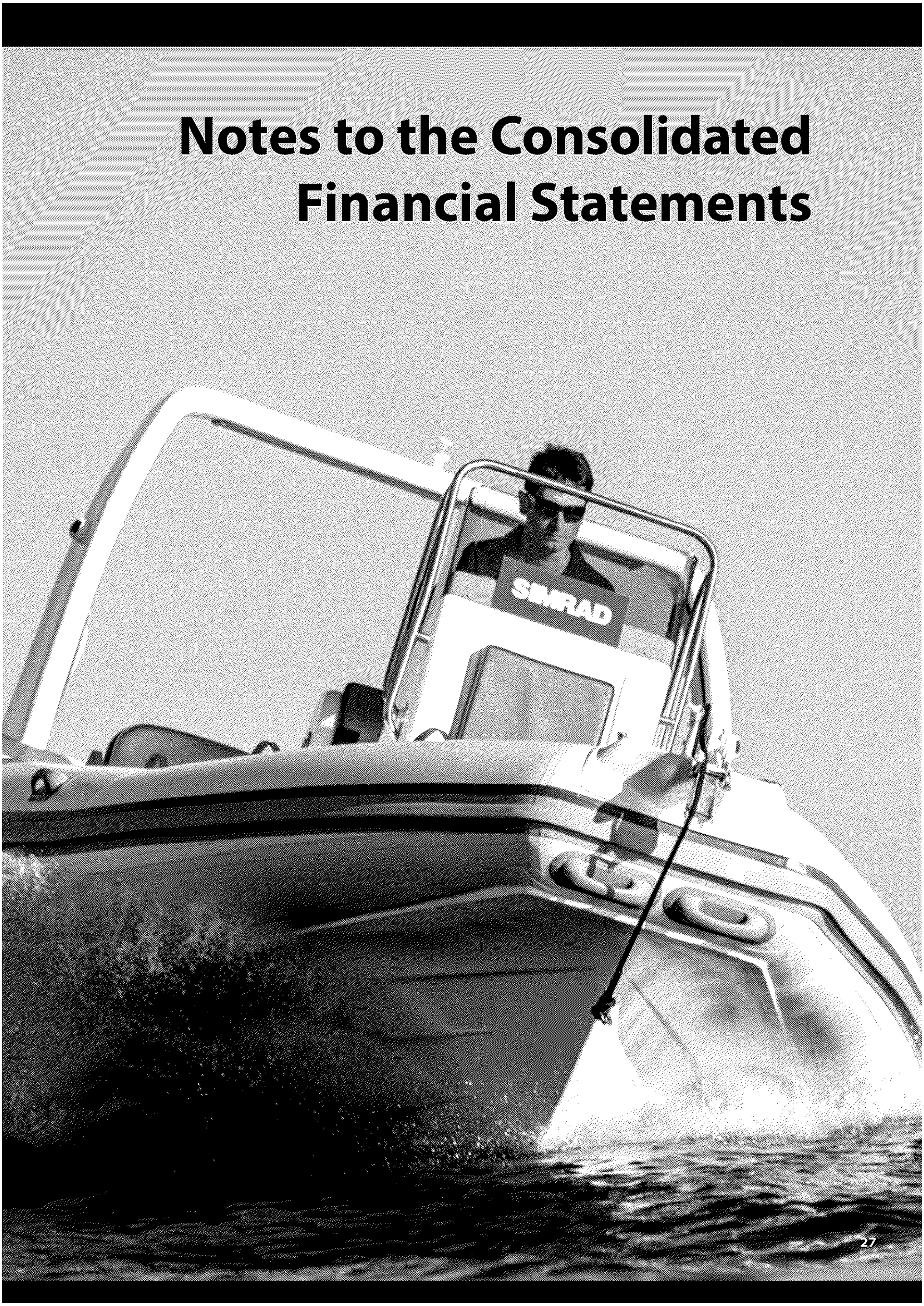
## Consolidated statement of changes in equity

| | | Attributable to owners of the parent | | | | |
|---|---|---|---|---|---|---|
| USD (thousands) | Notes | Issued capital | Share premium | Retained Earnings | Translation reserve | Total equity |
| Balance at 6 June 2016 | | - | - | - | - | - |
| | | | | | | |
| **Capital contribution from shareholders** | | **318** | **255,182** | - | - | **255,500** |
| | | | | | | |
| **Total comprehensive income for the year** | | | | | | |
| Profit / (loss) for the year | | - | - | (10,059) | - | (10,059) |
| | | | | | | |
| **Other comprehensive income** | | | | | | |
| 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) | | - | - | - | - | - |
| **Other comprehensive income for the year** | | **(22)** | **-** | **22** | **(601)** | **(601)** |
| **Total comprehensive income for the year** | | **(22)** | **-** | **(10,037)** | **(601)** | **(10,660)** |
| | | | | | | |
| **Balance at 31 December 2016** | | **296** | **255,182** | **(10,037)** | **(601)** | **244,840** |

## Consolidated cash flow statement

| USD (thousands) | Notes | 6 June - 31 December 2016 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit / (loss) for the year before tax | | (11,247) |
| | | |
| **Non cash adjustment to reconcile profit before tax to net cash flow** | | |
| Depreciation / amortisation and impairment of assets | | 9,739 |
| Gain on disposal of property, plant and equipment | | |
| Finance income | | (3,697) |
| Finance expense | | 6,031 |
| Change in provisions | | 688 |
| Other non-cash items (forex translation related) | | (600) |
| **Sub-total** | | **914** |
| | | |
| Foreign currency (gains) / losses | | (1,602) |
| Income tax (paid) / received | | (1,709) |
| **Sub-total** | | **(3,311)** |
| | | |
| Decrease / (increase) in inventories | | 2,382 |
| Decrease / (increase) in trade and other receivables | | (11,002) |
| (Decrease) / increase in payables | | 2,852 |
| Decrease / (Increase) in other non current assets | | - |
| **Changes in working capital:** | | **(5,768)** |
| **Net cash from (used in) operating activities** | | **(8,165)** |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | | (2,655) |
| Proceeds from sale of property, plant and equipment | | - |
| Purchase of intangible assets | | (4,295) |
| **Net cash used in investing activities** | | **(6,950)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | | 255,500 |
| Interest paid | | (3,627) |
| (Decrease) / increase bank overdraft | | (9,824) |
| New non-current liabilities | | 243,500 |
| Repayment of debt | | (288,052) |
| Bank fees | | (8,712) |
| Repayment of loans from related parties | | (20,628) |
| Repurchase of shares | | (145,709) |
| **Net cash from financing activities** | | **22,448** |
| | | |
| **Net increase / (decrease) in cash and cash equivalents** | | **7,333** |
| Cash and cash equivalents at 6 June | | - |
| | | |
| **Cash and cash equivalents at 31 December** | | **7,333** |

# Notes to the Consolidated Financial Statements



# Sub-Contents

# 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 2016 were authorised for issue in accordance with a resolution of the board on 20 April 2017. 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 issued by the International Accounting Standards Board (IASB) 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 2016.

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 has met all its bank covenants as per 31 December 2016, and the Board is confident this will be the case for 2017 as well.

With respect to its subsidiary Navico UK Limited (registered number 00565631), the Group has given a guarantee in the form prescribed by the United Kingdom Companies Act, which enables Navico UK Limited to obtain exemption from the audit requirements of the United Kingdom Companies Act for the year ended 31 December 2016.

