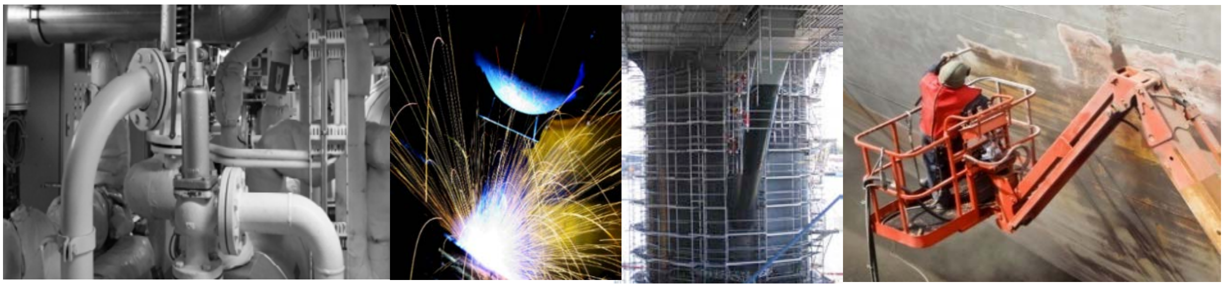

# The Maritime Group AS Group

Financial Statement 2016

# CONTENTS

# Board of Directors Report 2016

The Maritime Group AS

### Type of business and geographical location of the company

The Maritime Group AS, (“the company” or “the parent company”) and its subsidiaries (“The Group”) are providing a comprehensive range of individual and integrated solutions for the maritime and offshore industry worldwide. The company has its headquarter at Lysaker, Norway. In addition, the company has subsidiaries with facilities and offices in USA, Poland, Denmark, Spain, Dubai, The Netherlands and Singapore

The Group has divided its activities in the following segments: integration & installation, multi brand service, ship repair and naval architecture & engineering.

Integration & installation services are provided under the brand names Nordic Made and TECO Solutions, and includes installation of piping, electrical, HVAC, as well as mechanical and structural work on board vessels. The main volume of work performed is in connection with installations of scrubbers (for cleaning exhaust) and other large equipment integration. There is an increasing demand for these services as a result of new regulations and requirements for the marine sector.

Multi brand services are provided under the brand name TECO and includes electronics/automation, cleaning chemicals, protective coating, mechanical & electrical installation and insulation. The products and services are provided by a worldwide network of offices, facilities and stock points.

Ship repair services are provided under the brand name Crosscomar at its facility in Algeciras, Spain. The Maritime Group acquired 80% of Crosscomar in Q1 2016. The products and services include steel work, engine service, mechanical work, anchors & chains as well as electric- & automation services.

Naval architecture and engineering are provided under the brand name BLOM Maritime. The services include basic and detailed engineering, 3D laser scanning, reverse engineering, metrology services, as well as retrofit & refit competence. The services are provided from offices in Florida, USA, Oslo, Norway, as well as Krakow, Poland.

### Financial development and annual result

Sales revenues for the parent company decreased from MNOK 241.1 in 2015 to MNOK 208.7 in 2016. The Group’s revenues in 2016 grew to MNOK 330.0 compared to MNOK 230.3 in 2015. The increase in group revenues is a result of the acquisitions in 2015 and 2016.

The EBITDA for the parent company in 2016 was MNOK -8.5, compared to MNOK 13.9 in 2015. The Group’s EBITDA in 2016 was MNOK -12.5 compared to MNOK 17.0 in 2015.

The annual profit before tax for the parent company in 2016 was MNOK -10.4, compared to MNOK 17.1 in 2015. The Group’s profit before tax in 2016 was MNOK -40.3 compared to MNOK 18.8 in 2015. The group numbers include goodwill depreciations of MNOK 21.5 for 2016.

Per 31.12.2016, the equity ratio for the parent company was 46%, down from 51% in 2015. For the Group, the equity ratio per 31.12.2016 was 24%, down from 38% in 2015.

The Board of Directors are confident that the annual Financial Statement for 2016 provides a correct overview of the company's total assets and debt, financial position and annual result.

**Research and development activities**
The company has no on-going research and development activities.

**Financing**
The parent company has a bank overdraft facility of MUSD 1.5 USD, with DNB, in order to finance its working capital. Per 31.12.2016, the overdraft facility was fully utilized. The utilization was high at year end mainly due to late payments from a large customer. However, the company had a negative working capital at year end which also contributed to the high utilization.

TECO Electronics AS has a bank overdraft facility of MNOK 1 with no covenants. The utilization of the facility at 31.12.2016 was at 5%.

See Note 13 for further information on covenants relative to the overdraft facility, and other facilities in subsidiaries.

**Continued operation**
The Financial Statement for 2016 has been made under the prerequisite of continued operation of the parent company.

At the time of writing this report, the company is still experiencing a challenging cash flow situation. The company has not recovered from losses incurred in 2015 and 2016 on several large projects. Please see the Company's financial statement for 2015 for further details.

In addition to above, the Group's subsidiaries and new ventures/acquisitions has during 2016 and 2017 required funding from the parent company, thus increasing cash flow challenges of the parent company.

The company's management and Board of Directors are working continuously to improve this situation through a number of measures, both operationally and commercially. To mention some:

- Gross margin improvements through thorough cost control, strengthened planning, utilizing Group synergies, sourcing of more cost effective technicians and more precise/dynamic manning on projects with long duration.
- Improving project cash flow by suggesting more predictable payment plans to customers and targeting projects with less material purchases in scope of work.
- Requesting loan payback from subsidiaries
- Private placement to raise cash

The Board of Directors are positive about the future of the company, and it is hereby confirmed that the prerequisite of continued operation is present and valid. Although, some uncertainty exists due to the current liquidity challenges as described above.

**Credit risk**
The parent company has a relatively concentrated base of customers where 3 customers account for the majority of the companies turnover. This creates a certain dependability and risk. These customers are, however, large and solid companies, and there are no losses on trade receivables connected with them. Other Group companies have a more diverse portfolio of customers, thus reducing this risk.

All other trade receivables per 31.12.2016 have been received at the time of writing this report, and the company has therefore not allocated any further losses on trade receivables.

**Currency risk**
The parent company and its subsidiaries has revenues mainly in EUR and USD. As the majority of costs also are in same currencies, the company has not engaged in any hedging instruments to date.

**Future Outlook**
At the time of writing this report, the Group has had a decrease of revenue of approx. 25% in 2017, relative to 2016. It also expects this decrease to continue into 1H 2018, before increasing again in 2H 2018. This is based on actual orders received and knowledge of the industry, and planned activity level ahead at key customers. However due to the measures that has been put in place during 2017 and Q1 2018 the

**Events after the reporting period**
The financial statement is adjusted to reflect events after the balance sheet date that constitute a condition that existed at the date of the balance sheet, i.e. adjusted estimates for ongoing projects.

At the time of writing this report, it is indications that the result for 2017 will show a significant improvement from the negative result in 2016.

In addition, the Board has initiated a process to strengthen the working capital by raising new funding in the capital market. This is expected to be finalized in the 2nd Quarter of 2018.

**Working environment**
The Board of Directors are confident that the working environment has been satisfactory in 2016. The Maritime Group AS wishes to be an attractive employer and offer competitive terms and possibilities for career development for ambitious employees. Aggregate sick leave has been 0,8%.

**Gender equality**
Per 31.12.2016, the parent company had 10 employees, whereas 40% female and 60% male. The Group as a whole had 105 employees, whereas 26 % female and 74% male.

Per 31.12.2016, The Board of Directors at for the parent company consisted of three male and one female (including Chairman).

**Environment**
The company does not pollute the environment. A majority of the installations the company is involved in, are considered environmentally friendly technology, among other things - reducing emissions and fuel consumption on vessels worldwide.

