AGGREGATED FINANCIAL STATEMENTS

for the financial years 2015 to 2016

for

Ovzon AB (publ)

corporate ID number 559079-2650

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Ovzon AB (publ)
Corp. ID no. 559079-2650

AGGREGATED INCOME STATEMENTS (all amounts are in SEK '000)	**Note**	**1 Jan 2016 31 Dec 2016**	**1 Jan 2015 31 Dec 2015**
Revenue, etc.			
Revenue	5	209,219	111,978
Other operating income	6	-	400
		209,219	112,378
Operating expenses			
Purchased satellite capacity and other direct costs		-114,713	-76,304
Other external costs	7, 8	-30,869	-16,040
Employee benefit expenses	9	-22,869	-15,074
Depreciation/amortisation of property, plant and equipment and intangible assets	10	-3,527	-1,964
		-171,978	-109,382
Operating profit/loss		**37,241**	**2,996**
Profit/loss from financial investments			
Financial income	11	3,477	8,334
Financial expenses	12	-15,547	-32,152
		-12,070	-23,818
Profit/loss after financial items		**25,171**	**-20,822**
Tax on profit for the year	13	-34	-411
NET PROFIT/LOSS FOR THE YEAR		**25,137**	**-21,233**
Net profit/loss for the year attributable to:			
Shareholders of the parent company		25,137	-21,233
Earnings per share and share data	14		
Earnings per share referable to shareholders of the parent company, SEK[1)]		5.03	-4.25
Average number of shares, no.[1)]		5,000,000	5,000,000

1) No dilutive effect.

AGGREGATED STATEMENTS OF COMPREHENSIVE INCOME	**1 Jan 2016 31 Dec 2016**	**1 Jan 2015 31 Dec 2015**
Net profit/loss for the year	**25,137**	**-21,233**
Other comprehensive income:		
Items that subsequently may be reclassified to the income statement:		
- Exchange differences	2,071	3,488
Other net comprehensive income after tax	**2,071**	**3,488**
Comprehensive income for the year	**27,208**	**-17,745**
Comprehensive income for the year attributable to:		
Shareholders of the parent company	27,208	-17,745
Comprehensive income for the year	**27,208**	**-17,745**

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AGGREGATED BALANCE SHEETS
(all amounts are in SEK '000)

	Note	31 Dec 2016	31 Dec 2015	1 Jan 2015
ASSETS				
Fixed assets				
Intangible fixed assets				
Capitalised expenditure for development	15	11,937	7,765	-
Patents	16	551	-	-
		12,488	**7,765**	**-**
Property, plant and equipment				
Equipment, tools, fixtures and fittings	17	367	-	-
Construction in progress and advance payments	18	24,595	24,595	-
		24,962	**24,595**	**-**
Financial fixed assets				
Deposit		955	870	868
		955	**870**	**868**
Total fixed assets		**38,405**	**33,230**	**868**
Current assets				
Current receivables				
Trade receivables	19	4,383	4,630	-
Current tax assets		-	178	194
Other receivables		630	548	1,226
Prepaid expenses and accrued income	20	1,414	401	2,882
		6,427	**5,757**	**4,302**
Cash and cash equivalents	21	**24,530**	**12,308**	**5,790**
Total current assets		**30,957**	**18,065**	**10,092**
TOTAL ASSETS		**69,362**	**51,295**	**10,960**

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AGGREGATED BALANCE SHEETS (all amounts are in SEK '000)	**Note**	**31 Dec 2016**	**31 Dec 2015**	**1 Jan 2015**
EQUITY AND LIABILITIES				
Equity	22			
Share capital		500	500	500
Share premium reserve		53,524	53,524	53,524
Reserves		152	-1,919	-5,407
Accumulated deficit		-189,507	-214,644	-193,411
Equity attributable to shareholders of the parent company		**-135,331**	**-162,539**	**-144,794**
Total equity		**135,331**	**-162,539**	**-144,794**
Non-current liabilities				
Liabilities to credit institutions	23	-	-	750
Liabilities to related parties	23, 27	115,505	96,243	58,944
Other borrowings	23	-	-	33,750
Provisions		-	-	-
		115,505	**96,243**	**93,444**
Current liabilities				
Liabilities to credit institutions	23	-	250	-
Other borrowings	23	43,193	40,500	-
Trade payables		12,508	43,481	39,448
Liability to parent company	26, 27	20,808	19,471	14,408
Other liabilities		7,415	7,461	6,108
Accrued expenses and deferred income	24	5,264	6,428	2,346
		89,188	**117,591**	**62,310**
TOTAL EQUITY AND LIABILITIES		**69,362**	**51,295**	**10,960**

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AGGREGATED STATEMENTS OF CHANGES IN EQUITY

(all amounts are in SEK ‘000)

	Share capital	Other injected capital	Reserves	Accumulated deficit	Total equity*
Opening equity at 1 January 2015	**500**	**53,524**	**-5,407**	**-193,411**	**-144,794**
Loss for the year	**-**	-	-	-21,233	-21,233
Other comprehensive income	**-**	-	3,488	-	3,488
Comprehensive income for the year	**-**	-	**3,488**	**-21,233**	**-17,745**
Closing equity at 31 December 2015	**500**	**53,524**	**-1,919**	**-214,644**	**-162,539**
Opening equity at 1 January 2016	**500**	**53,524**	**-1,919**	**-214,644**	**-162,539**
Profit for the year	**-**	-	-	25,137	25,137
Other comprehensive income	**-**	-	2,071	-	2,071
Comprehensive income for the year	**-**	-	**2,071**	**25,137**	**27,208**
Closing equity at 31 December 2016	**500**	**53,524**	**152**	**-189,507**	**-135,331**

*All attributable to the shareholders of the parent company

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AGGREGATED CASH FLOW STATEMENTS

(all amounts are in SEK '000)

	Note	1 Jan 2016 31 Dec 2016	1 Jan 2015 31 Dec 2015
Operating activities			
Profit/loss after financial items		25,171	-20,822
Adjustments for non-cash items, etc.	29	21,296	21,006
Income tax paid		17	-217
Cash flow from operating activities before working capital changes		**46,484**	**-33**
Decrease(+)/increase(-) in current receivables		-2,484	-1,648
Decrease(-)/increase(+) in current liabilities		-22,768	9,466
Total working capital change		**-25,252**	**7,818**
Cash flow from operating activities		**21,232**	**7,785**
Investing activities			
Acquisition of intangible fixed assets		-7,252	-9,718
Purchase of property, plant and equipment		-528	-24,595
Cash flow from investing activities		**-7,780**	**-34,313**
Financing activities			
New share issue		-	-
New borrowings		-	33,318
Repayment of debt to credit institutions		-250	-500
Cash flow from financial activities		**-250**	**32,818**
Cash flow for the year		**13,202**	**6,290**
Cash and cash equivalents at the beginning of the year		12,308	5,790
Exchange rate differences in cash and cash equivalents		-980	228
Cash and cash equivalents at the end of the year		**24,530**	**12,308**

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SCHEDULE OF NOTES TO AGGREGATED FINANCIAL STATEMENTS

NOTES TO AGGREGATED FINANCIAL STATEMENTS

(all amounts are in SEK '000)

Note 1 General information

Ovzon AB (publ), corporate ID number 559079-2650, is a limited company registered in Sweden and based in Stockholm. The address of its head office is Box 6069, SE-171 06 Solna, Sweden.