# 3. Basis of consolidation

## Subsidiaries

As at 31 December 2016, the Group had direct or indirect interests in the following subsidiaries, the particulars of which are set out below:

| Company *(amounts in thousands)* | Place of operation | Country of incorporation | Currency | Nominal value of issued share capital | Percentage of equity attributable to the company 2016 |
|---|---|---|---|---|---|
| Navico SA, France | Treillieres, France | France | EUR | 59 | 100% |
| Navico UK Ltd | Romsey, England | United Kingdom | GBP | 1,227 | 100% |
| Navico Logistics Europe BV | Dordrecht, Netherlands | Netherlands | EUR | 18 | 100% |
| Navico GmbH | Schleswig, Germany | Germany | EUR | 100 | 100% |
| Navico Italia SRL | Milano, Italy | Italy | EUR | 15 | 100% |
| Navico Marine Electronics S.L | Alicante, Spain | Spain | EUR | 100 | 100% |
| Navico Inc. | Tulsa, Oklahoma, USA | USA | USD | 78,363 | 100% |
| Electronica Lowrance de Mexico, S.A. de C.V. | Ensenada, Mexico | Mexico | MXN | 60,000 | 100% |
| Navico Auckland Ltd | Auckland, New Zealand | New Zealand | NZD | 35,000 | 100% |
| Navico Shanghai Trading Company LTD | Shanghai, China | China | CNY | 4,057 | 100% |
| Navico Australia PTY Ltd | Sydney, Australia | Australia | AUD | - | 100% |
| Navico (Suzhou) Trading Company LTD | Suzhou, China | China | CNY | 12,906 | 100% |
| Navico Sweden AB | Goteborg, Sweden | Sweden | SEK | 500 | 100% |
| Navico RBU Italia SRL | Milano, Italy | Italy | EUR | 10 | 100% |
| Nav Marine Electronics Oy | Finland | Finland | EUR | 3 | 100% |
| Contour Innovations LLP | Minneapolis, USA | USA | USD | - | 100% |
| Navico Marine Singapore Pte. Ltd. | Singapore | Singapore | SGD | 101 | 100% |
| Maritime Information Systems AS | Tonsberg, Norway | Norway | NOK | 1,536 | 100% |
| Navico Rus LTd. | St. Petersburg, Russia | Russia | RUB | 10 | 100% |
| Nanna U.S. BidCo, LLC | Tulsa, Oklahoma, USA | USA | USD | 69 | 100% |
| Navico Holding AS | Egersund, Norway | Norway | NOK | 203,608 | 100% |

## 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 combinations 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 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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.

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 Impairment of assets

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. If an asset does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market interest rates and the risks specific to the asset.

When the recoverable amount of a non-current asset is less than its carrying amount, the carrying amount is impaired to its recoverable amount and an impairment charge is recognised in the income statement. An impairment loss is reversed when there has been a change in estimate that is relevant for the determination of the asset's recoverable amount since the last impairment loss was recognised.

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.

## 4.6 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 are solely assessed as finite. Intangible assets with finite 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 finite 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 finite 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 | Infinite |
| Customer relations | 15 |
| Software | 3 - 5 |

## 4.7 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.

## 4.8 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.

## 4.9 Financial Instruments

### *4.9.1 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.

## *4.9.2 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.

[redacted]

**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 24.

## *4.9.3 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.

## 4.10 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



[redacted]

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.

## 4.11 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.

## 4.12 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.

## 4.13 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.

## 4.14 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.

## 4.15 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.

## 4.16 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).

## 4.17 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 received and paid, dividends received and profits tax 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.

## 4.18 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 2016, have been adopted by the Group from 1 January 2016. 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 2016 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.

While the Group has yet to undertake a detailed 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 detailed quantitative assessment of the new impairment model concerning the doubtful debtors in the upcoming reporting period. An action plan was initiated regarding the new impairment requirements by the Group, and will be executed over the next twelve months.

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. The Group does not intend to adopt IFRS 9 before its mandatory date.

### 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 preliminary assessment is that IFRS 15 will have limited impact on the Group's revenue recognition. The Group is still in the process of assessing the full impact of the application of IFRS 15 on the Group's financial statements, and it is not practicable to provide a reasonable financial estimate of the effect until the Group completes this detailed review. As a result, the above preliminary assessment is subject to change. The proposed transition approach is full retrospective, with the cumulative effect recognised on 1 January 2017.

IFRS 15 was endorsed by the EU on 22 September 2016 and is mandatory for financial years commencing on or after 1 January 2018. The Group expects to apply IFRS 15 as of 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 lowvalue 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 10.2 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 prospective with the cumulative effect of initial application recognised as an adjustment to the opening balance of equity on 1 January 2019. Under this approach, the Group does not restate comparative information.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019 (subject to EU endorsement) and the Group expects to apply IFRS 16 as of 1 January 2019. No early adoption will be applied and the Group will further assess certain available transition reliefs.

### Disclosure Initiative – Amendments to IAS 7

This amendment requires disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group is currently assessing the impact of the amendment on the Group's consolidated financial statements. This disclosure initiative is mandatory for financial years commencing on or after 1 January 2017.

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

### Acquisitions 2016

As per September 30th, 2016 Navico Group AS acquired 100% of the shares and voting rights in Navico Holding AS, by means of a merger between Nanna Merger Sub AS and Navico Holding AS, where Navico Holding AS merged into Nanna Merger Sub AS. Subsequently Nanna Merger Sub AS was renamed to Navico Holding AS and the old shares in Navico Holding AS were repurchased by the company. We have considered this to be a business combination under IFRS3 and hence subsequently did a provisional Purchase Price Allocation as required under IFRS 3. The remaining goodwill comprises items not seperately valuable, like the knowledge and skills of employees.

| **Navico Holding AS**<br>*USD (millions)* | **Fair value recognised on acquisition** |
|---|---|
| Property, plant and equipment | 39.3 |
| Intangible assets | 222.6 |
| Inventories | 61.8 |
| Deferred tax assets | 13.9 |
| Trade and other receivables | 40.0 |
| Cash and cash equivalents | 32.4 |
| Deferred tax liabilities | (66.4) |
| Loans and borrowings | (233.6) |
| Trade and other payables | (60.1) |
| **Total net identifiable assets at fair value** | **49.9** |
| Non-controlling interest of acquiree's net assets | - |
| Goodwill arising on acquisition | 193.1 |
| **Purchase consideration** | **243.0** |

In order to get a better view of the full year results of the company we refer to section 29 of this annual report where we have reflected a full year condensed income statement including comparative figures.

## 7. Other external expenses

| *USD (thousands)* | **6 June - 31 December 2016** |
|---|---|
| Total marketing expense | (2,750) |
| Total office costs | (3,370) |
| Total purchased services | (1,684) |
| Total travel and entertainment | (1,367) |
| Other costs | 4,649 |
| **Total** | **(4,522)** |

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 771 thousand for the 4th quarter. On a pro-forma full year basis these costs amounted to USD 3,321 thousand (2015: USD 3,218 thousand)

The table below on the group audit fees has been prepared on a full-year basis and not for the 4th quarter only as this provides more appropriate information to the users.

| **Group audit fees (EY) excluding VAT**<br>*USD (thousands)* | **31 December 2016** |
|---|---|
| Statutory audit of financial statements | (388) |
| Tax advisory services | (147) |
| Other non-audit services | (1,031) |
| **Total** | **(1,566)** |

## 8. Employee benefit expenses

| *USD (thousands)* | **6 June - 31 December 2016** |
|---|---|
| Wages and salaries | (11,740) |
| Social security costs | (1,402) |
| Pension charges | (411) |
| Other costs | (516) |
| **Total** | **(14,069)** |

The pension charges are based on the premiums paid for the defined contribution plans.