**Allocation of annual profit**

The Board of Directors recommends the following allocation of the loss for the year in The Maritime Group AS:

| | |
|---|---|
| Total amount to be allocated: | NOK -7 818 581 |
| From share premium reserve: | NOK -7 234 326 |
| From other equity: | NOK -584 255 |

March 28, 2018

| | | |
|---|---|---|
| (Sign.) | (Sign.) | (Sign.) |
| Tore Enger | Herman Markussen | Michael Rasmussen |
| *Chairman of the Board and CEO* | *Board member* | *Board Member* |

# Consolidated Financial Statement 2016

## Consolidated income Statement

The Maritime Group 01.01.2016 – 31.12.2016

| NOK 1 000 | Note | 2016 | 2015 |
|---|---|---|---|
| **Sales Revenues** | 3,18 | **330 033** | **230 294** |
| | | | |
| *Operating expenses* | | | |
| Cost of sales | 3,18 | 231 954 | 149 168 |
| Employee expenses | 5 | 72 298 | 21 007 |
| Depreciation and impairment | 6, 11 | 24 909 | 1 392 |
| Other operating expenses | 14 | 38 238 | 43 093 |
| **Sum Operating expenses** | | 367 399 | 232 241 |
| **OPERATING RESULT** | | -37 366 | 15 634 |
| | | | |
| **Financial INCOME AND EXPENSES** | | | |
| *Financial income* | | | |
| Interest income | 15 | 429 | 77 |
| Financial income | 15 | 117 | 9 |
| Agio gain | 15 | 5 994 | 8 369 |
| *Sum Financial income* | | 6 540 | 8 456 |
| *Financial expenses* | | | |
| Interest expenses | 15 | 918 | 57 |
| Financial cost | 15 | 1 656 | 90 |
| Agio loss | 15 | 6 897 | 5 100 |
| *Sum Financial expenses* | | 9 471 | 5 247 |
| **NET Financial ITEMS** | | -2 931 | 3 209 |
| | | | |
| **PROFIT BEFORE TAX** | | -40 297 | 18 843 |
| Tax on ordinary result | 2 | -1 519 | 4 154 |
| **PROFIT FOR THE YEAR** | | -38 778 | 14 689 |
| **ALLOCATED AS FOLLOWS** | | | |
| **Transferred to other equity and uncovered deficit** | | **-38 778** | **14 689** |
| Non-controlling interest | | -2 440 | - |
| Controlling interest | | -36 338 | 14 689 |
| Transferred other Equity | | -36 338 | 14 689 |
| Total allocated | | -38 778 | 14 689 |

# Consolidated balance

The Maritime Group pr. 31.12.2016

| NOK 1 000 | Note | **31.12.2016** | **31.12.2015** |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| *Intangible assets* | | | |
| Deferred tax | 2 | 445 | - |
| Goodwill | 11,13 | 86 727 | 93 097 |
| **Intangible assets** | | **87 172** | **93 097** |
| *Tangible assets* | | | |
| Property | 6,19 | 3 020 | 911 |
| Equipment | 6,19 | 5 279 | 5 177 |
| **Total tangible assets** | | **8 299** | **6 088** |
| *Financial assets* | | | |
| Investments in other | | 1 349 | - |
| Other receivables | | 2 119 | 1 982 |
| **Total financial assets** | | **3 468** | **1 982** |
| **Sum non-current assets** | | **98 940** | **101 166** |
| | | | |
| **CURRENT ASSETS** | | | |
| Goods | 9,19 | 3 848 | 2 479 |
| Trade receivables | 7,16,19 | 46 479 | 31 899 |
| Receivables on group companies | 7,16,19 | 818 | - |
| Other receivables | 8,19 | 18 002 | 46 048 |
| **Total receivables** | | **65 300** | **77 946** |
| Other financial assets | | 4 | - |
| Cash and cash equivalents | 10 | 4 473 | 9 920 |
| **Total current assets** | | **73 625** | **90 345** |
| | | | |
| **TOTAL ASSETS** | | **172 564** | **191 511** |

# Consolidated balance

The Maritime Group pr. 31.12.2016

| NOK 1 000 | Note | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| *Paid-in capital* | | | |
| Share capital | 4 | 138 | 138 |
| Premium on share | | 69 146 | 75 805 |
| **Total paid-in capital** | | **69 284** | **75 942** |
| *Retained earnings* | | | |
| Retained earnings | | -32 462 | -8 011 |
| *Non-controlling interest* | | 4 577 | 5 800 |
| **Total retained earnings** | | **-27 886** | **-2 211** |
| **TOTAL EQUITY** | | **41 399** | **73 731** |
| **LIABILITIES** | | | |
| *NON-CURRENT LIABILITIES* | | | |
| Provisions for liabilities | | 297 | 330 |
| Deferred tax | 2 | - | 3 293 |
| Debt to credit institutions | 13 | 3 592 | - |
| Other non-current liabilities | | 11 337 | - |
| **Sum non-current liabilities** | | **15 226** | **3 623** |
| *CURRENT LIABILITIES* | | | |
| Debt to credit institutions | 13 | 17 870 | 7 884 |
| Trade creditors | 16 | 62 558 | 34 107 |
| Debt to group companies | 16 | 4 916 | - |
| Tax payable | 2 | 852 | -65 |
| Public duties payable | | 3 813 | 3 304 |
| Other short-term liabilities | 17 | 25 931 | 68 927 |
| **Total current liabilities** | | **115 940** | **114 157** |
| **Total liabilities** | | **131 166** | **117 780** |
| **TOTAL EQUITY AND LIABILITIES** | | **172 564** | **191 511** |

March 28, 2018

| (Sign.) | (Sign.) | (Sign.) |
|---|---|---|
| Tore Enger<br>*Chairman of the Board and CEO* | Herman Marcussen<br>*Board member* | Michael Rasmussen<br>*Board member* |

# Consolidated equity

The Maritime Group pr. 31.12.2016

| NOK 1000 | Share capital | Share premium | Non – controlling interest | Other equity | Total equity |
|---|---|---|---|---|---|
| Equity January 1 | 138 | 75 805 | 5 800 | -8 011 | 73 731 |
| Profit for the year | - | - | -2 440 | -36 338 | -38 778 |
| Subst. Conversion factor from balance | - | - | - | 3 303 | 3 303 |
| Acquisition of non-controlling interest | - | - | -1 695 | 1 695 | - |
| Equity at acquisition | - | - | 2 938 | -76 | 2 862 |
| Conversion of share premium to other equity | - | -7 234 | - | 7 234 | - |
| Captial increase January 2016 | - | 200 | - | - | 200 |
| Capital increase March 2016 | - | 376 | - | - | 376 |
| Reversal of deferred tax directly against equity abroad | - | - | -25 | -270 | -295 |
| **Equity at 31 December 2016** | **138** | **69 146** | **4 577** | **-32 462** | **41 399** |

# Consolidated cash flow statement

The Maritime Group pr. 31.12.2016

| **Cash flow - indirect alignment – NOK 1 000** | **2016** | **2015** |
|---|---|---|
| **Cash flow from operational activities** | | |
| Profit before income tax | -40 297 | 18 843 |
| Income tax paid | - | -748 |
| Loss / gain on sale of fixed assets | - | - |
| Depreciation, amortization and impairment | 24 909 | 1 717 |
| Difference between booked pension expenses and actual payments | | |
| Increase /(reduction) in | | |
| - Warehouse inventory | -1 369 | -276 |
| - Accounts receivable | -14 579 | 12 624 |
| - Accounts payable | 28 451 | 9 624 |
| - Other accruals | -11 080 | -16 221 |
| Currency effect | | |
| **Cash flow from operational activities** | **-13 966** | **25 563** |
| Proceeds from sale of intangible assets | | |
| Purchase of intangible assets | -512 | - |
| Proceeds from sale of fixed assets | - | - |
| Purchase of fixed assets | -955 | -4 494 |
| Proceeds from sale of shares / stakes in other companies | - | - |
| Purchase of shares / stakes in other companies | - | - |
| Proceeds from sales of other investments | - | - |
| Purchase from other investments | - | - |
| **Cash flow from investment activities** | **-1 467** | **-4 494** |
| Proceeds from capital increase | - | 732 |
| Payments to shareholders | - | -19 756 |
| Proceeds from issuance of current liabilities | - | - |
| Payments of current liabilities | 9 986 | -1 588 |
| Proceeds from issuance of new long-term debt | - | - |
| Payments of noncurrent liabilities | - | - |
| Purchase of own shares | - | - |
| **Cash flow from investment activities** | **9 986** | **20 611** |
| **Net increase / (decrease) in cash and cash equivalents** | **-5 447** | **457** |
| **Movements in cash and cash equivalents** | | |
| Cash and cash equivalents start of year | 9 920 | 9 462 |
| Increase / (decrease) in cash and cash equivalents | -5 447 | 458 |
| Net impact of currency transactions in cash and cash equivalents | | |
| **Cash and cash equivalents end of year** | **4 473** | **9 920** |

# Notes to the consolidated Financial Statement The Maritime Group AS

## 01 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis for preparation**
The financial statements of The Maritime Group AS are prepared in accordance with Norwegian Accounting Act, and generally accepted accounting principles.

**Basis of consolidation**
The Group's consolidated financial statements comprise The Maritime Group AS and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intragroup transactions are eliminated in full. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

*Group companies in consolidated financial statement*
The consolidated financial statement for 2016, The Maritime Group AS, is taking into consideration three fully owned subsidiaries; Nordic Made, Inc. (USA), Nordic Made Poland Sp.Z o.O. (Poland) and BLOM Maritime AS. Partial owned subsidiaries in the Group are; Cross Maritime Group SA - 80%, TECO Maritime Group AS – 91,47%, and Nordic Made Boiler Services – 62,5%.

The companies Norpol SL and Turbonad SL, situated in Spain, is owned 50% by Cross Maritime Group SA. However, they have no activity and are not included in the consolidation.

The investments and results in above mentioned subsidiaries are taken into consideration in the Group's consolidated revenues and results per 31.12.2016.

**Foreign currency**
The accounting currency and presentation currency is NOK. Foreign currency transactions are translated into the accounting currency using exchange rates at the transaction date. Monetary balances in foreign currencies are translated into the accounting currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

**Classification of assets and liabilities**
Non-current assets are assets meant for permanent ownership or use. Other assets are current assets. Receivables to be paid within one year will always be classified as current assets. Liabilities are classified accordingly.