OverHorizon (Cyprus) Plc, company registration number 177462, registered office in Nicosia, Cyprus, is the parent company of the largest group in which Ovzon AB (publ) is a subsidiary and for which consolidated accounts are prepared.

Ovzon AB (publ) is the parent company of a group that has the object of designing, manufacturing and launching its own satellite in order to be able to offer broadband services via satellite to customers in various parts of the world. During the manufacturing of its own satellite, the Group leases capacity on existing satellites, and markets and sells broadband services via this leased capacity.

The activities of the parent company Ovzon AB (publ) only comprise group-coordinating tasks, and its assets largely comprise shares and participating interests in group companies.

As of 31 December 2016, the Cypriot parent company OverHorizon (Cyprus) Plc restructured its former total holding of four wholly-owned subsidiaries and transferred these at their carrying amount to the Swedish subsidiary Ovzon AB (publ), a company acquired by the parent company in 2016.

In addition to its ownership role as a holding company, the Cypriot parent company has conducted part of the total operating activities pursued in the Group in its own name, including the holding of several patents and one frequency licence and also certain debt financing. This part of the operations was completely transferred to the Ovzon Group at the end of the first half year of 2017.

The formation of the Ovzon Group is a transaction under joint control and is not subject to any IFRS standards at present, which means that an appropriate accounting policy shall be applied in accordance with IAS 8. An appropriate and recognised method is to use previous book values (capital reorganisation accounting), which is the principle that the Ovzon Group has chosen to apply.

Ovzon AB (publ) is subsequently the parent company for the entire recently formed Swedish Group comprising the transferred part of the Cypriot parent company's operation, three directly wholly-owned subsidiaries and one indirectly wholly-owned subsidiary:

- OverHorizon AB, Sweden
- OverHorizon OHO 1 Limited, Cyprus
- OverHorizon Communications Group, LLC, USA, and its subsidiary
  - OverHorizon LLC, USA

These aggregated financial statements have been prepared for prospectus purposes as there are plans to admit the shares in Ovzon AB (publ) to trading on an appropriate trading venue in 2018. Due to a change in the basis for the restructuring of the Group, and corrections of identified errors in the earlier published Cypriot consolidated financial statements, this version of the aggregated financial statements for the financial years 2015 to 2016 replaces an earlier version.

Aggregated financial statements are one way of illustrating financial information for a group of entities that are not a legal group but that are ultimately controlled by the same party. These aggregated financial statements represent the group of entities that will comprise the future Ovzon Group. As the restructuring had not been fully completed at the end of the financial year, these aggregated financial statements have been prepared for this group, which is defined below as 'Ovzon'.

The Ovzon Group basically comprises the former Cypriot Group. However, the part of the parent company relating to the ownership role itself from a Cypriot perspective and that had formed part of the Cypriot Group will not form part of the future Ovzon Group and is consequently not included in these aggregated financial statements. The parts of the operation transferred from the Cypriot parent company in 2017 are included and have therefore been added in addition to the legal entities.

These operations have been included in the aggregated financial statements already from 2015. Anything that has been excluded has been reported as ‘Transactions with the owner’.

These financial statements are thus an aggregation of these entities’ accounting records in accordance with the policies referred to below. See Note 30 for a full summary of the entities that jointly comprise the group as presented in the aggregated financial statements.

These financial statements are Ovzon’s first financial statements prepared in accordance with IFRS. As the incorporation of Ovzon AB (publ) does not entail any business combinations under IFRS 3, Ovzon has chosen to prepare the aggregated financial statements on the basis of the financial information reported by the above-mentioned entities for consolidation purposes in OverHorizon (Cyprus) Plc. The optional exemption in IFRS 1 to record accumulated translation differences at zero during transition to IFRS was applied when preparing the aggregated financial statements.

The accounting policies thus follow the accounting policies presented in OverHorizon (Cyprus) Plc’s financial statements for 2016 and will be applied in the financial statements for 2017.

Note 2 Summary of important accounting policies
The aggregated financial statements for Ovzon have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC’s interpretations, as adopted by the EU, and RFR 1 Supplementary Accounting Rules for Groups with associated interpretations, published by the Swedish Financial Reporting Board (“Rådet för finansiell rapportering”). The basis of accounting and the accounting policies applied when preparing the aggregated financial statements apply to all periods presented.

The parent company’s functional currency is the Swedish krona, which also constitutes the presentation currency for the parent company and the Group. The aggregated financial statements are thus presented in Swedish kronor. All amounts are recorded to the nearest thousand kronor (SEK ‘000) unless otherwise stated. The income statement has been presented by type of cost.

Preparing statements in accordance with IFRS requires the use of some important estimates for accounting purposes. Furthermore the Board of Directors and management are required to make certain judgments when applying the Group’s accounting policies and valuation principles. Those areas that involve a high level of judgement, that are complex or areas where assumptions and estimates are of fundamental importance to the consolidated accounts are stated in Note 4.

2.1 Basis of preparation
IFRS do not deal specifically with the preparation of aggregated financial statements. The term ‘aggregated financial statements’ means financial information prepared by aggregating financial information for entities that do not satisfy the definition of a group according to IFRS 10. The intention of aggregated accounts is to present the historical financial information for Ovzon and thus encompass all entities that make up this group. An important precondition for the preparation of these aggregated financial statements is that all entities are under joint control via OverHorizon (Cyprus) Plc’s ownership.

As not just legal entities were transferred in conjunction with the formation of the Ovzon Group, the following considerations were made when drawing up the financial statements, after considering the principles used to determine which assets, liabilities, revenue and expenses as well as cash flows should be in included in the consolidated financial statements.

Going concern
As indicated by the aggregated by the balance sheet in the financial statements at 31 December 2016, the liabilities exceed the assets by SEK 135,331 k, which means that negative equity is recorded. Current liabilities are significantly higher than current assets. Other indications of significant uncertainty concerning whether there is a going concern are the size of net borrowing and an ongoing legal dispute. Full provision has been made for liabilities; see also information in Note 25.

The Board of Directors considers and evaluates the conditions for the business as a going concern and is diligently monitoring financing and liquidity. The Board of Directors considers that the conditions are in place to implement a new share issue and/or further loan financing. The Board of Directors thereby considers that it can deal with the liabilities as they fall due and secure sufficient own funds. The aggregated financial statements have been prepared on the basis of a going concern.

Allocation of expenses
A precondition for preparing aggregated financial statements is that revenue and expenses as well as assets and liabilities are based on items that can be identified. OverHorizon (Cyprus) Plc has had certain group-wide expenses, which meant that related expenses for Ovzon were included in the aggregated financial statements.

Financial expenses and capital structure
The financial expenses incurred by Ovzon are based on the debt that Ovzon takes over.

Ovzon’s historical capital structure has not been adjusted in order to reflect a potential capital structure as a separate, publicly traded unit.