## 9. Depreciation and amortization

| *USD (thousands)* | **6 June - 31 December 2016** |
|---|---|
| Amortization | (4,504) |
| Amortization (PPA) | (3,456) |
| **Total Amortization** | **(7,960)** |
| Depreciation | (1,425) |
| Depreciation (PPA) | (354) |
| **Total Depreciation** | **(1,779)** |
| | |
| **Total Depreciation and Amortization** | **(9,739)** |

The amortization in the period mainly relates to development costs, however it also includes amortization of technology and capitalized customer relations from the acquisition as described in section 6.

## 10. Special Items

Special Items in 2016 mainly relate to non-recurring costs due to the acquisition of the Navico activities, strategic consulting and one-off legal expenses.

## 11. Financial income and expense

| *USD (thousands)* | **6 June - 31 December 2016** |
|---|---|
| **Finance costs** | |
| Interest on bank loans and overdrafts | (3,713) |
| Net foreign exchange expenses | (1,602) |
| Net change in fair value of derivates | - |
| Other finance expenses | (716) |
| **Total finance costs** | **(6,031)** |
| | |
| **Finance income** | |
| Interest income on loans and receivables | - |
| Net change in fair value of derivates | 3,673 |
| Net foreign exchange income | - |
| Other finance income | 24 |
| **Total finance income** | **3,697** |
| | |
| **Net finance income/(cost) in profit and loss** | **(2,334)** |
| | |
| **Other financial income and expense** | |
| Exchange differences on translation of foreign operations | (601) |
| **Finance income / (costs) in other comprehensive income** | **(601)** |

## 12. Intangible assets

| USD (thousands) | Development projects | Goodwill | Brand Name | Customer relations | Purchase of software | Other | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 6 June 2016** | | | | | | | |
| Purchase Price | - | - | - | - | - | - | - |
| Accumulated amortisation and impairment | - | - | - | - | - | - | - |
| **Carrying amount** | - | - | - | - | - | - | - |
| | | | | | | | |
| 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 |
| Disposals | - | - | - | - | (171) | - | (171) |
| Translation Differences (CTA) | - | - | - | (29) | (78) | (3) | (110) |
| Amortisation Disposals | - | - | - | - | 170 | - | 170 |
| Amortisation | (5,440) | - | - | (1,517) | (226) | (777) | (7,960) |
| **Balance period** | **61,293** | **193,137** | **64,722** | **84,564** | **878** | **7,361** | **411,955** |
| | | | | | | | |
| **Balance at 31 December 2016** | | | | | | | |
| 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) |
| **Carrying amount** | **61,293** | **193,137** | **64,722** | **84,564** | **878** | **7,361** | **411,955** |

## 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 111 million for Americas, USD 9 million for EMEA and USD 16 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 2016 to 2020. 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 renewned 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: 2.0 %, for the period 2016 to 2020. The annual growth rate in the terminal value is 3.0 % 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 14.0% 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 |
|---|---|---|---|---|---|
| **Balance at 6 June 2016** | | | | | |
| Purchase Price | - | - | - | - | - |
| Accumulated depreciation and impairment | - | - | - | - | - |
| **Carrying amount** | **-** | **-** | **-** | **-** | **-** |
| | | | | | |
| 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) |
| **Balance period** | **14,507** | **8,429** | **11,878** | **5,449** | **40,263** |
| | | | | | |
| **Balance at 31 December 2016** | | | | | |
| Purchase Price | 14,717 | 8,750 | 12,790 | 5,449 | 41,706 |
| Accumulated depreciation and impairment | (210) | (321) | (912) | - | (1,443) |
| **Carrying amount** | **14,507** | **8,429** | **11,878** | **5,449** | **40,263** |

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 the 4th quarter result was USD 1,188 thousand positive, which represents an effective income tax rate of 10.2% negative, and can be broken down as follows:

| USD (thousands) | 6 June - 31 December 2016 |
|---|---|
| **Current tax (expense) / credit** | |
| Current year | (727) |
| Prior-year adjustments | (78) |
| | **(805)** |
| **Deferred tax (expense) / credit** | |
| Current year | 2,080 |
| Prior-year | (87) |
| | **1,993** |
| | |
| **Total income tax (expense) / credit** | **1,188** |

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

| USD (thousands) | 6 June - 31 December 2016 |
|---|---|
| **Result before tax** | **(11,247)** |
| Income tax 25% (2015: 27%) | 2,812 |
| | |
| **Corrected for tax adjustments of:** | |
| Prior-year | - |
| Change in tax rate (Norwegian / foreign) | 230 |
| Change in non-recognition of deferred tax assets | (3,101) |
| deferred tax current year | 1,144 |
| Permanent differences / IFA depreciation at Group | (421) |
| Other | 524 |
| **Total income tax (expense) / credit** | **1,188** |

The positive effective tax rate is mainly caused by the deferred tax in the current year, which is predominantly related to Purchase Price Accounting.

| USD (thousands) | 6 June - 31 December 2016 |
|---|---|
| Domestic income tax rate | -25.0% |
| Deviating rates and other effects | 14.8% |
| **Total effective tax rate** | **-10.2%** |

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

| USD (thousands) | 31 December 2016 |
|---|---|
| **At 6 June** | |
| Deferred tax assets | - |
| Deferred tax liabilities | - |
| **Total** | **-** |
| | |
| **Changes deferred tax :** | |
| Opening balance of deferred tax at September 30th, 2016 | 4,982 |
| Recognition of a deferred tax liability due to PPA | (57,500) |
| Income tax expense in Income statement | 1,144 |
| Other effects | 1,427 |
| **Total** | **(49,947)** |
| | |
| **At 31 December** | |
| Deferred tax assets | 13,284 |
| Deferred tax liabilities | (63,231) |
| **Total** | **(49,947)** |

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

| **Deferred tax assets/(liabilities)**<br>USD (thousands) | **31 December 2016** |
|---|---|
| Intangible assets | (59,461) |
| Property, plant and equipment | (4,047) |
| Inventories | 1,048 |
| Receivables | 284 |
| Current provisions | 2,057 |
| Other current liabilities | 1,239 |
| **Sub-total** | **(58,880)** |
| | |
| Tax loss carry forward | 49,139 |
| Not recognised | (40,206) |
| **Total net deferred tax assets and (liabilities)** | **(49,947)** |

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 23 million (USD 21 million of Earnings Strippings and USD 2 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. Inventories

| *USD (thousands)* | 31 December 2016 |
|---|---|
| Raw materials and consumables | 19,918 |
| Intermediates and finished goods | 34,828 |
| Work in progress | 4,656 |
| **Total** | **59,402** |

During the period of the 4th quarter an amount of USD 173 thousand was recognised as an expense for inventories carried at tnet realizable value. On a pro-forma full year basis this amount for 2016 would amount to USD 761 thousand (2015: USD 656 thousand). This is recognised in cost of sales and mainly relate to raw materials which are not being used anymore.

## 17. Trade and other receivables

| *USD (thousands)* | 31 December 2016 |
|---|---|
| Trade receivables | 53,776 |
| Less: Allowance for doubtful debts | (1,515) |
| Prepaid expenses | 4,779 |
| Receivables from related parties | 291 |
| Other debtors | 1,500 |
| Other Accruals | 2,179 |
| **Total Current Trade and other receivables** | **61,010** |

Below the aging overview on trade receivables is given.

| *USD (thousands)* | not past due < 30 days | 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 doubtfull debts - 2016 | (134) | (51) | (24) | (59) | (392) | (855) | (1,515) |
| **Net trade receivables - 2016** | **41,474** | **5,848** | **1,382** | **980** | **1,913** | **664** | **52,261** |

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

See Note 25.3 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.

## 18. Cash at bank and in hand

| *USD (thousands)* | 31 December 2016 |
|---|---|
| **Total balance at 31 December** | **7,333** |

### Limitation

Cash and cash equivalents are stated at nominal value.

The Group has pledged an amount of USD 1,158 thousand to fullfil collateral requirements and is therefore not freely available.