**Inventories**
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes the costs incurred in acquiring the

goods and the costs of bringing the goods to their current location. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**Trade receivables and other current receivables**
Trade receivables and other current receivables are initially recognized at fair value plus any transaction costs. If material, transaction costs are amortised linear over the contractual maturity. The receivables are impaired if the carrying amount is above the net realisable value. Other current receivables include prepayments, and receivables on related parties.

**Property, plant and equipment**
Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment charges. Depreciations are calculated on a linear basis over the assets expected useful life and adjusted for any impairment charges. Expected useful lives of long-lived assets are reviewed annually and where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Major assets with different expected useful lives are reported as separate components.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

**Cash and cash equivalents**
Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

**Trade creditors**
Trade creditors are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, if the amortisation effect is material.

**Taxes**
The Group parent company is subject to tax under the Norwegian corporate tax regime, whilst subsidiaries are subject to tax in their home countries respectively.

Income taxes for the period comprise tax payable and changes in deferred tax.

Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity.  In this case the tax is also recognized directly in equity.

Deferred tax assets and liabilities are calculated based on existing and temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with the tax losses carried forward at the balance sheet date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

**Revenue recognition**
The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

**Construction contracts**
Revenue from long-term manufacturing projects is recognized under the percentage-of-completion method.

The company estimates the progress of these contracts with hours spent on the projects, or material cost spent on the projects, or a combination.

When the outcome cannot be reliably estimated, only revenues equalling the project costs incurred can be recognized as revenue.

Contract costs include costs that relate directly to the specific contract such as direct wages and direct materials. Pre-contract costs are expensed unless it is virtually certain that the company receives a contract. Costs that cannot be attributed to contract activity are expensed. Contract revenue includes the agreed amount under the contract, adjusted for any changes or additional work related to the contract.

If circumstances arise that may change the original estimate of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and reflected in income in the period in which the circumstances that give rise to the revision become known by management. The total estimated loss on a project will be recognized in the income statement when it is identified that the project will generate a loss.

**Estimates**
The preparation of periodical financial statements, requires the company to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an on-going basis.

The Group has estimated the value of goodwill annually. The evaluation is primarily based on the company management's best estimates for the future outlook in each of the segment.

The Group uses estimates to determine amount of revenue/cost to be booked on an ongoing project with activity in more than one accounting period. Responsible Project Manager calculates a degree of completion at end of the accounting period based on knowledge of the complete project scope of work and what remains. Some customers also base their payments on degree of completion, where milestone payments are released at certain stages of the project. In addition, the total turnover and gross margin is estimated by responsible Project Manager, based on knowledge of contract amount, change orders and remaining work/purchases.

**Cost of equity transactions**
Transaction costs directly linked to an equity transaction are recognized directly in equity, net after deducting tax.

**Leases (as lessee)**
*Finance leases*
Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the income statement.

*Operating leases*
All leases that are not classified as financial leases are classified as operating leases. Operating lease payments are recognized as an operating expense in the income statement on a linear basis over the lease term.

**Provisions**
A provision is recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognized as finance cost.

**Cash flow statement**
The cash flow statement is prepared by using the indirect method

**Events after the balance sheet date**
The financial statements are adjusted to reflect events after the balance sheet date that provides evidence of conditions that existed at the date of the balance sheet (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the date of the balance sheet (non-adjusting events). Non-adjusting events are disclosed if significant.

## 02 TAX

All numbers in NOK 1 000

| Payable tax as follows | 2016 | 2015 |
|---|---|---|
| Profit before income tax | -40 297 | 18 843 |
| Other permanent differences | 22 896 | 90 |
| Goodwill impairment | - | - |
| Change in temporary differences | 15 847 | -18 300 |
| Basis for tax payable | -1 554 | 633 |
| **Tax payable on annual profit** | - | - |
| **Annual taxes as follows** | | |
| Income tax payable (consolidated) | -388 | - |
| Gross change on deferred taxes | - 1130 | - |
| Tax effect on issuance costs against equity | - | - |
| **Annual income tax payable** | **-** | **-** |
| **Tax payable in the balance sheet** | - | - |
| Tax payable subsidiaries | 852 | - |
| Tax payable consolidated | 0 | - |
| **Sum payable tax** | **852** | **-** |
| **Specification of basis for deferred tax / tax claim** | | |
| Fixed assets | -5 628 | -6 711 |
| Current assets | 8 081 | 25 011 |
| Other differences | -2 375 | - |
| Deficit carry forward | -80 377 | -78 742 |
| Total | -80 299 | -60 442 |
| Temporary differences not included | 78 443 | 73 614 |
| Sum temporary differences | -1 856 | 13 172 |
| **Deferred tax / (deferred tax asset)** | **-445** | **3 293** |
| **The relative between tax expense and tax payable calculated as average nominal tax rate on profit before tax %** | | |
| Taxes calculated as average nominal tax rate on profit before tax | -10 074 | 158 |
| Tax other tax regimes | -147 | 157 |
| Change of tax level from 25% to 24% | 483 | - |
| Effect of permanent differences | 5 724 | - |
| Effect of deferred tax assets not taken to account | 2 495 | 3 838 |
| **Total income tax expenses** | **-1 519** | **4 154** |

Tax in subsidiaries are presented as tax payable.

## 03 SEGMENT INFORMATION

The company is involved in various segments within the marine and offshore sector. For more information on the segments please see www.teco.no.

| *Amounts in NOK 1 000* | Sales |
|---|---|
| Integration/Installation | 205 273 |
| Multi brand service | 84 746 |
| Ship repair | 22 363 |
| Naval architect and engineering | 9 235 |
| Other | 9 000 |
| Elimination | -86 050 |
| Total | 330 033 |

Geographically, it is difficult to determine where the revenues have been generated, as the majority of the installation work is conducted while the vessels are in service and therefore in transit.

## 04 SHARE CAPITAL AND SHAREHOLDERS INFORMATION

**Total shares per 31.12.2016**

| Share holder | Shares | % |
|---|---|---|
| TECO Group AS | 66 848 766 | 48,4 % |
| Michael Nygaard Rasmussen | 20 763 288 | 15,0 % |
| Daler Inn Ltd | 15 576 211 | 11,3 % |
| Badin Invest Ltd | 14 983 560 | 10,8 % |
| Christian Fredric Høie Compton | 5 553 187 | 4,0 % |
| Bettina Nowak | 5 484 156 | 4,0 % |
| Høgåsen Holding AS | 1 565 384 | 1,1 % |
| Bloms Oppmåling AS | 1 468 909 | 1,1 % |
| Noroco AS | 1 300 743 | 0,9 % |
| Buskerud Telemark Vestfold | 1 219 042 | 0,9 % |
| Mons Holding AS | 527 415 | 0,4 % |
| Nordnet Bank AB | 422 875 | 0,3 % |
| Lukasz Kryzsztof Podlinski | 399 087 | 0,3 % |
| Rolf Einar Ahlqvist | 373 358 | 0,3 % |
| Lasse Sandvik | 161 783 | 0,1 % |
| Tom Eriksen | 122 470 | 0,1 % |
| Stock Investment AS | 110 822 | 0,1 % |
| Ole Tormod Beck | 99 320 | 0,1 % |
| Arnulf Martin Elvevold | 97 078 | 0,1 % |
| Nest Trading AS | 89 863 | 0,1 % |
| Other Shareholders | 1 000 548 | 0,7 % |
| | **138 167 865** | **100,00 %** |

**Shares owned by company management or Board of Directors:**

| Name | Title | Shares | % Share |
|---|---|---|---|
| Tore Enger (1) | CEO & Chairman | 52 409 432 | 37,9 % |
| Christian Compton | COO | 5 553 187 | 4,0 % |
| Eivind Hermansen (2) | CFO | 1 565 384 | 1,1 % |
| Lukasz Podlinski | Project Director | 399 087 | 0,3 % |
| Michael Rasmussen | Board Member | 20 763 288 | 15,0 % |
| TOTAL | | 80 690 378 | 58,4 % |

1 Tore Enger has indirect ownership through his 78,4% ownership in TECO Group AS
2 Eivind Hermansen has indirect ownership through his 100% ownership in Høgåsen Holding AS

## 05 SALARIES AND AUDITOR

| | 2016 | 2015 |
|---|---|---|
| Salaries | 60 747 | 17 320 |
| Social security expenses | 7 542 | 1 432 |
| Occupational pension scheme | 1 328 | - |
| Other benefits | 2 681 | 2 256 |
| **Sum** | **72 298** | **21 007** |

Average number of employees in the Group was 105 in 2016.
Percentage of female 26% and male 74%

According to law about mandatory occupational pension, Norwegian companies in the Group are obliged to have occupational pension. The Norwegian company has a deposit of 5% of the employee's annual gross salary between 1 and 12 G. In addition, 3% of gross salary between 7,1 and 12G.

| **Managing Director salary and other benefits** | **2016** | **2015** |
|---|---|---|
| **CFO** | | |
| Salary | 1 130 | 960 |
| Social security expenses | 64 | 55 |
| Other benefits | 141 | 132 |
| **Sum** | **1 335** | **1 147** |
| ***CEO*** | | |
| Salary | 2 475 | 1 591 |
| Social security expenses | 63 | 59 |
| Other benefits | 348 | 172 |
| **Sum** | **2 886** | **1 821** |