Transactions with shareholders/related parties
Shareholders/related parties have significant deposits at market rates; see Note 27 Transactions with related parties for detailed information.

Income tax
The Group has historically generated significant losses as a consequence of product development and developing the business. Historically, tax has been levied only in respect of actual tax and not deferred tax. Tax has been accounted for in the aggregated financial statements based on the taxable profit generated in the entities. No deferred tax asset has been reported owing to some uncertainty about the possibility of using the tax losses to which the tax refers.

Earnings per share
The calculation of earnings per share in these aggregated financial statements is based on the profit/loss for the year for Ovzon referable to shareholders of the parent company divided by the average number of shares outstanding, with regard taken to the share split, decided in 2017. A new share issue planned for 2018, but not yet decided.

Segments
Segment information is not presented because the activity comprises one segment.

Cash and cash equivalents
Cash and cash equivalents include cash, bank balances and, when applicable, other current financial investments due within three months. Cash and cash equivalents are recognised at their nominal amount.

Elimination of transactions within Ovzon
Receivables, liabilities, revenue and expenses, together with unrealised gains and losses that arise between entities within the Ovzon Group, are eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment loss required.

Significant events after the end of the financial year
As regards any impact of events after the balance sheet date in accordance with IAS 10, the policy chosen is to only consider in the aggregated financial statements any such events in the last period presented, i.e. the financial year 2016. Consequently the financial years 2015 and 2014 are deemed to have been closed.

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2.2 New IFRSs from 2017 onwards

A number of new standards and amendments to interpretations and existing standards enter into force for financial years commencing after 1 January 2016, which have not been applied when preparing Ovzon's financial statements. The most important changes for Ovzon are:

IFRS 15 Revenue from Contracts with Customers
This standard governs how revenue is to be recognised. The principles on which IFRS 15 is based shall give users of financial statements more useful information about the company's revenue. This extended disclosure obligation means that information shall be provided about the nature of revenue, timing of settlement, uncertainties associated with revenue recognition and cash flows arising from contracts with customers. According to IFRS 15, revenue shall be recognised when the customer obtains control of the goods or service sold and has the ability to use and obtain benefit from the goods or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts together with related SICs and IFRICs. IFRS 15 enters into force on 1 January 2018. Early application is permitted. As a transitional method, a company can choose between 'full retroactivity' or prospective application with additional disclosures.

A survey of the Group's revenue flows was conducted over the year and an evaluation of the effects started. The initial assessment is that the application is not expected to entail any significant effect on the recognition of the Group's revenue. An evaluation of the effects is expected to have been completed in 2017. The Group has still not made a decision on the transitional method for the new standard.

IFRS 9 Financial Instruments
This standard deals with the classification, measurement and recognition of financial assets and liabilities. It replaces the parts of IAS 39 that deal with the classification and valuation of financial instruments and introduces a new impairment model. The new standard requires more disclosures about expected credit losses from the financial instrument and risk management for hedge accounting. This standard shall be applied for financial years commencing 1 January 2018.

Although the Group has still not conducted a detailed evaluation of the effects of the new standard, the introduction of IFRS 9 is not expected to have any significant impact on the classification and valuation of the Group's financial assets and liabilities or financial position.

IFRS 16 Leases
The IASB published a new lease standard in January 2016 to replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. This standard requires assets and liabilities referable to all leases, with a few exceptions, to be recognised in the balance sheet. This reporting is based on the approach that the lessee has a right to use an asset for a specific period of time as well as an obligation to pay for such right. Accounting will essentially remain the same for lessors. The standard applies to financial years commencing 1 January 2019 or later. Early application is permitted. Although the Group has still not conducted a detailed evaluation of the effects of the new standard, the introduction of the new standard is not expected to have any significant impact on the Group's financial statements.

Other new standards, amendments and interpretations of existing standards that have not yet entered into force are currently not relevant for the Group or considered not to have any notable effect on the Group's profit or loss or financial position.

2.3 Consolidation

Group companies are consolidated from and including the day on which the Group has control over or exerts an influence on the company in accordance with the definitions specified under each category of Group company below. A Group company that has been disposed of is included in the consolidated accounts up until the day on which the Group ceases to control or exert an influence on the company. Intra-group transactions have been eliminated.

Subsidiaries
All companies that Ovzon AB (publ) controls are included as subsidiaries. 'Control' means that the Ovzon Group has the ability to direct the subsidiary, is entitled to its returns and can use its influence to direct the activities that affect its returns. The financial statements are prepared based on the values taken over from OverHorizon (Cyprus) Plc. All of the Group's subsidiaries are wholly-owned.

Other participations
The Group has no holdings classified as cooperation arrangements or associated companies.

Business combinations
No business combinations have occurred during the financial years covered by these aggregated financial statements.

2.4 Segment reporting
An operating segment is part of the Group that pursues activities from which it can generate revenue and incur expenses and for which there is independent financial information available. Segment information is not presented because the activity only comprises one segment.

2.5 Foreign currency translation
2.5.1 Functional and presentation currencies
Items included in the financial statements for the different entities in the Group are measured in the currency used in the economic environment where each company is predominantly active (functional currency). The Swedish krona (SEK) is used as the parent company's functional and presentation currency in the consolidated accounts. The American dollar (USD) is the functional currency for the American and Cypriot subsidiaries.

2.5.2 Transactions and balance sheet items
Foreign currency transactions are translated into the functional currency according to the exchange rates applicable on the date of the transaction or the day on which the items are revalued. Exchange gains and losses, resulting from settlement of such transactions and when translating monetary assets and liabilities in foreign currency at the year-end rate, are recognised in the income statement.

2.5.3 Translation of foreign operations
When preparing consolidated accounts, the balance sheets for the Group's foreign operations are translated from their functional currency into Swedish kronor based on the exchange rate on the reporting date. The income statement and other comprehensive income are translated at the average exchange rate for the period. The translation differences that arise are recorded in other comprehensive income against the translation reserve in equity. The accumulated translation difference is removed and recognised as part of capital gain or capital loss in the event that the foreign operation is disposed of. Goodwill and fair value adjustments attributable to the acquisition of operations with a functional currency other than the Swedish krona are treated as assets and liabilities in the acquired operation's currency and translated at the year-end exchange rate on the reporting date.

2.6 Revenue
Revenue is measured at the fair value of the consideration received or receivable, and corresponds to the amounts received for goods and services sold less discounts, rebates and value added tax. The Group recognises revenue when its amount can be measured reliably, it is probable that future economic benefits will flow to the Group and special criteria have been satisfied for each of the Group's activities as described below.

2.6.1 Sales of satellite services
The Group leases capacity on existing satellites, and markets and sells broadband services via this leased capacity. Revenue from sales of broadband services are recognised on a straight-line basis over the length of the contract period, which is normally twelve months. Contract conditions are 'matched' to the widest possible extent between leased and sold capacity.

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2.6.2 Other operating income

Other operating income mainly consists of government grants. Revenue arising from government grants is recognised as 'other operating income' and recognised as revenue when the conditions for being granted the contribution have been satisfied and it is probable that the economic benefits associated with the transaction will flow to the company and the income can be measured reliably. Contributions received prior to the conditions for recognising them as revenue having been satisfied are recognised as a liability.