## 19. Shareholders' equity

| *USD (thousands)* | 31 December 2016 |
|---|---|
| **Balance at 6 June** | **-** |
| Capital contribution from shareholders | 255,500 |
| Net profit / (loss) | (10,059) |
| Exchange differences on translation of foreign operations | (601) |
| **Balance at 31 December** | **244,840** |

### Issued share capital

The authorized capital of the Group amounts to NOK 2,555 thousand (USD 296 thousand) and comprises 255,500 thousand ordinary shares of NOK 0.01 each. Each share gives one vote in the general assembly.

### Other changes/translation differences

Translation difference amounts USD 601 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.

## 20. Interest bearing loans and borrowings

### Non-current loans and borrowings

| *USD (thousands)* | **31 December 2016** |
|---|---|
| **Non-current borrowings** | |
| Loan TLA | 47,000 |
| Loan TLB | 190,000 |
| Non-current portion of capitalised finance cost | (6,529) |
| Valuta swaps/Forward contracts | (3,603) |
| **Total** | **226,868** |

Navico Group AS has an outstanding loan as per December 31st, 2016 with a number of banks, which had a long term nature (5 years). As per March 31st, 2017 this loan has been refinanced by a new loan which also has a long term nature (but with fewer financial covenants).

### Current loans and borrowings

| *USD (thousands)* | **31 December 2016** |
|---|---|
| **Current borrowings** | |
| Loan TLA | 3,000 |
| RCF | 3,500 |
| Bank overdraft | 2,658 |
| Current portion of capitalised finance cost | (1,632) |
| **Total** | **7,526** |

The Bank overdraft amounting USD 2.7 million relates to the multicurrency revolving credit facility with a maximum amount of USD 25 million, where the undrawn part is USD 18 million. In the refinancing as per March 31st 2017 the multicurrency revolving credit facility remained in place for the USD 25 million.

The interest rate swap amounting USD 3.6 million receivable relates to the instrument executed after the refinancing in the period of 2016 in which this instrument converts the variable interest rate on the new loans to a fixed interest rate.

## 21. 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 :<br>USD (thousands) | Currency | Nominal interest rate | Year of maturity | Fair value 31 December 2016 | Carrying amount 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 |
| **Total** | | | | **(233,397)** | **(233,397)** |

| Terms and conditions schedule of outstanding non current loans :<br>USD (thousands) | Currency | Nominal interest rate | Year of maturity | Fair value 31 December 2016 | Carrying amount 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) |
| **Total** | | | | **(9,158)** | **(9,158)** |

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 2016, 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 2016 the Group held the following financial instruments carried at fair value on the statement of financial position:

| Assets and liabilities measured at fair value<br>USD (thousands) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 December 2016** | | | | |
| Interest rate swap - non hedged | - | 3,603 | - | 3,603 |
| **Total assets** | **-** | **3,603** | **-** | **3,603** |

During the reporting period ending 31 December 2016, 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.

## 22. Trade and other payables

| USD (thousands) | 31 December 2016 |
|---|---|
| Accounts payable to suppliers and trade creditors | 23,483 |
| Payables to related parties | 159 |
| Personnel related liabilities | 5,277 |
| Other liabilities and accruals | 13,566 |
| VAT payable | 685 |
| **Total** | **43,170** |

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

## 23. Provisions

The provisions of USD 6.8 million fully relates to the warranty provision. 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 most of these costs will be incurred in the next financial year and all will have been incurred in total within two years after reporting date.

| **Warranties**<br>*USD (thousands)* | |
|---|---|
| **At 6 June 2016** | - |
| Acquisition of a subsidiary | 6,102 |
| Provisions made during the period | 3,291 |
| Provisions used during the period | (2,603) |
| **At 31 December 2016** | **6,790** |
| | |
| **Analysis of provisions:** | |
| Non-current | - |
| Current | 6,790 |
| **At 31 December 2016** | **6,790** |

## 24. Commitments and contingencies

### 24.1 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.

### 24.2 Future commitments

| **future commitments**<br>*USD (thousands)* | **IT Service 31 December 2016** | **Vehicles 31 December 2016** | **Office Rentals 31 December 2016** | **Other 31 December 2016** |
|---|---|---|---|---|
| Within one year | 101 | 223 | 3,053 | 8 |
| Between two and five years | 11 | 184 | 5,798 | 1 |
| More than five years | - | - | 841 | - |
| **Total** | **112** | **407** | **9,692** | **9** |

The operating activities mainly comprise of IT service commitments and office rental commitments. The Office rental commitments mainly concern US, The Netherlands, Australia, New Zealand, and Norway and vehicle commitments mainly concern lease cars in several European countries.

## 24.3 Guarantees

Guarantees for USD 157 thousand have been issued to suppliers for deliveries. Furthermore, bank guarantees are issued for rent building purposes in the Netherlands, New Zealand, and Australia, for a total amount of USD 537 thousand.

# 25. Financial risk management objective and policies

## 25.1 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.

## 25.2 Market risk

### *25.2.1 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.

### *25.2.2 Foreign currency risk sensitivity*

The following analysis of the sensitivity of 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, 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.

### *25.2.3 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.

### *25.2.4 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:

| **2016**<br>*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.

## 25.3 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 2016, the Group had large amount of different customers with a broad regional spread. There were six main customers with a total balance around USD 15,502 thousand accounting for 29% of the total amounts receivable.

## 25.4 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 2016**<br>*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 |
| **Total** | **49,327** | **3,000** | **31,397** | **202,000** | **285,724** |

The groups interest bearing loans and borrowing expire September 30th, 2022. Please also refer to the subsequent events where it is explained that in 2017 a refinancing of these loans has taken place.

## 25.5 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, 2016** | | |
|---|---|---|---|
| *USD (thousands)* | **Asset** | **Liabilities** | **Net** |
| Interest Rate Swap (IRS) | 3,603 | - | 3,603 |

## 25.6 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 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 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.

The group signed an agreement in 2016 with a number of banks relating to a multicurrency revolving credit facility and a term loan facility agreement. In the context of this agreement the Group should comply at all times with certain financial covenants as set out below. All financial covenants shall be tested on a consolidated basis. The financial covenants relate to the following ratio's:

- Interest Cover;
- Leverage;
- Capital Expenditure

December 31st, 2016 was the first testing moment for these covenants and these were all complied with and included sufficient headroom. Early 2017 the company managed to refinance this debt without any covenants going forward.

## 26. Workforce

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

## 27. 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** |
|---|---|---|
| Salary | 132 | - |
| Pension cost | 4 | - |
| Other | - | - |
| **Total** | **136** | **-** |

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 12 months.

## 28. 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:

| | | **2016** |
|---|---|---|
| **Related party transactions** | **Sales** | **Purchase** |
| *USD (thousands)* | **to** | **from** |
| Majority shareholder | - | - |
| A company owned by the majority shareholder | - | 712 |
| **Total** | **-** | **712** |

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

### 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.

### 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.

## 29. Pro forma full year financials

Due to the acquisition of the Navico activities as per September 30th, 2016 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 of the income statement, the balance sheet and the cash flow statement on a pro forma basis. No other pro-forma adjustments have been made to these numbers.