**Remuneration to auditor is allocated as specified below**

| | 2016 | 2015 |
|---|---|---|
| Statutory audits | 768 | 241 |
| Other assurance services | 301 | - |
| Tax consultancy | 21 | - |
| Other services | - | 55 |
| Sum excl. VAT | 1 089 | 296 |

## 06 ASSETS

| NOK 1 000 | Property / Land | Equipment | Total |
|---|---|---|---|
| **Acquisition cost 1.1** | 911 | 7175 | 8 086 |
| **Acquisition cost from buyout** | 4 976 | 2 970 | 7 946 |
| Additions | - | 1 002 | 1 002 |
| Disposals | - | -564 | -564 |
| **Acquisition cost 31.12** | **5 887** | **10 583** | **16 470** |
| | | | |
| Accumulated depreciation 1.1 | - | -1 999 | -1 999 |
| Accumulated depreciation from buyout | -1 864 | -1 753 | -3 616 |
| Depreciation this year | -1 004 | -2 333 | -3 337 |
| Impairment | 1 | 780 | 781 |
| Accumulated depreciation 31.12 | -2 867 | -5 305 | -8 171 |
| | | | |
| **At 31.12.2016** | **3 020** | **5 279** | **8 299** |
| | | | |
| **Useful life (year)** | **10** | **2 - 7** | |

| NOK 1 000 | Property Land | Equipment | Total |
|---|---|---|---|
| **Acquisition cost 1.1** | - | 1 850 | 1 850 |
| **Acquisition cost 1.12** | 911 | 978 | 1 889 |
| Additions | - | 4 368 | 4 368 |
| Disposals | - | -20 | -20 |
| **Acquisition cost 31.12** | **911** | **7 175** | **8 086** |
| | | | |
| Accumulated depreciation 1.1 | - | -606 | -606 |
| Depreciation this year | - | -1 392 | -1 392 |
| Impairment | - | - | - |
| Accumulated depreciation 31.12 | - | -1 999 | -1 999 |
| | | | |
| **At 31.12.2015** | **911** | **5 177** | **6 088** |
| | | | |
| **Useful life (year)** | **10** | **2-7** | |

## 07 TRADE RECEIVABLES

| | 2016 | 2015 |
|---|---|---|
| Trade receivables/debtors | 46 479 | 31 899 |

All receivables per 31.12.2016 have been received at the time of writing this report. No further losses on trade receivables are accrued.

## 08 OTHER RECEIVABLES

| | 2016 | 2015 |
|---|---|---|
| Contracts in progress, accrued revenue | 14 495 | 40 247 |
| VAT settlement account | 544 | 424 |
| Accounts receivable employees | 797 | 208 |
| Other receivables | 2 166 | 5 167 |
| Net other receivables | 18 002 | 46 047 |

## 09 GOODS

| | 2016 | 2015 |
|---|---|---|
| Goods | 3 848 | 2 479 |

No impairment is considered for the value of goods

## 10 CASH AND CASH EQUIVALENTS

| | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents | 4 473 | 9 920 |
| | | |
| Total cash and cash equivalents | 4 473 | 9 920 |
| *Restricted cash for Tax dues* | *339* | *866* |

## 11 GOODWILL

This group has acquired TECO Maritime Group AS and Blom Maritime AS in 2015 and Cross Maritime Group SAU in 2016.

| NOK 1 000 | **Goodwill** |
|---|---|
| | |
| **Acquisition cost 1.1** | 93 097 |
| Additions | 15 203 |
| Disposals | - |
| **Acquisition cost 31.12** | **108 300** |
| | |
| Accumulated depreciation 1.1 | - |
| Depreciation this year | |
| Accumulated depreciation 31.12 | 21 572 |
| | |
| **At 31.12.2016** | **86 727** |
| | |
| **Useful life (year)** | **5** |

The Goodwill is depreciated over 5 years in accordance with NGAAP (Norwegian generally accepted accounting principles).

## 12 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements, requires the company to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an on-going basis.

*Revenue recognition ongoing contracts*
Revenue is recognized based on estimated progress under the contracts. Several estimates have to be made to calculate the stage of completion. These estimates have a direct influence on the amount of revenue and cost that is recognized in the relevant period.

Certain factors create uncertainty regarding the recognized revenue/cost on a given contract:

- Total man-hours estimated to complete scope of work
- Total materials purchase to complete scope of work
- Discussions with customers regarding which tasks are to be considered within scope of work, and which should generate a change order/separate job.

To reduce these uncertainties, all projects are reviewed thoroughly on a weekly basis. A project budget file is updated weekly by the responsible Project Manager. In order to provide necessary information to Accounting personnel, the project's total revenue and cost, thereby also the expected gross margin, needs to be estimated. Knowledge of complete scope of work, best estimates on remaining work/purchases, contract amount and all change orders to original contract are then combined in order to finalize the estimates.

Another important element of the project review, is to track all extra work/idle time etc, that eventually will lead to a change order from the customer and increase project revenue. Experience has shown that the total revenue from a turnkey installation contract always increases along the duration of the project, often with significant amounts.

As the company has experienced turnkey installation contracts that are significantly longer in duration than what was seen earlier, this furthermore increases the demand of continuous control and evaluation of all project estimates.

*Valuation of Goodwill*
At the end of the reporting period, the Group evaluates its investments in subsidiaries. Subsidiaries with cash flow separate from that of the parent company, are evaluated separately.

Once acquisition cost is identified, the real value is identified on basis of identifiable assets and debt, and remaining value is defined as Goodwill. If an indication of decrease exists, the Group will annually test value of Goodwill for impairment, and adjust accordingly at the end of the reporting period.

## 13 BORROWINGS

The parent company, The Maritime Group AS, has a bank overdraft facility with DNB, limited to USD 1.5mill. Utilization per 31.12.2016 was 100%.
Covenants:

- Major changes in the company's owner constellation and/or management, to be authorized by the bank.
- The company's equity is shall be a minimum of NOK 20 mill. per 31.12.2016 and onwards. Measurement annually based on audited financial statement for the parent company/The Maritime Group AS.
- Utilization of the overdraft facility shall be lower than 50% of receivables.
- Periodical reporting every 3 months, with P&L and Balance Sheet, including a 6-month prognosis on liquidity.

TECO Electronics AS has a bank overdraft facility of NOK 1 mill., whereas utilization per 31.12.2016 was 5% There are no covenants connected to this facility.

TECO Solutions AS is paying monthly instalments to Lindorff as part of a former leasing agreement with DNB, to facilitate the company's needs for heavy machinery. Per 31.12.2016 the remaining balance was NOK 4,4 mill.

## 14 OTHER OPERATING EXPENCES

| NOK 1 000 | **2016** | **2015** |
|---|---|---|
| Property lease | 5 641 | 1 630 |
| Travel expenses | 3 447 | 2 592 |
| Auditor, accounting and legal fees | 5 969 | 7 851 |
| Other services | 3 440 | 24 496 |
| Other expenses | 19 711 | 6 524 |
| | **38 238** | **43 093** |

## 15 FINANCIAL INCOME AND EXPENSES

| NOK 1 000 | **2016** | **2015** |
|---|---|---|
| Interest income | 429 | 77 |
| Foreign exchange gains | 5 994 | 8 369 |
| Other financial income | 117 | 9 |
| **Total financial incomes** | **6 540** | **8 456** |
| Interest expenses | 918 | 57 |
| Foreign exchange loss | 6 897 | 5 100 |
| Other financial cost | 1 656 | 76 |
| Wire fees | - | 13 |

| | | |
|---|---|---|
| Penalties/ late fees | - | 2 |
| **Total financial expenses** | **9 471** | **5 247** |

| **Income statement** | | |
|---|---|---|
| Financial income | 6 540 | 8 456 |
| Financial expenses | 9 471 | 5 247 |
| **Net financial income/(expenses)** | **-2 931** | **3 209** |

## 16 RELATED PARTY DISCLOSURES

*Amounts in NOK 1000*

**a) Purchase**

| Purchase of services and goods from | **2016** | **2015** |
|---|---|---|
| Scanship AS | 457 | 150 |
| Scanship Americas | 882 | 1 144 |
| TECO Management AS | 56 | 990 |
| TECO Group AS | 291 | 2 520 |

| Sales of services and goods to | **2016** | **2015** |
|---|---|---|
| Scanship AS | 8 386 | 145 |
| Scanship Americas | 1 394 | 695 |
| TECO Group AS | 269 | 1 024 |
| TECO Management AS | 31 | 28 |