2.7 Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset from the lessor to the lessee. Other leases are classified as operating leases. The Group only has operating leases, which basically comprise leased capacity on existing satellites and leased premises.

Leasing payments under operating leases are expensed on a straight-line basis over the lease term.

2.8 Employee benefits

Retirement benefit obligations

The Group has defined contribution pension plans. For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a compulsory, contractual or voluntary basis. The Group has no further payment obligations when the contributions have actually been paid. The contributions are recognised as employee benefit expenses when they are due to be settled. Pre-paid charges are recognised as an asset. The Group has no defined benefit pension plans.

Termination benefits

Termination benefits may be paid when an employee has been given notice before the end of their normal retirement date or when an employee accepts voluntary redundancy. The Group recognises a liability and an expense in conjunction with notice of termination when the Group is demonstrably committed to either giving the employee notice of termination before the normal date of the termination of the employment or providing benefits on a voluntary basis to encourage premature redundancy.

2.9 Financial income

'Financial income' includes interest income on bank funds and receivables and also, when applicable, dividend income, interest subsidies and positive exchange differences on financial items. Financial income is recognised in the period to which it relates.

2.10 Financial expenses

'Financial expenses' includes interest and other costs that arise in conjunction with borrowing and are recognised in the income statement in the period to which they relate. Negative exchange rate differences for financial items are also included in financial expenses. All interest expenses are carried as an expense in the period to which they relate.

2.11 Taxes

Tax for the period comprises current tax and, when applicable, deferred tax. Taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income or directly in equity, in which case the associated tax effect is also recognised under the same item.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. The taxable profit (tax loss) differs from the accounting profit because of adjustments for non-taxable and non-deductible items. Current tax is the tax paid or recovered for the current year, possibly adjusted by the current tax attributable to prior periods.

Deferred tax is recognised according to the balance sheet method, whereby deferred tax liabilities are recognised in the balance sheet for all temporary differences that arise between the carrying amount and tax base of assets and liabilities. However, deferred tax is not recognised if the temporary difference has arisen on initial recognition of assets and liabilities that constitute the acquisition of an asset. A deferred tax asset for deductible temporary differences and losses carried forward is recognised only to the extent that it is probable that the amount can be utilised against future taxable profit. Deferred tax is calculated in accordance with statutory tax rates that have been enacted or announced at the balance sheet date and are expected to apply when the deferred tax asset in question is realised or the deferred tax liability settled.

2.12 Intangible assets
An intangible asset is recognised in the balance sheet when it is probable that the future economic benefits that are attributable to the asset will flow to the Group and when value of the asset can be measured reliably. Development costs are capitalised and recognised in the balance sheet as intangible assets if the criteria for recognition in the balance sheet in accordance with IAS 38 Intangible Assets have been satisfied.

Capitalised expenditure for development
Expenditure for terminal development is capitalised when it is probable that the project will be successful considering its commercial and technical opportunities and the costs can be estimated reliably. Development comprises research and development. Only expenditure for development may be capitalised as an asset in the balance sheet. The cost of the asset basically comprises external expenses directly related to development. Capitalised expenditure for development is amortised on a straight-line basis over an estimated useful life of four years. The value of the asset is tested on an ongoing basis and for each development project, after which impairment is carried out if necessary. The asset is recognised at cost less a deduction for accumulated amortisation and any impairment losses. Testing is based assumptions and assessments that are subject to some uncertainty.

Patents, trademarks and licences
Patents, trademarks and licences acquired separately are recognised at cost. Patents, trademarks and licences acquired through a business combination are recognised at their fair value at the acquisition date. Patents, trademarks and licences have a finite useful life and are recognised at cost less accumulated amortisation. Amortisation is carried out on a straight-line basis to allocate the cost of patents, trademarks and licences over their estimated useful life of 15 years.

2.13 Property, plant and equipment
Property, plant and equipment are recognised at cost less a deduction for accumulated depreciation and impairment losses. The cost includes expenses directly attributable to the acquisition of the asset. Subsequent costs are only added to the asset's carrying value or recognised as a separate asset when it is probable that the future economic benefits associated with the asset will benefit the Group and the cost of the asset can be measured reliably. The carrying amount for the replaced portion is derecognised. All other forms of repair and maintenance are recognised as expenses in the income statement in the period in which they arise.

Depreciation of property, plant and equipment is recognised as a cost so that the value of the asset is depreciated on a straight-line basis over its assessed useful life.

The following depreciation schedule applies:

- Equipment, tools, fixtures and fittings	3 to 5 years

The assets' residual values and useful lives are assessed at the end of each reporting period and adjusted when necessary.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset exceeds its assessed recoverable amount.

Gains and losses on disposal are determined by comparing sale proceeds with the carrying amount and are reported on a net basis in the income statement.

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2.14 Impairment (excluding financial assets)

Intangible assets with an indefinite useful life or intangible assets not yet available for use are not amortised but are tested for impairment annually. Assets that are amortised are considered with regard to impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is made at the amount whereby the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. When making an assessment of impairment, the assets are grouped at the lowest levels where there are essentially independent cash flows (cash-generating units). Previously impaired assets (other than goodwill) are tested on each balance sheet date for whether a reversal should be made.

2.15 Financial instruments

Financial assets recognised in the balance sheet include – on the asset side – loans, trade receivables and cash and cash equivalents. On the liability side, there are non-current and current loans, together with Trade payables. The Group does not hold any derivative instruments. A financial asset or liability is entered in the balance sheet when the Group becomes a party to the contractual terms and conditions. Trade receivables are included when an invoice has been sent and trade payables when an invoice has been received. Besides cash and cash equivalents, only an insignificant portion of the financial assets are interest-bearing, for which reason no statement has been made in respect of interest rate exposure. The maximum credit risk corresponds to the carrying amount of financial assets. Conditions for non-current - and current loans are shown as a separate disclosure; other financial liabilities are not interest-bearing. A financial asset, or portion thereof, is derecognised when the rights under the agreement have been realised or have expired. A financial liability, or portion thereof, is derecognised when it has been settled, when the obligation under the agreement has been performed or ceases in some other way. On each balance sheet date, the Group evaluates whether there are objective indications that a financial asset or group of financial assets are in need of impairment due to past events. The carrying amount for all financial assets and liabilities is deemed to approximate their fair value.

Financial assets and liabilities are only offset and reported at a net amount in the balance sheet when there is a legally enforceable right to set off the recognised amounts and an intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.16 Trade receivables and other receivables

Trade receivables are recorded on a net basis after making provision for expected bad debt losses. The expected life of trade receivables is short, for which reason the value is recognised at a nominal amount on an undiscounted basis in accordance with the amortised cost method. A reserve is made for expected bad debt losses for trade receivables when there are objective grounds to assume that the Group may not receive all amounts due under the original terms and conditions for the receivables. The size of the reserve comprises the difference between the asset's carrying amount and the value of assessed future cash flows. The sum set aside is recognised in the income statement.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and, when applicable, other current financial investments due within three months. Cash and cash equivalents are recognised at their nominal amount.