## 29.1 Income statement (Pro forma)

| **Continuing operations**<br>*USD (thousands)* | **2016** | **2015** |
|---|---|---|
| **Revenue** | **317,745** | **308,775** |
| Cost of sales | (165,875) | (159,422) |
| **Gross profit** | **151,870** | **149,353** |
| | | |
| Other external expenses | (25,100) | (28,826) |
| Employee benefit expenses | (59,542) | (58,855) |
| Depreciation, amortization and impairment | (28,865) | (26,802) |
| Special items | (21,578) | (7,321) |
| **Results from operating activities** | **16,785** | **27,549** |
| | | |
| Finance income | 3,318 | 4,486 |
| Finance expense | (26,072) | (29,320) |
| **Net finance costs** | **(22,754)** | **(24,834)** |
| | | |
| Share of profit / (loss) of equity-accounted investees, net of tax | - | - |
| **Profit / (loss) before tax** | **(5,969)** | **2,715** |
| | | |
| Income tax credit / (expense) | (2,586) | (6,697) |
| **Profit / (loss) for the year** | **(8,555)** | **(3,982)** |
| | | |
| **Discontinued operation** | | |
| Profit (loss) from discontinued operation (net of tax) | - | - |
| **Profit / (loss) for the year** | **(8,555)** | **(3,982)** |
| | | |
| **Profit / (loss) attributable to:** | | |
| Equity holders of the parent | (8,555) | (3,982) |
| Non-controlling interests | - | - |
| **Profit / (loss) for the year** | **(8,555)** | **(3,982)** |

## 29.2 Balance sheet (Pro forma)

| *USD (thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Assets** | | |
| Intangible assets | 411,955 | 127,938 |
| Property, plant and equipment | 40,263 | 26,544 |
| Other non-current assets | 4 | 5 |
| Deferred tax assets | 13,284 | 5,065 |
| **Total non-current assets** | **465,506** | **159,552** |
| | | |
| Inventories | 59,402 | 61,420 |
| Trade and other receivables | 61,010 | 52,320 |
| Cash and cash equivalents | 7,333 | 5,723 |
| **Total current assets** | **127,745** | **119,463** |
| | | |
| **Total assets** | **593,251** | **279,015** |
| | | |
| Total equity attributable to owners of the Company | 244,840 | (97,381) |
| Non-controlling interests | - | - |
| **Total equity** | **244,840** | **(97,381)** |
| | | |
| **Liabilities** | | |
| Interest-bearing loans and borrowings | 226,868 | - |
| Other non-current liabilities | - | 19,732 |
| Deferred income tax liabilities | 63,231 | 55 |
| **Total non-current liabilities** | **290,099** | **19,787** |
| | | |
| Interest-bearing loans and borrowings | 7,526 | 310,659 |
| Trade and other payables | 43,170 | 38,355 |
| Provisions | 6,790 | 5,340 |
| Current income tax liabilities | 826 | 2,255 |
| **Total current liabilities** | **58,312** | **356,609** |
| | | |
| **Total liabilities** | **348,411** | **376,396** |
| | | |
| **Total equity and liabilities** | **593,251** | **279,015** |

## 29.3 Cash flow statement (Pro forma)

| *USD (thousands)* | Notes | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit / (loss) for the year before tax | | (5,969) | 2,715 |
| | | | |
| **Non cash adjustment to reconcile profit before tax to net cash flow** | | | |
| Depreciation / amortisation and impairment of assets | | 28,865 | 26,802 |
| Gain on disposal of property, plant and equipment | | | |
| Finance income | | (3,318) | (4,486) |
| Finance expense | | 26,072 | 29,320 |
| Profit on disposal of property, plant and equipment | | - | - |
| Loss on disposal of property, plant and equipment | | - | - |
| Change in provisions | | 1,450 | 160 |
| Other non-cash items (forex translation related) | | (306) | (4,719) |
| **Sub-total** | | **46,974** | **49,792** |
| | | | |
| Foreign currency (gains) / losses | | (3,082) | - |
| Income tax (paid) / received | | (6,119) | (4,271) |
| **Sub-total** | | **(9,201)** | **(4,271)** |
| | | | |
| Decrease / (increase) in inventories | | 2,018 | 2,415 |
| Decrease / (increase) in trade and other receivables | | (8,690) | (501) |
| (Decrease) / increase in payables | | 4,816 | (5,197) |
| Decrease / (Increase) in other non current assets | | - | - |
| **Changes in working capital:** | | **(1,856)** | **(3,283)** |
| **Net cash from (used in) operating activities** | | **35,737** | **42,238** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (8,101) | (6,914) |
| Proceeds from sale of property, plant and equipment | | - | 27 |
| Purchase of intangible assets | | (15,430) | (21,842) |
| Foreign currency on assets | | - | 468 |
| **Net cash used in investing activities** | | **(23,531)** | **(28,261)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 255,500 | - |
| Interest paid | | (25,236) | (11,929) |
| (Decrease) / increase bank overdraft | | (15,440) | 1,385 |
| New non-current liabilities | | 243,500 | - |
| Repayment of debt | | (288,052) | - |
| Bank fees | | (9,813) | - |
| Repayment of loans from related parties | | (20,628) | - |
| Repurchase of shares | | (150,426) | - |
| **Net cash from financing activities** | | **(10,596)** | **(14,311)** |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | **1,610** | **(334)** |
| Cash and cash equivalents at 1 January | | 5,723 | 6,057 |
| | | | |
| **Cash and cash equivalents at 31 December** | | **7,333** | **5,723** |

## 30. Events after the balance sheet date

As per March 2017 the company entered into a new finance agreement which secures financing for the next 6 years.


# Company Financial statements of Navico Group AS

## Company balance sheet

| USD (thousands) | Notes | 31 December 2016 |
|---|---|---|
| **Assets** | | |
| Intangible assets | | - |
| Property, plant and equipment | | - |
| Financial fixed assets | 1 | 242,580 |
| **Total non-current assets** | | **242,580** |
| Trade and other receivables | | 3,500 |
| Cash and cash equivalents | 2 | 559 |
| **Total current assets** | | **4,059** |
| **Total assets** | | **246,639** |
| **Equity** | | |
| Issued capital | | 296 |
| Share premium | | 255,182 |
| Result year | | (12,521) |
| Retained earnings | | 22 |
| **Total equity** | **3** | **242,979** |
| **Liabilities** | | |
| Loans and borrowings | | - |
| Other long term liabilities | | - |
| **Total non-current liabilities** | | **-** |
| Bank overdraft | | - |
| Loans and borrowings | | 3,500 |
| Trade and other payables | | 160 |
| Other taxes and social security charges | | - |
| Current tax liabilities | | - |
| **Total current liabilities** | | **3,660** |
| **Total liabilities** | | **3,660** |
| **Total equity and liabilities** | | **246,639** |