**b) Balance with related parties**

| **Receivables:** | | **2016** | **2015** |
|---|---|---|---|
| Other receivables (financial assets) | M. Rasmussen | 337 | 1 327 |
| Other receivables (current assets) | T. Enger | 172 | 454 |
| Other receivables (current assets) | TECO Management AS | - | 45 |
| Other receivables (current assets) | TECO Group AS | 819 | - |
| Other receivables (current assets) | Other shareholders | 735 | 80 |
| Trade Receivables | Scanship AS | 785 | 57 |
| Trade Receivables | Scanship Americas | 1 221 | 150 |
| Trade Receivables | TECO Group AS | 257 | 732 |
| Trade Receivables | TECO Management AS | 4 | 323 |
| **Total receivable from related parties** | | **4 330** | **3 167** |

| **Liabilities:** | | **2016** | **2015** |
|---|---|---|---|
| Trade payables | TECO Management AS | 1 | 57 |
| Trade payables | TECO Group AS | 999 | 849 |
| Trade payables | Scanship Americas Inc | 1 085 | 266 |
| Trade payables | Scanship AS | 703 | 266 |
| Other payables (short term debt) | TECO Group AS | 4 916 | 7 896 |

| | | | |
|---|---|---|---|
| Other payables (short term debt) | TECO Management AS | - | 225 |
| Other payables (short term debt) | TECO Holding AS | - | 195 |
| **Total liabilities to related parties** | | **7 704** | **9 753** |

## 17 CURRENT LIABILITIES

| | 2016 | 2015 |
|---|---|---|
| Contracts in progress | 17 212 | 44 967 |
| Vacation allowance | 2 529 | 2 000 |
| Other liabilities | 6 191 | 21 960 |
| | **25 931** | **68 927** |

## 18 CONTRACTS IN PROGRESS

The table below shows the total accumulated revenue and costs incurred or deferred from ongoing contracts recognised in the "Consolidated Financial Statement" since the contracts were started.

| | 2016 | 2015 |
|---|---|---|
| Acc. contract revenue recognised | 129 886 | 176 706 |
| Acc. related costs incurred | 106 474 | 147 068 |
| Acc. recognised profit or loss on contracts in progress | 23 412 | 29 638 |

**Recognised and included in the financial statement as amount due:**

| | 2016 | 2015 |
|---|---|---|
| Due from customers for contract work | 39 166 | 24 454 |
| Due to suppliers for contract work | 58 561 | 7 892 |
| Net work in progress | -19 396 | 16 562 |

## 19 ASSETS PLEGED AS SECURITY

The carrying amounts of assets pledged as security for borrowings are:

| NOK 1 000 | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Receivables | 25 490 | 26 211 |
| Goods | 1 764 | 1 208 |
| **Total Current Assets pledged** | **27 254** | **27 420** |
| Fixed Assets | 6 252 | 7 685 |
| **Total non-current assets pledged** | **6 252** | **7 685** |
| **Total assets pledged as security** | **33 506** | **35 104** |

## 20 GOING CONCERN

The Balance Sheet for 2016 of the parent company show a positive equity of NOK 69 284 337, and for the Group a positive equity of NOK 41 398 667. The board assesses the equity to be sufficient. See also note 20 (Events after the reporting period).

The Maritime Group AS has a negative working capital per 31.12.2016.

The Board of Directors and management of the company has taken certain measures during to improve its liquidity situation.

The market outlook for the industry is good, and important legislative changes are assumed to trigger the market for installation services ahead. The company has positioned itself well to increase its activities within both scrubber and ballast water management systems in the future.

## 21 EVENTS AFTER THE REPORTING PERIOD

The financial statement is adjusted to reflect events after the balance sheet date that constitute a condition that existed at the date of the balance sheet, i.e. adjusted estimates for ongoing projects.

At the time of writing this report, it is indications that the result for 2017 will show a significant improvement from the negative result in 2016.

In addition, the Board has initiated a process to strengthen the working capital by raising new funding in the capital market. This is expected to be finalized in the 2$^{nd}$ Quarter of 2018.

# Financial Statement 2016 – Parent Company

## Income Statement

The Maritime Group AS 01.01.2016 – 31.12.2016

| NOK 1 000 | Note | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| Revenue | | | |
| Sales | 1,2 | 205 273 | 241 116 |
| Other Operating Income | | 3 413 | - |
| **Sum Revenue** | | **208 685** | **241 116** |
| *Operating expenses* | | | |
| Cost of sales | 2 | 170 597 | 186 972 |
| Employee expenses | 3 | 10 943 | 5 132 |
| Depreciation | 4 | 1 321 | 733 |
| Other operating expenses | 5 | 35 685 | 35 094 |
| **Sum operating expenses** | | **218 546** | **227 931** |
| **OPERATING RESULT** | | **-9 861** | **13 185** |
| **FINANCIAL INCOME AND EXPENSES** | | | |
| *Financial income* | | | |
| Income from subsidiaries | 6,7 | 232 | 700 |
| Interest income | 8 | 49 | 3 |
| Agio gain | 8 | 5 721 | 8 304 |
| **Sum financial income** | | **6 002** | **9 007** |
| **Financial expenses** | | | |
| Interest expenses | 8 | 205 | 11 |
| Agio loss | 8 | 6 384 | 5 100 |
| **Sum financial expenses** | | **6 589** | **5 111** |
| **NET FINANCIAL ITEMS** | | **-588** | **3 896** |
| **PROFIT BEFORE TAX** | | **-10 448** | **17 082** |
| Tax on ordinary result | 9 | -2 630 | 3 997 |
| **NET PROFIT OR LOSS FOR THE YEAR** | | **-7 819** | **13 085** |
| **PROFIT FOR THE YEAR** | | **-7 819** | **13 085** |
| **ALLOCATED AS FOLLOWS** | | | |
| To/from other equity and uncovered deficit | | -584 | 13 085 |
| From share premium reserve | | -7 234 | - |

# BALANCE

The Maritime Group AS pr. 31.12.2016

| NOK 1 000 | Note | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Tangible assets | | | |
| Equipment | 4,10 | 2 294 | 3 494 |
| **Total tangible assets** | | **2 294** | **3 494** |
| *Financial assets* | | | |
| Investment subsidiaries | 6 | 90 348 | 75 621 |
| Loan to Group Companies | 7 | 695 | - |
| Other receivables | | 693 | 450 |
| **Total financial assets** | | **91 736** | **76 071** |
| **Sum non-current assets** | | **94 031** | **79 566** |
| | | | |
| **CURRENT ASSETS** | | | |
| Goods | 10,11 | 585 | 91 |
| Trade receivables | 7,10,12 | 29 948 | 24 388 |
| Intercompany | 7 | 12 085 | 1 116 |
| Other receivables | 13 | 13 105 | 40 845 |
| Cash and cash equivalents | 14 | 1 324 | 6 364 |
| **Total current assets** | | **57 047** | **72 805** |
| | | | |
| **TOTAL ASSETS** | | **151 078** | **152 370** |

# BALANCE

The Maritime Group AS pr. 31.12.2016

| NOK 1 000 | Note | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| *Paid-in capital* | | | |
| Share capital | 15 | 138 | 138 |
| premium on share | | 69 146 | 75 805 |
| **Total paid-in capital** | | **69 284** | **75 942** |
| *Retained earnings* | | | |
| Other equity | | - | 1 584 |
| **Total retained earnings** | | **-** | **1 584** |
| **TOTAL EQUITY** | | **69 284** | **77 527** |
| **LIABILITIES** | | | |
| *Non-current Liabilities* | | | |
| Deferred tax | 9 | 3 003 | 5 632 |
| Other non-current liabilities | 16 | 10 169 | - |
| **Total non-current liabilities** | | **13 172** | **5 632** |
| *Current Liabilities* | | | |
| Liabilities to Financial institutions | *17* | 12 684 | 1 114 |
| Trade creditors | | 13 430 | 7 852 |
| Tax payable | 2 | - | - |
| Public duties payable | | 831 | 536 |
| Liabilities to group companies | 7 | 22 539 | 24 036 |
| Other short-term liabilities | 18 | 19 137 | 35 672 |
| **Total current liabilities** | | **68 622** | **69 211** |
| **Total liabilities** | | **81 793** | **74 844** |
| **TOTAL EQUITY AND LIABILITIES** | | **151 078** | **152 370** |

March 28, 2018

| | | |
|---|---|---|
| (Sign.) | (Sign.) | (Sign.) |
| Tore Enger | Herman Marcussen | Michael Rasmussen |
| *Chairman of the Board and CEO* | *Board member* | *Board member* |

# EQUITY

The Maritime Group AS pr. 31.12.2016

| NOK 1 000 | Share capital | Share premium | Retained earnings | Total equity |
|---|---|---|---|---|
| Equity at 1 January 2016 | 138 | 75 805 | 1 584 | 77 527 |
| Contribution in kind, January 2016 | - | 200 | - | 200 |
| Contribution in kind, March 2016 | - | 376 | - | 376 |
| Additional dividends | - | - | -1 000 | -1 000 |
| Profit for the year | - | -7 234 | -584 | -7 819 |
| **Equity at 31 December 2016** | **138** | **69 146** | **-** | **69 284** |

# CASH FLOW STATEMENT

The Maritime Group AS pr. 31.12

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before income tax | -10 448 | 17 082 |
| *Adjustments:* | | |
| Depreciation, amortisation and impairment | 1 321 | 733 |
| Changes in inventories, trade rec, Rec. Group and other rec. | 9 779 | -28 642 |
| Changes in group payable, current borrowing, other liab. | -12 159 | 36 890 |
| **Net cash flow from operating activities** | **-11 508** | **26 062** |
| **Cash flow from investing activities** | | |
| Purchase of property, plant and equipment | -121 | -2 983 |
| Investment in subsidiary | -14 151 | -512 |
| Sales of subsidiary | - | 700 |
| **Net cash flow from investing activities** | **-14 271** | **-2 795** |
| **Cash flow from financing activities** | | |
| Proceeds from borrowings | 10 169 | - |
| Bank Overdraft Facility | 11 569 | - |
| Dividends paid | -1 000 | -19 756 |
| **Net cash flow from financing activities** | **20 739** | **-19 756** |
| **Net change in cash and cash equivalents** | **-5 040** | **3 512** |
| Cash and cash equivalents at 1 January | 6 364 | 2 853 |
| **Cash and cash equivalents at 31 December** | **1 324** | **6 364** |
| Non restricted cash, 31.12 | 1 188 | 6 103 |
| Restricted cash, 31.12 | 136 | 261 |
| **Cash 31.12** | **1 324** | **6 364** |

# Notes to the Financial Statement
# The Maritime Group AS

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis for preparation**
The financial statements of The Maritime Group AS are prepared in accordance with Norwegian Accounting Act, and generally accepted accounting principles.