2.18 Share capital

Transaction costs directly referable to an issue of new shares or options are recognised in equity, net of tax, as a reduction in the proceeds.

2.19 Borrowing

Borrowing is initially reported at fair value, net of transaction costs. Borrowing is subsequently recorded at amortised cost and any difference between the amount received (net of transaction costs) and the amount repaid is recognised in the income statement distributed over the period of the loan, applying the effective interest method. Borrowing is classified as current liabilities unless the Group has an unconditional right to postpone payment of the liability by at least 12 months after the balance sheet date.

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2.20 Trade payables
Trade payables are commitments to pay for goods or services acquired from suppliers in the ordinary course of business. Trade payables are categorised as other financial liabilities. As the maturities of trade payables are expected to be short, the value is reported at a nominal amount.

2.21 Contingent liabilities
A contingent liability is recognised when there is a possible obligation caused by a past event or future uncertainty that is not recognised as a liability or provision, as an outflow of resources is not probable.

2.22 Cash flow statement
Cash flow statements are prepared in accordance with the indirect method. This means that profit or loss is adjusted for the effects of transactions of a non-cash nature and also for revenue and expenses associated with investing or financing activities.

Note 3 Financial risk management

3.1 Financial risk factors
The Group is exposed to various financial risks through its activities. The overall objective of financial risk management is to minimise the risks of an adverse effect on the Group’s result.

3.1.1 Liquidity risk
‘Liquidity risk’ means a situation where cash and cash equivalents cannot be ensured to pay for obligations. The Group's liquidity reserve shall provide freedom of action to implement decided investments and fulfil payment obligations. Liquidity forecasts are updated on an ongoing basis and the Group management actively monitors the liquidity situation so that liquidity risks can be attended to in a timely fashion.

3.1.2 Financing risk
‘Financing risk’ corresponds to potential difficulties in obtaining financing for activities at a given time. The Group actively works to achieve a low refinancing risk in relation to market pricing, i.e. the best possible net financial income/expense within given risk frames.

The refinancing risk is limited as the Group always plan ahead during refinancing negotiations. The Group endeavours to obtain loan commitments for all major investments to minimise financing risk. The Board of Directors determines the ongoing level of capital tied up in the loan portfolio. The management prepares ongoing forecasts for the Group's liquidity on the basis of expected cash flows. The Group endeavours to have a loan portfolio with diversified capital maturities and also to facilitate amortisation.

3.1.3 Interest rate risk
‘Interest rate risk’ means the risk of changes in the market rate of interest having an adverse effect on the Group's net interest income/expense. The Group's revenue and cash flows from its operation are basically independent of changes in market rate of interest as the Group has no significant interest-bearing assets. The Group's interest rate risk arises through non-current borrowing. Fixed interest borrowing exposes the Group to interest rate risk in terms of fair value. The Group management continually monitors interest rate changes and acts accordingly.

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3.1.4 Credit and counterparty risk

The Group's financial transactions give rise to credit risks with respect to financial counterparties. 'Credit and counterparty risk' means the risk of losses if a counterparty does not perform its obligations. The Group has limited exposure to credit risk. The Group endeavours to work primarily with established customers with a documented capacity to pay and competitive businesses, including checking the credit rating of the financial status for the Group's customers by obtaining information from a credit rating agency. A bank guarantee or direct guarantee obligation is required in the event that the counterparty's capacity to pay is considered to be uncertain.

3.1.5 Currency risk

'Currency risk' means the risk of an impact on the Group's performance and financial position as a consequence of changes in exchange rates. The Group operates internationally and is exposed to currency risks that arise from different currency exposures, primarily the US Dollar (USD) and Euro (EUR). Currency risk arises through future business transactions, reported assets and liabilities and also net investments in foreign operations. The group management continually monitors changes in exchange rates and acts accordingly. For more detailed information about the Group's currency exposure, see the sensitivity analysis in the following table based on strengthening the SEK by 10% in relation to each currency.

	Income statement	
10% increase of SEK in relation to:	**2016** SEK '000	**2015** SEK '000
USD	1,617	-3,576
EUR	-80	107
Profit	**1,537**	**-3,469**

	Income statement	
10% deterioration of SEK in relation to:	**2016** SEK '000	**2015** SEK '000
USD	-1,617	3,576
EUR	80	-107
Profit	**-1,537**	**3,469**

Currency exposure as of the balance sheet date	**Assets**			**Liabilities**		
	31 Dec 16 SEK '000	**31 Dec 15** SEK '000	**1 Jan 15** SEK '000	**31 Dec 16** SEK '000	**31 Dec 15** SEK '000	**1 Jan 15** SEK '000
USD	37,914	62,999	2,735	5,479	27,242	33,862
EUR	963	570	201	162	1,644	1,552
	38,877	**63,569**	**2,936**	**5,641**	**28,886**	**35,414**

3.1.6 Terms of loans

The terms of loans are shown in Note 23 Borrowing.

3.2 Operating risks and external risks

The most important operating risks and external risks are attributable to competition and commercial success and also dependency on key personnel, cooperating partners and individual major customers.

3.3 Sensitivity analysis

No further analysis has been prepared besides the sensitivity analyses above.

3.4 Asset management
The Group's objective in respect of its capital structure is to secure the Group's ability to continue its operations so that it can continue to generate returns for shareholders while creating benefits for other stakeholders, and to maintain an optimal capital structure as a means of reducing the cost of capital.

To maintain or adjust its capital structure, the Group may decide to change the dividend paid to shareholders, repay capital to its shareholders, issue new shares or sell assets to reduce its liabilities.

In the same way as other companies in the industry, the Group assesses its capital on the basis of the debt/equity ratio. This key ratio is measured as net liability divided by capital employed. Net liability is measured as total borrowing (including the items Current borrowing and non-current borrowing in the consolidated balance sheet less cash and cash equivalents. Capital employed is measured as Equity in the consolidated balance sheet plus the net liability.

Ovzon's capital structure is not satisfactory, which is described above in Note 2.1 'Basis for the preparation' and the paragraph headed 'Going concern'.

Note 4 Important estimates and assessments for accounting purposes
The management must make assessments and assumptions in order to prepare accounts in accordance with generally accepted accounting principles. These affect reported asset and liability items and income and expense items and also information otherwise provided. These assessments are based on experience and assumptions that the management and Board of Directors consider to be reasonable under the prevailing circumstances. The actual outcome may then differ from these assessments should other preconditions arise. The assessments that are most important when preparing the financial statements are described below.

4.1 Important assessments of the management
4.1.1 Assumption that business is a going concern
The financial situation presented is not satisfactory. The management came to the conclusion, as shown above in Note 2.1 'Basis for the preparation' and the paragraph headed 'Going concern', that the business is a going concern.

4.2 Uncertainty in accounting estimates
4.2.1. Income taxes
Extensive assessments are required to determine the provision for income taxes. There are transactions and calculations where the final tax is uncertain. In the event that the final tax for these differs from the amounts first reported, these differences will affect current and deferred tax assets and liabilities for the period when these observations are made. No deferred tax asset has been reported owing to some uncertainty about the possibility of utilising the tax losses to which the tax refers.