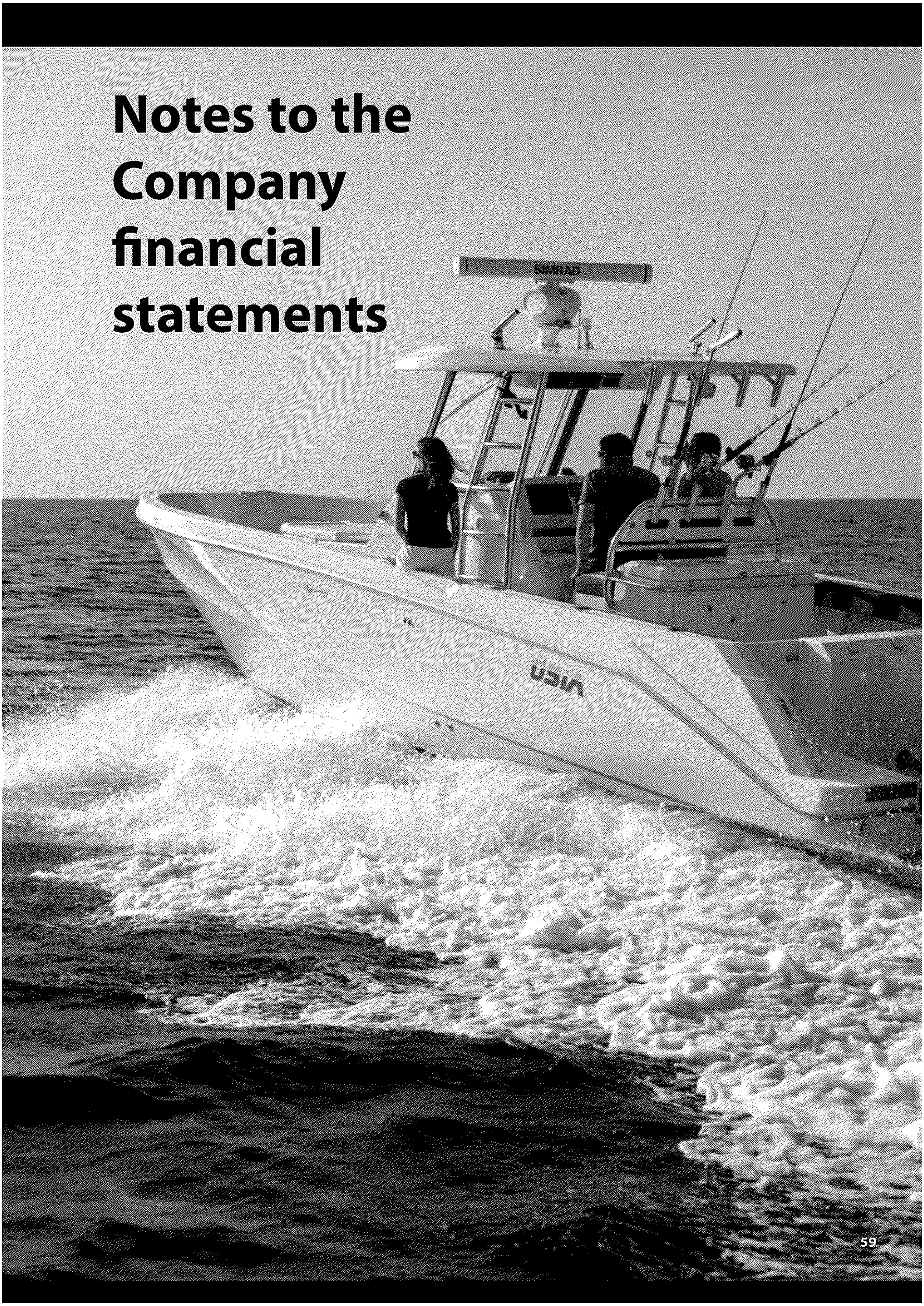
## Company statement of profit or loss and comprehensive income

| USD (thousands) | note | 6 June - 31 December 2016 |
|---|---|---|
| Net sales | | - |
| Cost of sales | | - |
| **Gross profit** | | **-** |
| | | |
| General and adminstrative expenses | | - |
| Special items | 4 | (12,496) |
| Financial income and expense | | (25) |
| **Profit / (loss) before tax** | | **(12,521)** |
| | | |
| Income tax | 5 | |
| Result attributable to non-controlling interests | | - |
| **Profit / (loss) for the year** | | **(12,521)** |

## Company cash flow statement

| USD (thousands) | 6 June - 31 December 2016 |
|---|---|
| **Cash flows from operating activities** | |
| Profit / (loss) for the year | (12,521) |
| | |
| ***Adjustment for:*** | |
| Decrease / (increase) in trade and other receivables | (3,500) |
| (Decrease) / increase in payables | 3,660 |
| **Changes in working capital:** | **160** |
| **Net cash from (used in) operating activities** | **(12,361)** |
| | |
| **Cash flows from investing activities** | |
| Acquisition cost of investments net of cash acquired | (242,580) |
| **Net cash used in investing activities** | **(242,580)** |
| | |
| **Cash flows from financing activities** | |
| Proceeds from issue of shares | 255,500 |
| **Net cash from financing activities** | **255,500** |
| | |
| Net increase / (decrease) in cash and cash equivalents | 559 |
| Cash and cash equivalents at 1 January | - |
| **Cash and cash equivalents at 31 December** | **559** |

# 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 *(amounts in thousands)* | Place of operation | Country of incorporation | Currency | Nominal value of issued share capital | Percentage of equity attributable to the company 2016 | 2015 |
|---|---|---|---|---|---|---|
| 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 | 100 | 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 | - | 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 | 69 | 100% | 100% |
| Navico Holding AS | Egersund, Norway | Norway | NOK | 203,608 | 100% | 100% |

## 1. Financial fixed Assets

The financial assets can be specified as follows:

| *USD (thousands)* | 31 December 2016 |
|---|---|
| Investment in shares | 242,580 |
| **Total** | **242,580** |

The investment in shares is related to the following acquisitions:

- Navico Holding AS, amounting USD 233,992 thousand
- Nanna US Bidco LLC, amounting USD 8,588 thousand

## 2. Cash and cash equivalents

Cash and cash equivalents are available cash outside the cash pool. The bank overdraft limit is USD 25,000 thousand.

| *USD (thousands)* | 31 December 2016 |
|---|---|
| Cash and cash equivalents | 559 |
| Bank overdraft | - |
| **Total** | **559** |

## 3. Shareholders' equity

| *USD (thousands)* | Issued capital | Share premium | Retained earnings | Total |
|---|---|---|---|---|
| **At 6 June 2016** | - | - | - | - |
| Issue of share capital and premium | 318 | 255,182 | - | 255,500 |
| Exchange difference on capital and share premium | (22) | - | 22 | - |
| Result of the year | - | - | (12,521) | (12,521) |
| **Balance at 31 December 2016** | **296** | **255,182** | **(12,499)** | **242,979** |

The authorised capital of the Group amounts to NOK 2,555 thousand (USD 296 thousand) and comprises 255,500,000 thousand ordinary shares of NOK 0.01 each. Further information regarding shareholder's equity is to be found in note 19 to the consolidated financial statements.

## 4. Special Items

Special Items in 2016 were related to transaction fees due to the acquisition of the Navico activities.

## 5. Income tax

| **Income tax (expense) / credit**<br>*USD (thousands)* | **31 December 2016** |
|---|---|
| **Result before tax** | **(12,521)** |
| Income tax 25% | 3,130 |
| | |
| **Corrected for tax adjustments of:** | |
| Change in non-recognition of deferred tax assets | (3,130) |
| Other | |
| **Total income tax (expense) / credit** | **-** |

| **Deferred tax assets/(liabilities)**<br>*USD (thousands)* | **31 December 2016** |
|---|---|
| Intangible assets | - |
| Property, plant and equipment | - |
| Financial assets | - |
| Inventories | - |
| Receivables | - |
| Cash and equivalents | - |
| Equity | - |
| Current provisions | - |
| Non-current provisions | - |
| Non-current borrowings | - |
| Other current liabilities | - |
| **Total deferred taxes on differences: accounts / taxes** | **-** |
| | |
| Deferred tax assets on loss carry forward | 3,130 |
| Not recognised in accounts | (3,130) |
| **Net deferred tax assets and (liabilities)** | **-** |

## 6. Staff

At December 31, the company did not employ any employees in the company.