**Investment in subsidiaries**
Investment in subsidiaries is recognised at cost, less any necessary impairment. Impairment to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental and deemed necessary by generally accepted accounting principles. Impairments are reversed when the cause and basis of the initial impairment is no longer present.

**Foreign currency**
The accounting currency and presentation currency is NOK. Foreign currency transactions are translated into the accounting currency using exchange rates at the transaction date. Monetary balances in foreign currencies are translated into the accounting currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

**Classification of assets and liabilities**
Non-current assets are assets meant for permanent ownership or use. Other assets are current assets. Receivables to be paid within one year will always be classified as current assets. Liabilities are classified correspondingly.

**Inventories**
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current location. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**Trade receivables and other current receivables**
Trade receivables and other current receivables are initially recognized at fair value plus any transaction costs. If material, transaction costs are amortised linear over the contractual maturity. The receivables are impaired if the carrying amount is above the net realisable value. Other current receivables include prepayments, and receivables on related parties.

**Property, plant and equipment**
Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment charges. Depreciations are calculated on a straight-line basis over the assets expected useful life and adjusted for any impairment charges. Expected useful lives of long-lived assets are reviewed annually and where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in

which they are incurred. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Major assets with different expected useful lives are reported as separate components.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

**Cash and cash equivalents**
Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

**Trade creditors**
Trade creditors are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, if the amortisation effect is material.

**Taxes**
The company is subject to tax under the Norwegian corporate tax regime.

Income taxes for the period comprise tax payable and changes in deferred tax.

Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case the tax is also recognized directly in equity.

Deferred tax assets and liabilities are calculated based on existing and temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with the tax losses carried forward at the balance sheet date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

**Revenue recognition**
The company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company’s activities as described below.

**Construction contracts**
Revenue from long-term manufacturing projects is recognized under the percentage-of-completion method.

The company estimates the progress of these contracts with hours spent on the projects, but some of the projects only cost spent on the projects, and some with a combination. When the outcome cannot be reliably estimated, only revenues equalling the project costs incurred can be recognized as revenue.

Contract costs include costs that relate directly to the specific contract such as direct wages and direct materials. Pre-contract costs are expensed unless it is virtually certain that the company receives a contract. Costs that cannot be attributed to contract activity are expensed. Contract revenue includes the agreed amount under the contract, adjusted for any changes or additional work related to the contract.

If circumstances arise that may change the original estimate of revenues, costs or extent of progress towards completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and reflected in income in the period in which the circumstances that give rise to the revision become known by management. The total estimated loss on a project will be recognized in the income statement when it is identified that the project will generate a loss.

**Estimates**
The preparation of periodical financial statements, requires the company to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an on-going basis.

The company has evaluated the value of its investments in subsidiaries, whereas the company management of each subsidiary has provided their best estimates for the future outlook, to establish a discounted cash flow (DCF).

The company also uses estimates to determine amount of revenue/cost to be booked on an ongoing project with activity in more than one accounting period. Responsible Project Manager calculates a degree of completion at end of the accounting period based on knowledge of the complete project scope of work and what remains. Some customers also base their payments on degree of completion, where milestone payments are released at certain stages of the project. In addition, the total turnover and gross margin is estimated by responsible Project Manager, based on knowledge of contract amount, change orders and remaining work/purchases.

**Cost of equity transactions**
Transaction costs directly linked to an equity transaction are recognized directly in equity, net after deducting tax.

**Leases (as lessee)**
*Finance leases*
Finance leases which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 recognized in finance costs in the income statement.

*Operating leases*
All leases that are not classified as financial leases are classified as operating leases. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

**Provisions**
A provision is recognized when the company has a present legal or constructive obligation as a result of past events, it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognized as finance cost.

**Cash flow statement**
The cash flow statement is prepared by using the indirect method

**Events after the balance sheet date**
The financial statements are adjusted to reflect events after the balance sheet date that provides evidence of conditions that existed at the date of the balance sheet (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the date of the balance sheet (non-adjusting events). Non-adjusting events are disclosed if significant.

## 01 SEGMENT INFORMATION

The company is involved in various segments within marine installations and repair. However, the majority of the revenue was generated through turnkey installation of exhaust gas cleaning systems (scrubbers).

Geographically, it is difficult to determine where the revenues have been generated, as the majority of the installation work is conducted while the vessels are in service and therefore in transit.

| *NOK 1 000* | **2016** | **2015** |
|---|---|---|
| Installation | 189 310 | 236 405 |
| Ship Repair | 13 426 | 2 093 |
| Electrical Service | 2 421 | 2 147 |
| Other | 116 | 470 |
| Total | 205 273 | 241 116 |

## 02 CONTRACTS IN PROGRESS

The table below shows the total accumulated revenue and costs incurred or deferred from ongoing contracts recognised in the "Consolidated Financial Statement" since the contracts were started.

| *NOK 1 000* | **2016** | **2015** |
|---|---|---|
| Acc. contract revenue recognised | 108 565 | 176 706 |
| Acc. related costs incurred | 93 524 | 147 068 |
| Acc. recognised profit or loss on contracts in progress | 15 041 | 29 638 |

**Recognised and included in the financial statement as amount due:**

| *NOK 1 000* | **2016** | **2015** |
|---|---|---|
| Due from customers for contract work | 24 379 | 24 923 |
| Due to suppliers for contract work | 33 258 | 33 168 |
| Net work in progress | -8 880 | -8 244 |

## 03 SALARIES AND AUDITOR

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| Salaries | 8 615 | 4 213 |
| Social security expenses | 1 391 | 553 |
| Pensipns | 619 | 427 |
| Other benefits | 317 | -62 |
| **Sum** | **10 943** | **5 132** |

Average number of employees in the company was **10** in 2016.
Percent female 40%, male 60%.

According to law about mandatory occupational pension, Norwegian companies in the Group are obliged to have occupational pension. The Norwegian company has a deposit of 5% of the employee's annual gross salary between 1 and 12 G. In addition, 3% of gross salary between 7,1 and 12G.

**Leading employees - salary and benefits**

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| ***CEO / Chairman*** | | |
| Salary | 2 475 | - |
| Social Security expenses | 398 | - |
| Other benefits | 348 | - |
| **Sum CEO / Chairman** | **3 221** | **-** |
| | | |
| ***CFO*** | | |
| Salary | 1 235 | 960 |
| Social Security expenses | 194 | 183 |
| Other benefits | 141 | 132 |
| **Sum CFO** | **1 570** | **1 275** |

**Remuneration to auditor is allocated as specified below**

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| Statutory audits | 150 | 241 |
| Other assurance services | - | - |
| Tax consultancy | - | - |
| Other services | 54 | 56 |
| Sum excl. VAT | 204 | 297 |

## 04 ASSETS

| NOK 1 000<br>2016 | Tools and Equipment | Office Equipment | Total |
|---|---|---|---|
| **Acquisition cost 1.1** | **4 252** | **581** | **4 834** |
| Additions | 121 | - | 121 |
| Disposals | - | - | - |
| **Acquisition cost 31.12** | **4 373** | **581** | **4 954** |
| | | | |
| Accumulated depreciation 1.1 | -1 288 | -51 | -1 339 |
| Depreciation this year | -1 184 | -137 | -1 321 |
| **Accumulated depreciation 31.12** | **-2 472** | **-188** | **-2 660** |
| | | | |
| **Booked value at 31.12.2016** | **1 901** | **393** | **2 294** |
| | | | |
| Useful life (year) | 2-5 | 3-5 | |

| 2015 | Tools and equipment | Office equipment | Total |
|---|---|---|---|
| **Acquisition cost 1.1** | **1 850** | **-** | 1 850 |
| Additions | 2 402 | 581 | 2 984 |
| Disposals | - | - | - |
| **Acquisition cost 31.12** | **4 252** | **581** | **4 834** |
| | | | |
| Accumulated depreciation 1.1 | -606 | - | -606 |
| Depreciation this year | -682 | -51 | -733 |
| **Accumulated depreciation 31.12** | **-1 288** | **-51** | **-1339** |
| | | | |
| **Booked value at 31.12.2015** | **2 964** | **530** | **3 494** |
| | | | |
| **Useful life (year)** | **2-5** | **3-5** | |