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Note 5 Breakdown of net sales

Line of business	2016	2015
Satellite services	209,219	111,978
Total	**209,219**	**111,978**

The parent company is based in Sweden. A breakdown of sales from external customers in Sweden and other geographical markets is presented in the following table:

Geographical market	2016	2015
USA	209,219	111,978
Total	**209,219**	**111,978**

The Group is dependent on a few customers, one of which accounts for 90% of the Group’s revenue. Customer agreements are normally concluded for a term of twelve months.

Total fixed assets broken down by geographical market	31 Dec 2016	31 Dec 2015	1 Jan 2015
Sweden	25,550	25,465	868
Cyprus	11,937	7,765	-
USA	918	-	-
Total	**38,405**	**33,230**	**868**

Note 6 Other operating income

	2016	2015
Government grants	-	400
Total	**-**	**400**

Note 7 Information about charges for operating leases, etc.

	2016	2015
Leasing charges for the year for leased premises:	699	568
Licence fees for the year for satellite services	584	806
	1,283	1,374

The Group’s non-cancellable leases basically relate to an annual licence fee for allocation of satellite services.

Future leasing charges for non-cancellable leases that fall due for payment:		
Within one year	573	551
After one year but within five years	2,293	2,205
After five years	10,890	11,027
Total	**13,756**	**13,783**

Other commitments

Through an agreement originally entered into in 2008, Cyprus has granted OverHorizon a frequency license for the orbital position 59.7 degrees East until July 2040. As part of this agreement OverHorizon pays an annual administrative fee of EUR 60,000 and an additional fee based on revenue. The administrative fee is included in the above stated future leasing charges. The revenue based fee is calculated starting two years after the launch and operational start of OverHorizon’s own satellite. The maximum annual fee is EUR 600,000 until 2028 and EUR 800,000 for the following years.

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Note 8 Information about auditor's remuneration and reimbursement of expenses

	2016	2015
Grant Thornton		
audit engagements	411	213
tax consultancy	13	13
Total	**424**	**226**

Note 9 Average number of employees, wages and salaries, other remuneration and payroll overheads

Average number of employees	2016	2015
Women	1	1
Men	10	9
Total	**11**	**10**

	Employees per country		Of which women	
	2016	2015	2016	2015
Sweden	6	6	1	1
USA	5	4	-	-
Total	**11**	**10**	**1**	**1**

Gender breakdown in Board of Directors and management	2016	2015
Number of board members	3	3
of which women	(–)	(–)
Number of officers of the company incl. CEO	1	1
of which women	(–)	(–)

	2016			2015		
Wages and salaries and remuneration amount to:	Board of Directors and CEO (of which bonuses)	Other employees	Total	Board of Directors and CEO (of which bonuses)	Other employees	Total
Subsidiaries						
Sweden	3,936	1,801	5,737	2,720	3,022	5,742
USA	-	10,720	10,720	-	5,241	5,241
Total rem., subsid.	**3,936**	**12,521**	**16,457**	**2,720**	**8,263**	**10,983**
	(–)		**(–)**	**(–)**		**(–)**
Statutory and contractual payroll overheads:						
Parent company	**-**	**-**	**-**	**-**	**-**	**-**
Subsidiaries	1,494	2,552	4,046	1,096	1,367	2,463
Pension expenses:						
Parent company	**-**	**-**	**-**	**-**	**-**	**-**
Subsidiaries	1,062	1,303	2,365	995	632	1,627
Total payroll overheads and pensions	**2,556**	**3,855**	**6,411**	**2,091**	**1,999**	**4,090**
Group, total	**6,492**	**16,376**	**22,868**	**4,811**	**10,262**	**15,073**

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Pensions

The company and Group have no outstanding pension commitments in addition to pension liabilities below. Premiums for pension insurance shall basically correspond to the ITP (supplementary pensions for salaried employees) plan. However, the American subsidiary, OverHorizon LLC, pays premiums under a defined benefit plan.

Severance pay agreements

Agreements concerning severance pay have been concluded with three officers of the company in conjunction with notice of termination on the part of the company. The severance pay amounts to eighteen monthly salaries. Earnings from new employment are deductible from this severance pay.

Remuneration for officers of the company

	2016					
	Basic salary	Variable remuneration	Board fees	Other benefits	Pension expense	Total
Per Wahlberg, CEO/Board Mem	1,440	-	-	-	413	1,853
Lennart Hällkvist, Chair	1,440	-	-	-	483	1,923
Kennet Lejnell, Board Member	1,056	-	-	-	166	1,222
Total	**3,936**	**-**	**-**	**-**	**1,062**	**4,462**

Pension liabilities inclusive of special payroll tax

	31 Dec 2016	31 Dec 2015	1 Jan 2015
Per Wahlberg, CEO/Board Mem	3,079	2,789	2,452
Lennart Hällkvist, Chair	3,722	3,346	2,894
Carrying amount	**6,801**	**6,135**	**5,346**

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Note 10 Depreciation/amortisation of property, plant and equipment and intangible fixed assets

	2016	2015
Amortisation of intangible fixed assets	-3,375	-1,964
Depreciation of property, plant and equipment	-152	-
Total	**-3,527**	**-1,964**

Note 11 Financial income

	2016	2015
Exchange gains	3,476	8,331
Interest income	1	3
Total	**3,477**	**8,334**

Note 12 Financial expenses

	2016	2015
Exchange losses	-979	-17,013
Interest expenses	-14,364	-15,088
Other financial expenses	-204	-51
Total	**-15,547**	**-32,152**

Note 13 Tax on profit for the year

	2016	2015
The following components are included in the tax expense:		
Current tax	-34	-411
Tax reported	**-34**	**-411**
Net profit/loss before tax	**25,171**	**-20,822**
Income tax calculated in accordance with national tax rates applicable to the profit/loss in each country	1,451	-2,075
Tax effect of:		
Non-deductible expenses, non-taxable revenue and also effect of uncapitalised losses carried forward, net	-1,485	1,664
Tax recorded	**-34**	**-411**

The Group companies operate in different countries and are thus subject to different income tax rates, which are as follows:

Cyprus	12.5%
Sweden	22%
USA	35%

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Tax losses carried forward

At the end of the financial year, there were total tax losses carried forward of SEK 73,226 k in the Group The following table indicates the losses carried forward broken down by country.

	Amount, SEK '000
Cyprus	73,206
Sweden	20
USA	0

There is a time limit of five years for the losses carried forward in Cyprus and time limit of 20 years for the losses carried forward in the USA. There is no time limit for the losses carried forward in Sweden. No value has been set aside in the balance sheet for a deferred tax asset on saved losses carried forward.