## 31. Approval of the financial statements

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

Egersund, 20 April 2017

Board of Directors

Mr. Hugo Maurstad - Chairman

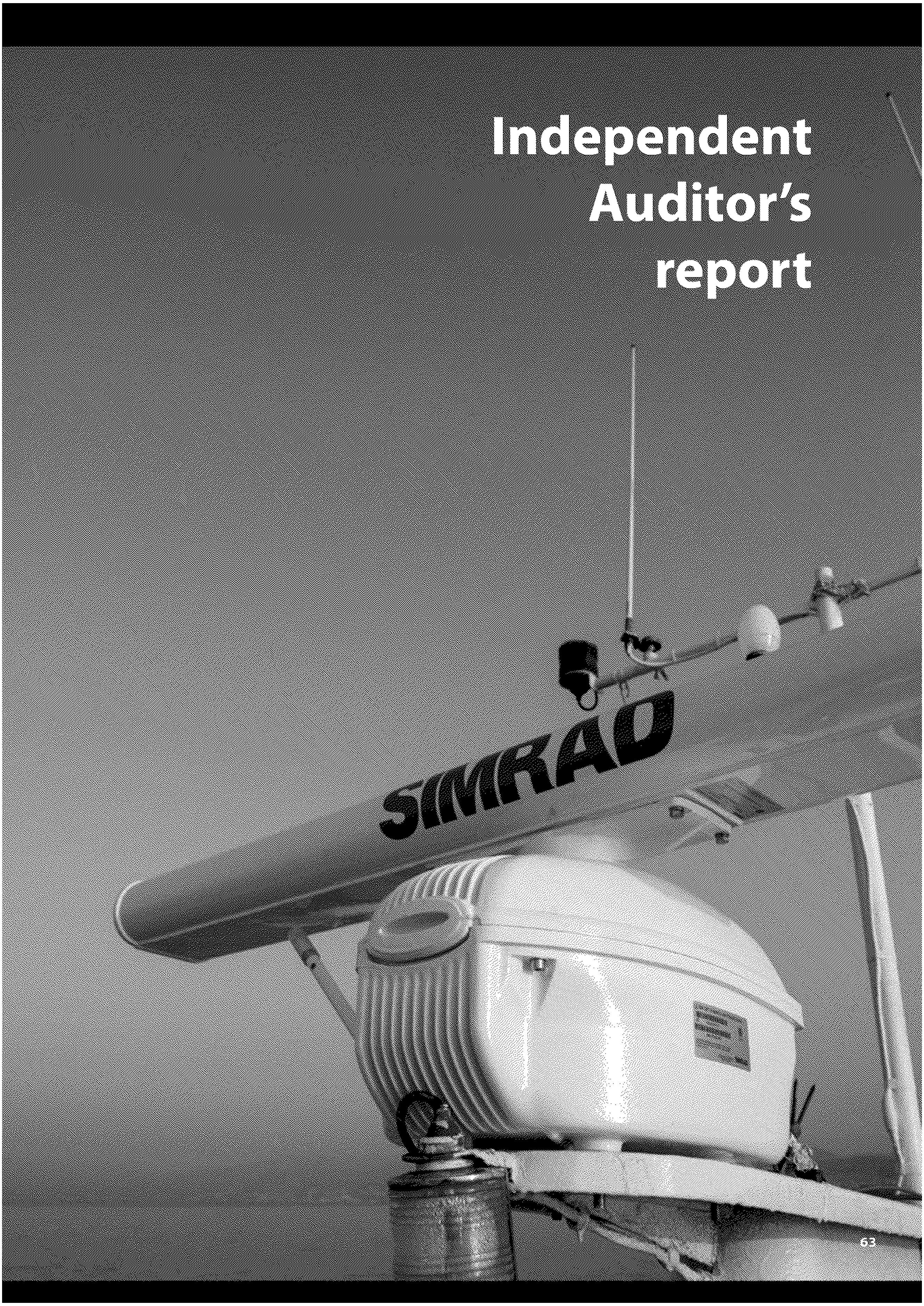
Mr. Martin Hintze

Mr. David Hess

Mr. Michael Bruun

**President & CEO**

Mr. Leif Ottosson


Independent
Auditor's
report
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# 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 2016, the income statement and statement 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 2016, the 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 2016, and of its financial performance and its cash flows for the year 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 2016 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 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) is responsible for the other information. Our opinion on the audit of 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*

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*

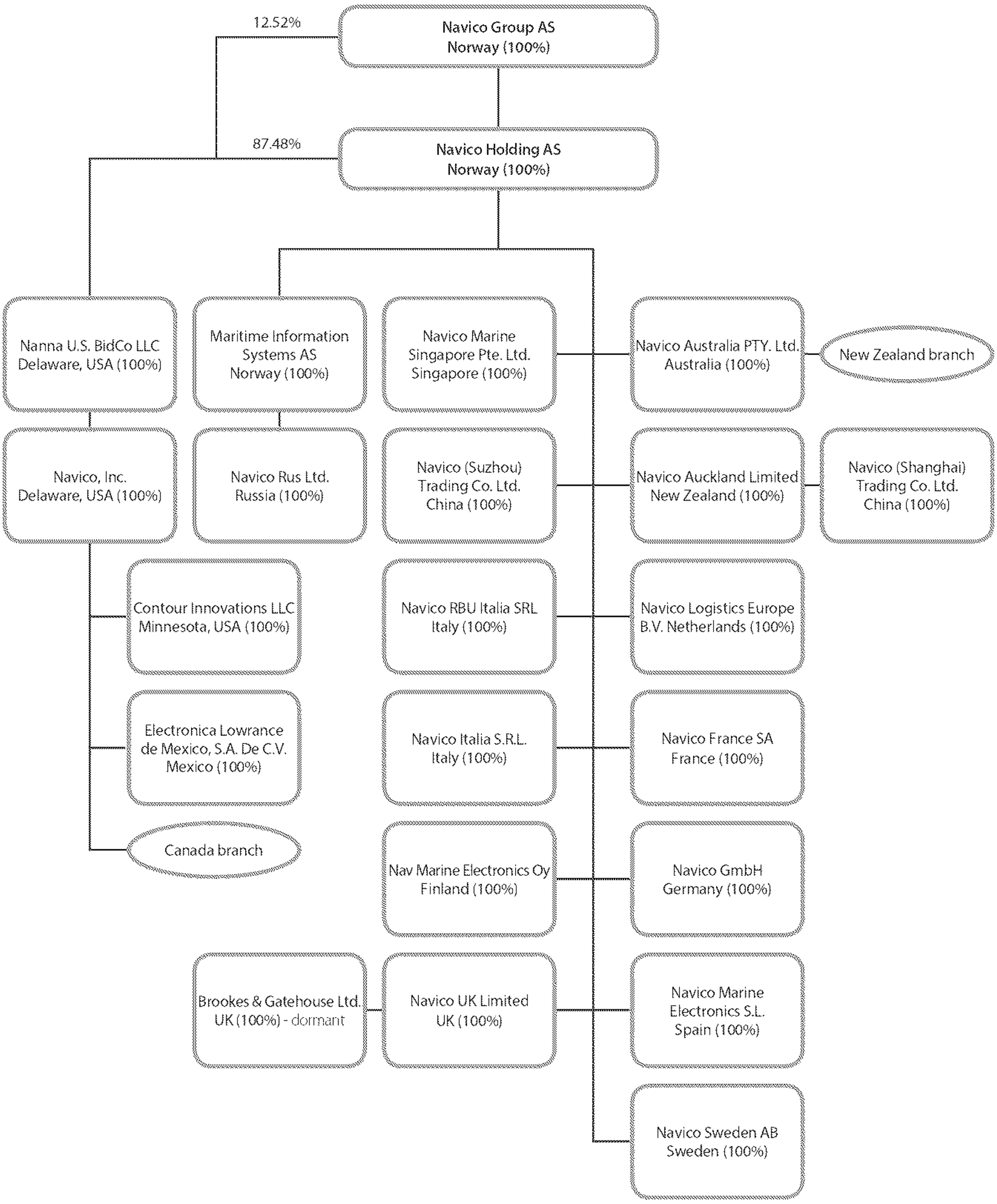
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our 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, 20 April 2017
ERNST & YOUNG AS

Erik Søreng

Erik Søreng
State Authorised Public Accountant (Norway).