## 05 OTHER OPERATING EXPENSES

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| Property lease | 806 | 734 |
| Travel expenses | 1 512 | 1 225 |
| Auditor, accounting and legal fees | 204 | 566 |
| Intercompany services and resource fee | 26 031 | 25 872 |
| Other services | 3 321 | 3 577 |
| Other expenses | 3 811 | 3 120 |
| **Total** | **35 685** | **35 094** |

## 06 INVESTMENTS IN SUBSIDIARIES

| Company<br>NOK 1 000 | Country of location | % Equity and voting share | Annual Result 2016 | Equity per 31.12.2016 |
|---|---|---|---|---|
| Nordic Made AS | Norway | 100,00 % | -0 | 100 |
| BLOM Maritime AS | Norway | 100,00 % | -2 525 | -4 293 |
| TECO Maritime Group AS | Norway | 91,47 % | 13 349 | 26 060 |
| Nordic Made Boiler Services Inc. | USA | 62,50 % | -4 087 | -4 195 |
| Cross Maritime Group SA | Spain | 80,00 % | 207 | 2 164 |
| Nordic Made, Inc. | USA | 100,00 % | 838 | 833 |
| Nordic Made Poland Sp.Zo.O. | Poland | 100,00 % | 205 | 801 |
| | | | 7 986 | 21 470 |

Book value of equity for some of the subsidiaries are lower than the book value of the investment. This is mainly due to incurred start-up costs. Valuations have been performed and support the book value of the subsidiaries at 31.12.2016. The valuations are based on the managements discounted budgeted future cash flow.

## 07 RELATED PARTY DISCLOSURES

*Amount in NOK 1000*

a) Purchase

| Purchase of services and goods from | 2016 | 2015 |
|---|---|---|
| BLOM Maritime AS | 3 179 | 3 939 |
| BLOM Maritime INC | - | 1 809 |
| TECO Management AS | - | 990 |
| TECO Group AS | 291 | 840 |
| TECO Maritime Group AS | 170 | 239 |
| TECO Maritime Poland Sp.z.O.O | 819 | 872 |
| Crosscomar S.L. | 476 | - |
| TECO Solutions AS | 1 510 | - |
| TECO Maritime Middle East LLC | 88 073 | 69 017 |
| Nordic Made Inc | 56 912 | 83 838 |
| Nordic Made Poland Sp.z.O.O. | 9 808 | 9 182 |

| Sales of services and goods to | 2016 | 2015 |
|---|---|---|
| Nordic Made Inc | 2 220 | 1 184 |
| Nordic Made Poland SP.z.O.O | - | 6 |
| BLOM Maritime AS | 773 | 255 |
| TECO Solutions AS | 777 | 8 |
| TECO Maritime Group AS | 1 200 | - |
| TECO Maritime Middle East LLC | 4 | - |

| | | |
|---|---|---|
| TECO Group AS | 194 | - |
| TECO Electronics AS | 251 | - |
| TECO Maritime Far East Pte Ltd. | 18 | - |
| TECO Maritime Poland SP.z.O.O | 59 | - |
| Nordic Made Boiler Services Aps | 7 | - |
| Nordic Made Boiler Services Inc | 407 | - |
| Crosscomar S.L. | 375 | - |

b) Balance with related parties

| **Receivables** | | **2016** | **2015** |
|---|---|---|---|
| Other receivables (current assets) | Other shareholders | - | 80 |
| Trade Receivables | TECO Maritime Poland Sp.z.o.O | 97 | 38 |
| Trade Receivables | TECO Maritime Group AS | 1 500 | - |
| Trade Receivables | TECO Electronics AS | 205 | - |
| Trade Receivables | TECO Solutions | 847 | - |
| Trade Receivables | Crosscomar | 214 | - |
| Trade Receivables | NM Boiler Services Inc | 407 | - |
| Trade Receivables | BLOM Maritime AS | 1 247 | 375 |
| Trade Receivables | TECO Group AS | 242 | 26 |
| Trade Receivables | TECO Maritime Far East Pte. Ltd | 4 | - |
| Trade Receivables | TECO Maritime Middle East LLC | 4 | - |
| Trade Receivables | Nordic Made Inc | 870 | 1 184 |
| Trade Receivables | Nordic Made Poland Sp.z.O.O | - | 6 |
| **Total receivable from related parties** | | **5 638** | **1 709** |

| **Loan to group companies** | | **2016** | **2015** |
|---|---|---|---|
| Long term loan | BLOM Maritime AS | 695 | - |

| **Short term receivables** | | **2016** | **2015** |
|---|---|---|---|
| Intercompany | TECO Solutions AS | 3 003 | - |
| Intercompany | Crosscomar SL | 2 693 | 399 |
| Intercompany | Nordic Made Poland Sp.z.O.O | 6 | 705 |
| Intercompany | TECO Group AS | 819 | - |
| Intercompany | TECO Maritime Group AS | 2 015 | - |
| Intercompany | NM Boiler Services Inc | 3 549 | 13 |
| **Total short term receivables from group companies** | | **12 085** | **1 116** |

| **Liabilities:** | | **2016** | **2015** |
|---|---|---|---|
| Account payables | TECO Maritime Group AS | 29 | 48 |
| Account payables | TECO Solutions AS | 96 | 12 |
| Account payables | TECO Maritime Middle East LLC | 11 884 | 6 628 |
| Account payables | Crosscomar S.L. | 265 | - |
| Account payables | BLOM Maritime AS | -305 | 21 |
| Account payables | TECO Group AS | -380 | - |
| Account payables | Nordic Made Inc | 10 632 | 16 493 |
| Account payables | Nordic Made Poland | 317 | 747 |
| Account payables | TECO Maritime Poland | 1 | 87 |
| Account payables | TECO Management | 1 | 1 |
| Total liabilities to related parties | | 22 539 | 24 036 |

## 08 FINANCIAL INCOME AND EXPENSES

| NOK 1000 | 2016 | 2015 |
|---|---|---|
| Gain of sale of investment | - | 700 |
| Interest income | 49 | 3 |
| Foreign exchange gains | 5 721 | 8 304 |
| Other financial income | 231 988 | - |
| **Total financial income** | **6 002** | **9 007** |
| | | |
| Interest expenses | 205 | 11 |
| Foreign exchange loss | 6 384 | 5 100 |
| **Total financial expenses** | **6 589** | **5 111** |

| **Income statement** | | |
|---|---|---|
| Financial income | 6 002 | 9 007 |
| Financial expenses | -6 589 | -5 111 |
| **Net financial income/(expenses)** | **-588** | **3 896** |

## 09 TAX

| **Specification of income tax:** NOK 1 000 | **2016** | **2015** |
|---|---|---|
| Income tax payable | - | - |
| Change in deferred tax | -2 630 | 3 997 |
| Total income tax expense | -2 630 | 3 997 |

| **Specific. of temp. differences and deferred tax:** | **2016** | **2015** |
|---|---|---|
| Property, plant and equipment | -238 | 490 |
| Construction contracts | 15 041 | 29 638 |
| Tax loss carry forward | -2 292 | -7 599 |
| Total basis for deferred tax | 12 511 | 22 530 |
| Deferred tax liability 24% (25%) | 3 003 | 5 632 |

| **Specification of basis of tax payable:** | **2016** | **2015** |
|---|---|---|
| Profit before income tax | -10 448 | 17 082 |
| Non-deductible expenses | 429 | -610 |
| Change in temporary differences | 15 326 | -24 070 |
| Taxable losses carried forward | -5 307 | - |
| Taxable profit | - | -7 599 |

| **Reconciliation of effective tax rate:** | **2016** | **2015** |
|---|---|---|
| Profit before income tax | -10 448 | 17 082 |
| Expected income tax (24%/25%) | -2 612 | 4 270 |
| Effect of change of tax rate from 25 % to 24 % | -125 | -80 |
| Adjusted for tax effect - Permanent differences | -107 | -194 |
| Total income tax expense | -2 630 | 3 966 |

## 10 ASSETS PLEGED AS SECURITY

The carrying amounts of assets pledged as security for borrowings are:

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| Receivables | 15 000 | 15 000 |
| Goods | 585 | 91 |
| **Total Current Assets pledged** | **15 585** | **15 091** |
| Fixed Assets | 2 294 | 3 494 |
| **Total non-current assets pledged** | **2 294** | **3 494** |
| **Total assets pledged as security** | **17 880** | **18 586** |

## 11 GOODS

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| Cost of goods | 585 | 91 |

No impairment is considered in the value of goods

## 12 TRADE RECEIVABLES

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| Trade receivables/debtors | 29 948 | 24 388 |

All receivables per 31.12.2016 have been received at the time of writing this report. No further losses on trade receivables are accrued.