Note 14 Earnings per share and share data

	2016	**2015**
Earnings attributable to shareholders of the parent company, SEK '000	25,137	-21,233
Earnings per share attributable to shareholders of the parent company, SEK	5.03	-4.25
Total number of shares issued, no.[1)]	5,000,000	5,000,000

1) No dilutive effect

Note 15 Capitalised expenditure for development

	31 Dec 2016	**31 Dec 2015**
Cost, opening balance	9,718	-
Purchases	6,677	9,718
Exchange difference	1,213	-
Accumulated cost, closing balance	**17,608**	**9,718**
Amortisation, opening balance	-1,953	-
Exchange difference	-366	11
Amortisation for the year according to plan	-3,352	-1,964
Accumulated amortisation, closing balance	**-5,671**	**-1,953**
Residual value according to plan, closing balance	**11,937**	**7,765**

Capitalised expenditure for development relates to design and technical development of satellite equipment, more specifically broadband terminals, through which Ovzon can offer final users a complete data transmission service.

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Note 16 Patents

	31 Dec 2016	31 Dec 2015
Cost, opening balance	-	0
Purchases	575	-
Accumulated cost, closing balance	**575**	**0**
Exchange difference	-1	-
Amortisation for the year according to plan	-23	-
Accumulated amortisation, closing balance	**-24**	**-**
Residual value according to plan, closing balance	**551**	**0**

The company is the holder of a number of patents and the registered party for the patent and trademark authorities in the USA, Canada and Europe, within the area of methods and systems for the collection and processing of user information within satellite communication networks.

Note 17 Equipment, tools, fixtures and fittings

	31 Dec 2016	31 Dec 2015
Cost, opening balance	83	83
Purchases	528	-
Sales/disposals	-53	-
Accumulated cost, closing balance	**558**	**83**
Depreciation, opening balance	-83	-83
Sales/disposals	53	-
Exchange difference	-9	-
Depreciation for the year according to plan	-152	-
Accumulated depreciation, closing balance	**-191**	**-83**
Residual value according to plan, closing balance	**367**	**-**

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Note 18 Construction in progress and advance payments

	31 Dec 2016	31 Dec 2015	1 Jan 2015
Cost, opening balance	24,595	-	-
Advance payments made	-	24,595	-
Carrying amount	**24,595**	**24,595**	**-**

OverHorizon AB has entered into an agreement with Orbital Sciences Corporation concerning the acquisition of a communication satellite, including associated ground equipment, support and training. The advance payment reported relates in its entirety to the first payment under the payment plan for the agreement. The parties have chosen not to publish the total contract value for the agreement.

Note 19 Trade receivables

	31 Dec 2016	31 Dec 2015	1 Jan 2015
Trade receivables	4,383	4,630	-
Provision, bad debts	-	-	-
Carrying amount	**4,383**	**4,630**	**-**

The Group has no trade receivables due at 31 December 2016 and thus reports no provision for bad debts. The credit quality of trade receivables that have either fallen due for payment or have otherwise been impaired are assessed with reference to historical information about the counterparty.

Note 20 Prepaid expenses and accrued income

	31 Dec 2016	31 Dec 2015	1 Jan 2015
Prepaid expenses	1,414	401	2,882
Total	**1,414**	**401**	**2,882**

Note 21 Cash and cash equivalents

	31 Dec 2016	31 Dec 2015	1 Jan 2015
Cash and bank balances	24,530	12,308	5,790
Total	**24,530**	**12,308**	**5,790**

Note 22 Equity

Specification of changes in equity are shown in *Aggregated Statements of Changes in Equity.*

Share capital
The share capital is SEK 500 k and comprises 5,000,000 shares at a quota value of SEK 0.10 per share. There are no outstanding equity instruments that could result in dilution of the share capital.

		31 Dec 2016		
Class of share	No. of Shares	Par value (SEK)	No. of votes per share	Share capital (SEK ‘000)
Class A shares	5,000,000	0.1	1	500
Total	**5,000,000**			**500**

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Share premium reserve
Other injected capital includes the contributions that the company has received from its shareholders and that are not reported as share capital.

Reserves
The item fully comprises exchange differences referable to translation of foreign subsidiaries.

Accumulated deficit
This item includes accumulated deficits in Ovzon and other transactions with owners, such as dividends, are also reported here, when applicable.

Note 23 Borrowings

Non-current	31 Dec 2016	31 Dec 2015	1 Jan 2015
Liabilities to credit institutions	-	-	750
Other borrowings[1)]	-	-	33,750
Liabilities to related parties (Note 27)	115,505	96,243	58,944
Total	**115,505**	**96,243**	**93,444**
Current			
Liabilities to credit institutions	-	250	-
Other borrowings[1)]	43,193	40,500	-
Total	**43,193**	**40,750**	**-**
Total borrowings	**158,698**	**136,993**	**93,444**

Weighted average effective interest rate	31 Dec 2016	31 Dec 2015	1 Jan 2015
Liabilities to credit institutions	-	-	9%
Other borrowings[1)]	12%	20%	20%
Liabilities to related parties (Note 28)	9.5%	9.5%	9.5%

[1)] On 1 February 2013, the Ovzon Group concluded a loan agreement with two lenders to provide total credit of SEK 30 m. The loan bears a nominal interest rate of 12%, which is capitalised annually. The original term of the loan extended to 31 January 2016. The loans have thus fallen due for payment. Discussions have been held with the lenders and the ambition is to amortize the loans in 2018. An option to acquire up to 40% of the company was linked to the original loan agreement, which lapsed on 31 January 2016 and had not been utilised. The weighted average effective interest rate used when calculating interest expenses amounted to 20% for the period up to 31 January 2016.

Note 24 Accrued expenses and deferred income

	31 Dec 2016	31 Dec 2015	1 Jan 2015
Accrued employee benefit expenses	2,006	2,348	354
Other accrued expenses	3,258	4,080	1,992
Total	**5,264**	**6,428**	**2,346**

Note 25 Pledged assets and contingent liabilities

	31 Dec 2016	31 Dec 2015	1 Jan 2015
Floating charges	-	1,000	1,000
Pledged bank funds	955	870	868
Total	**955**	**1,870**	**1,868**

Contingent liabilities

Legal matters

<u>Ramab Iggesund AB – OverHorizon OHO 1 Ltd</u>
On 1 December 2016, Ramab Iggesund AB called for arbitration proceedings against OverHorizon OHO 1 Ltd relating to a loan agreement dated 1 February 2013. Ramab Iggesund is claiming SEK 29,772,775, plus annual interest of 12 per cent from 1 January 2016. SEK 22,000,000 of the amount claimed comprises the loan’s nominal value and SEK 7,772,775 accrued interest up to and including 31 December 2016. The arbitration proceedings

are ongoing. Full provision has been made for the nominal amount of the loan and accrued interest in OverHorizon OHO 1's annual accounts as of 31 December 2016.

Other contingent liabilities

As of 31 December 2016, the Ovzon Group had a contingent liability relating to an agreement concluded with Carnegie Investment Bank AB. The company entered into an agreement concerning financial advice ('IPO Assignment') with Carnegie on 21 November 2016 for its role as Sole Global Coordinator and Bookrunner for a quotation. Under the agreement, Carnegie is to receive a fee of 5 per cent based on the value of the transaction. If the transaction is not implemented, Carnegie is to receive compensation for the discontinued contract of at least SEK 5,000,000 and at most SEK 25,000,000 depending on when the agreement is discontinued in the event that a significant proportion of the shares in Ovzon AB are disposed of to a third party. In addition, Carnegie shall receive compensation for disbursements in conjunction with work performed.