# Company Structure

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# Company Information

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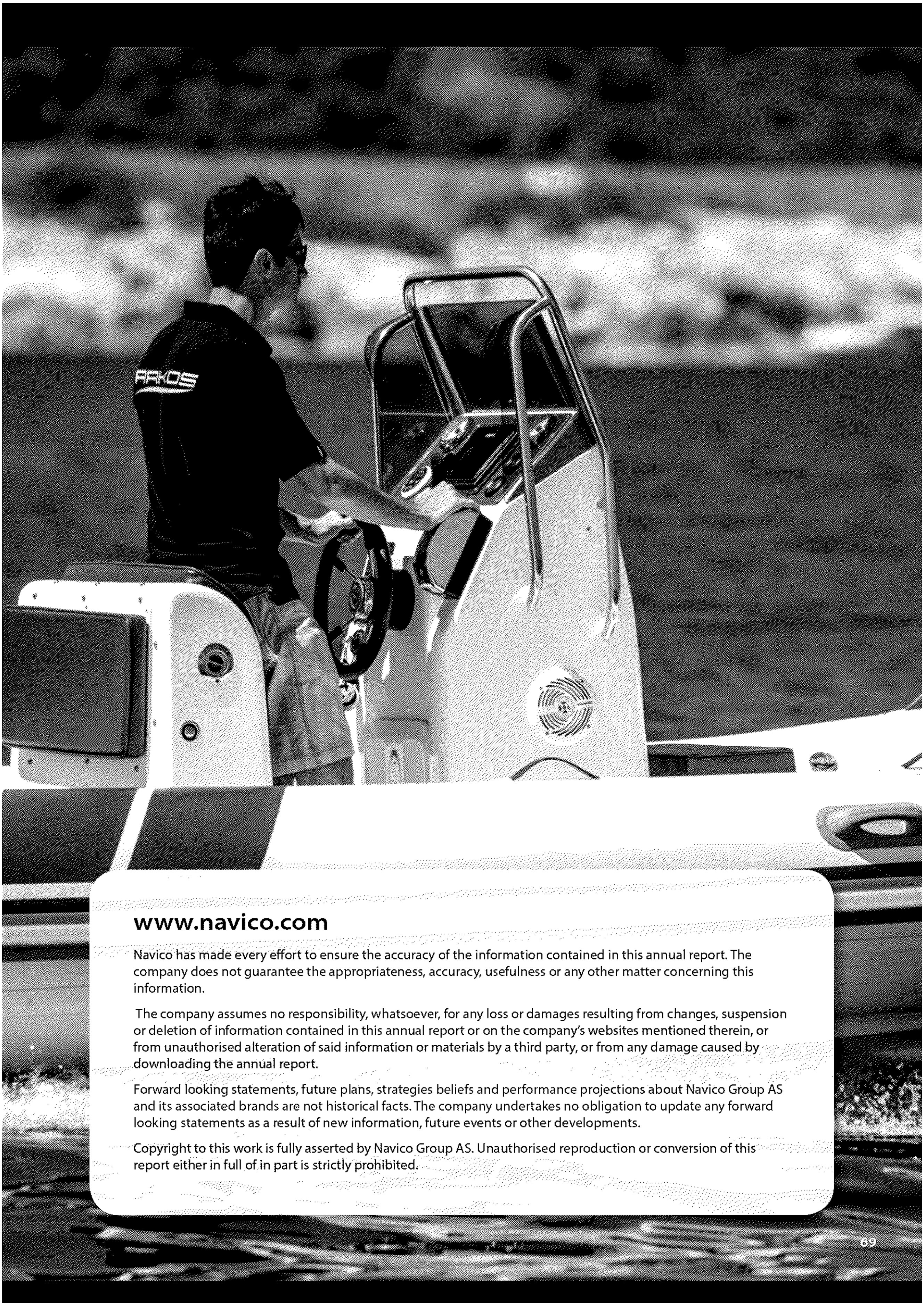

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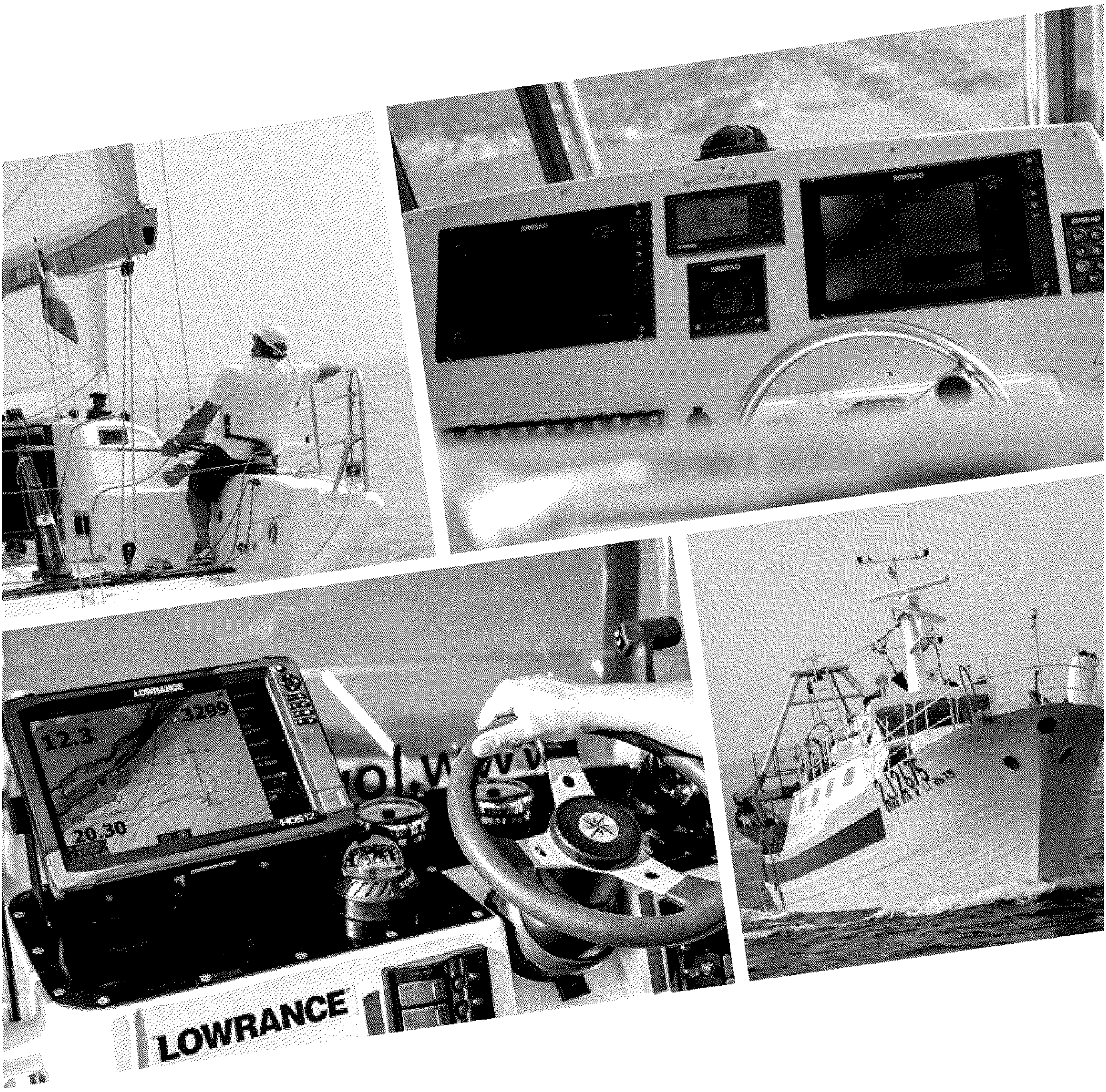


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