## 13 OTHER RECEIVABLES

| NOK 1 000 | 2016 | 2015 |
|---|---|---|
| Contracts in progress, acc. Rev. and deferred cost | 12 220 | 40 274 |
| VAT settlement account | 124 | 211 |
| Loan employees | 421 | 202 |
| Other receivables | 340 | 157 |
| Net other receivables | 13 105 | 40 845 |

## 14 CASH AND CASH EQUIVALENTS AND LIABILITIES TO FIN. INSTITUTIONS

| NOK 1 000 | **2016** | **2015** |
|---|---|---|
| Cash and cash equivalents | 1 324 | 6 364 |
| **Total cash and cash equivalents** | **1 324** | **6 364** |
| *Restricted cash for Tax dues* | *136* | *261* |
| | | |
| Short term liabilities to financial institutions | 12 684 | 1 114 |

## 15 SHARE CAPITAL AND SHAREHOLDERS INFORMATION

**Total shares per 31.12.2016**

| | **Share holder** | **Shares** | **%** |
|---|---|---|---|
| 1 | TECO Group AS | 66 832 588 | 48,4 % |
| 2 | Michael Nygaard Rasmussen | 20 763 288 | 15,0 % |
| 3 | Daler Inn Ltd | 15 576 211 | 11,3 % |
| 4 | Badin Invest Ltd | 14 983 560 | 10,8 % |
| 5 | Christian Compton | 5 553 187 | 4,0 % |
| 6 | Bettina Nowak | 5 484 156 | 4,0 % |
| 7 | Høgåsen Holding AS | 1 565 384 | 1,1 % |
| 8 | Bloms Oppmåling AS | 1 468 909 | 1,1 % |
| 9 | NOROCO AS | 1 300 743 | 0,9 % |
| 10 | BUSKERUD TELEMARK VESTFOLD | 1 219 042 | 0,9 % |
| 11 | MONS HOLDING AS | 527 415 | 0,4 % |
| 12 | NORDNET BANK AB | 422 875 | 0,3 % |
| 13 | Lukasz Podlinski | 399 087 | 0,3 % |
| 14 | AHLQVIST, ROLF | 373 358 | 0,3 % |
| 15 | SANDVIK, LASSE | 161 783 | 0,1 % |
| 16 | ERIKSEN, TOM | 122 470 | 0,1 % |
| 17 | STOCK INVESTMENT AS | 110 822 | 0,1 % |
| 18 | BECK; OLE TORMOD | 99 320 | 0,1 % |
| 19 | ELVEVOLD; ARNULF | 97 078 | 0,1 % |
| 20 | NEST TRADING A/S | 89 863 | 0,1 % |
| | OTHER SHAREHOLDERS | 1 000 548 | 0,7 % |
| | | **138 167 865** | **100,00 %** |

**Shares owned by company management or Board of Directors:**

| Name | Title | Shares | % Share |
|---|---|---|---|
| Tore Enger (1) | CEO & Chairman | 52 409 432 | 37,9 % |
| Christian Compton | COO | 5 553 187 | 4,0 % |
| Eivind Hermansen (2) | CFO | 1 565 384 | 1,1 % |
| Lukasz Podlinski | Project Director | 399 087 | 0,3 % |
| Michael Rasmussen | Board Member | 20 763 288 | 15,0 % |
| TOTAL | | 80 690 378 | 58,4 % |

1 Tore Enger has indirect ownership through his 78,4% ownership in TECO Group AS

2 Eivind Hermansen has indirect ownership through his 100% ownership in Høgåsen Holding AS

## 16 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities of NOK 10 169 313 is related to investment in subsidiaries acquired in 2016. The liability is interest free and has an agreed down-payment period of four years.

## 17 BORROWINGS

The company has a bank overdraft facility with DNB, limited to USD 1 500 000. Utilization per 31.12.2016 was 95%.

The overdraft facility is subject to the following covenants:

- Major changes in the company's owner constellation and/or management, to be authorized by the bank.
- The company's equity is expected to be a minimum of 15 000 000 NOK per 31.12.2015, and NOK 20 000 000 per 31.12.2016 and onwards. Measurement annually based on audited financial statement for the parent company/The Maritime Group AS.
- Utilization of the overdraft facility is expected to be lower than 50% of receivables.
- Periodical reporting every 3 months, with P&L and Balance Sheet, including a 6-month prognosis on liquidity.

## 18 CURRENT LIABILITIES

| | **2016** | **2015** |
|---|---:|---:|
| Contracts in progress | 15 816 | 33 663 |
| Vacation allowance | 971 | 382 |
| Other liabilities | 2 351 | 2 742 |
| | **19 137** | **36 786** |

## 19 OTHER OBLIGATIONS

The Maritime Group AS has guaranteed on behalf of its subsidiary, TECO Maritime Group AS, for payment of rent. As at 31.12.2016, the outstanding amount was NOK 1 167 609.

## 20 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements, requires the company to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an on-going basis.

*Revenue recognition ongoing contracts*

Revenue is recognized based on estimated progress under the contracts. Several estimates have to be made to calculate the stage of completion. These estimates have a direct influence on the amount of revenue and cost that is recognized in the relevant period.

Certain factors create uncertainty regarding the recognized revenue/cost on a given contract:

- Total man-hours estimated to complete scope of work
- Total materials purchase to complete scope of work
- Discussions with customers regarding which tasks are to be considered within scope of work, and which should generate a change order/separate job.

To reduce these uncertainties, all projects are reviewed thoroughly on a weekly basis. A project budget file is updated weekly by the responsible Project Manager. In order to provide necessary information to Accounting personnel, the project's total revenue and cost, thereby also the expected gross margin, needs to be estimated. Knowledge of complete scope of work, best estimates on remaining work/purchases, contract amount and all change orders to original contract are then combined in order to finalize the estimates.

Another important element of the project review, is to track all extra work/idle time etc, that eventually will lead to a change order from the customer and increase project revenue. Experience has shown that the total revenue from a turnkey installation contract always increases along the duration of the project, often with significant amounts.

As the company has experienced turnkey installation contracts that are significantly longer in duration than what was seen earlier, this furthermore increases the demand of continuous control and evaluation of all project estimates.

## 21 GOING CONCERN

The Balance Sheet for 2016 show a positive equity of NOK 69 284 337. The board assesses the equity to be sufficient, although it consists mainly of investment in subsidiaries. See also note 22 (Events after the reporting period), where there is a further description of development in the subsidiaries.

The Maritime Group AS has a negative working capital per 31.12.2016. As of today, the liquidity situation is challenging and is not at an adequate level. However, at the time of writing this report, the company has improved the liquidity situation through various measures in addition to an ongoing share capital increase expected to be completed within the end of 1Q2018.

The market outlook for the industry is very good, and already approved legislative changes are assumed to trigger the market for installation services ahead. The company has positioned itself well to increase its activities within both scrubber and ballast water management systems installations in the future.

## 22 EVENTS AFTER THE REPORTING PERIOD

The financial statement is adjusted to reflect events after the balance sheet date that constitute a condition that existed at the date of the balance sheet, i.e. adjusted estimates for ongoing projects.

At the time of writing this report, the preliminary results for 2017 are promising and the Board expects a positive operating result for the group for 2017.

The Maritime Group AS has a negative working capital per 31.12.2016. As of today, the liquidity situation is challenging and is not at an adequate level. However, at the time of writing this report, the company has improved the liquidity situation through various measures in addition to an ongoing share capital increase expected to be completed within the end of 1Q2018.

FGH REVISJON

ANSVARLIGE REVISORER:
STATSAUTORISERT REVISOR FRODE G. HANSEN (REVISORREGISTERNR. 1006065)
STATSAUTORISERT REVISOR KAY VIDAR THOMASSEN (REVISORREGISTERNR. 1017234)
STATSAUTORISERT REVISOR STÅLE RAASTAD HANSEN (REVISORREGISTERNR.1019692)

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To the Shareholders' Meeting of The Maritime Group AS

# Independent auditor`s report

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of The Maritime Group AS (the Company), showing a loss of TNOK 7 819 and an Equity of TNOK 69 284 in the financial statements of the parent company and a loss of TNOK 38 778 and an Equity of TNOK 41 399 in the financial statements of the group, in our opinion:

- The financial statements are prepared in accordance with laws and regulations
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at December 31, 2016, and (of) its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at December 31, 2016, and (of) its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at December 31, 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at December 31, 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities 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

Management is responsible for the other information. The other information comprises the information included in the Board of Directors’ Report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the CEO for the Financial Statements**
The Board of Directors and the CEO (Management) are responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 Groups'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 Group 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.

Refer to https://revisorforeningen.no/revisjonsberetninger which contains a description of Auditor's responsibilities.

## 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 the proposal for the coverage of the loss 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 produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

**Emphasis of Matter**
This audit report replaces our previous report dated June 30, 2017, which was issued on the date of the statutory deadline for limited liability companies for preparation of financial statements. A complete set of financial statements and Board of Directors' report had not been submitted by the Board of Directors and CEO at this date.

Oslo, March 28, 2018
FGH Revisjon AS

______________________________
Ståle Raastad Hansen
State Authorized Public Accountant