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Note 26 Supplementary disclosures, financial assets and liabilities

Disclosures concerning financial instruments measured at fair value in the balance sheet
The Group does not hold any derivatives.

Financial assets and liabilities for each valuation category:

31 Dec 2016	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Financial assets				
Other non-current receivables	955		955	955
Trade receivables	4,383		4,383	4,383
Other current receivables	-		-	-
Cash and cash equivalents	24,530		24,530	24,530
Total	**29,868**		**29,868**	**29,868**
Financial liabilities				
Other borrowings		43,193	43,193	43,193
Liabilities to related parties		115,505	115,505	115,505
Liabilities to credit institutions		-	-	-
Trade payables		12,508	12,508	12,508
Liabilities to parent company		20,808	20,808	20,808
Other current liabilities		10,673	10,673	10,673
Total		**202,687**	**202,687**	**202,687**

31 Dec 2015	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Financial assets				
Other non-current receivables	870		870	870
Trade receivables	4,630		4,630	4,630
Other current receivables	-		-	-
Cash and cash equivalents	12,308		12,308	12,308
Total	**17,808**		**17,808**	**17,808**
Financial liabilities				
Other borrowings		40,500	40,500	40,500
Liabilities to related parties		96,243	96,243	96,243
Liabilities to credit institutions		250	250	250
Trade payables		43,481	43,481	43,481
Liabilities to parent company		19,471	19,471	19,471
Other current liabilities		11,541	11,541	11,541
Total		**211,486**	**211,486**	**211,486**

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1 Jan 2015	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Financial assets				
Other non-current receivables	868		868	868
Trade receivables	-		-	-
Other current receivables	-		-	-
Cash and cash equivalents	5,790		5,790	5,790
Total	**6,658**		**6,658**	**6,658**
Financial liabilities				
Other borrowings		33,750	33,750	33,750
Liabilities to related parties		58,944	58,944	58,944
Liabilities to credit institutions		750	750	750
Trade payables		39,448	39,448	39,448
Liabilities to parent company		14,408	14,408	14,408
Other current liabilities		8,100	8,100	8,100
Total		**155,400**	**155,400**	**155,400**

The Group’s maturity structure in respect of undiscounted cash flows for financial liabilities

31 Dec 2016

Nominal amounts	Within 1 year	1-2 years	2-5 years	More than 5 years	No due date
Other borrowing (Note 23)	43,193	-	-	-	-
Liabilities to related parties (Note 27)	-	-	-	-	115,505
Trade payables	12,508	-	-	-	-
Liabilities to parent company	20,808				
Other current liabilities	10,673	-	-	-	-
Total	**87,182**	**-**	**-**	**-**	**115,505**

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Note 27 Transactions with related parties

Agreements concerning services with closely related parties are effected on commercial terms. Receivables and debts to closely related parties at the balance sheet date are disclosed in the balance sheet.

Liabilities to related parties		31 Dec 2016	31 Dec 2015	1 Jan 2015
Etheron AB	Shareholder, major	55,978	52,644	49,310
Equi Performance Sweden AB	Shareholder, major	10,927	10,281	9,635
LMK Ventures AB	Shareholder	48,600	33,318	-
Total		**115,505**	**96,243**	**58,944**

Loans bear an interest rate of 9.5%. Repayment at next new share issue.

Liabilities to parent company		31 Dec 2016	31 Dec 2015	1 Jan 2015
OverHorizon (Cyprus) Plc	Parent to Ovzon AB	20,808	19,471	14,408
Total		**20,808**	**19,471**	**14,408**

Note 28 Events after the end of the financial year

In addition to its ownership role as a holding company, the Cypriot parent company has had a share of the total operating activities pursued in the Group in its own name, including holding several patents and one frequency licence and also certain debt financing. This part of the operation was completely transferred to the Ovzon Group at the end of the first half year of 2017.

Work started at the beginning of 2017 with a view to ascertaining the preconditions for a listing of Ovzon AB (publ). Furthermore, discussions have started to raise new external financing, if possible, to redeem loans due and reduce the Group's financing costs.

Note 29 Adjustments for non-cash items, etc.

	2016	2015
Depreciation/amortisation	3,527	1,964
Interest expenses	14,364	15,088
Other	3,405	3,954
Total	**21,296**	**21,006**

Note 30 Participations in companies included in the aggregated financial statement

Name of company	Position	Partici-pation	Corp. ID number	Seat	Country
Ovzon AB (publ)	Parent company	100%	559079-2650	Stockholm	Sweden
OverHorizon AB	Subsidiary	100%	556679-1181	Stockholm	Sweden
OverHorizon OHO 1 Limited	Subsidiary	100%	262622	Nicosia	Cyprus
OverHorizon Communications Group, LLC	Subsidiary	100%	S226247-7	Arlington	USA
OverHorizon LLC	Sub-subsidiary	100%	S226246-9	Arlington	USA

Ovzon also includes the transferred part of the operating activity previously pursued in the Cypriot parent company.

Ovzon AB (publ)
Corp. ID no. 559079-2650

Stockholm, 23 March, 2018

Per Wahlberg CEO	Lennart Hällkvist Chair of the Board	Kennet Lejnell Board Member

Our audit report was submitted on 23 March, 2018

Grant Thornton Sweden AB

Carl-Johan Regell
Authorised Public Accountant

The Auditor´s Report on aggregated financial statements regarding historical financial information

To the Board of Directors of Ovzon AB (publ) corporate identity number 559079-2650

We have audited the aggregated financial statements for Ovzon AB (publ), which comprise the balance sheet as of 31 December 2016 and 2015 and the income statement, and total comprehensive income, cash flow statement and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' and the Managing Director's responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the aggregated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting aggregated financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Prospectus Regulation (EC) No 809/2004.

The auditor's responsibility

Our responsibility is to express an opinion on these aggregated financial statements based on our audit. We conducted our audit in accordance with FAR´s Recommendation RevR 5 *Examination of Prospectuses*. This recommendation requires that we comply with FAR`s ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

An audit in accordance with FAR´s Recommendation RevR 5 *Examination of Prospectuses* involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the aggregated financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the aggregated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the aggregated financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the aggregated financial statements.

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

Emphasis of matters

Without prejudice to our opinion below, we draw attention to the note 2.1 under the headline "Going concern" of the aggregated financial statements which describes indications that there is some uncertainty about the Group's possibility for going concern. The short-term payables are significant higher than the group´s current assets as well as other circumstances such as the size of the net debt and an ongoing dispute, see also description in Note 25. These factors indicate that there is an uncertainty factor that may doubt the ability of the Group and Ovzon AB to continue the business. Our opinion is not qualified in respect of this matter.

Opinion

In our opinion the aggregated financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Annual Accounts Act and additional applicable framework of the financial position of Ovzon AB as of 31 December 2016 and 2015 and its aggregated financial performance, statement of changes in equity and aggregated cash flows for these years.

Stockholm March 23, 2018

Grant Thornton Sweden AB

Carl-Johan Regell
Authorized Accountant