OVZON

2017

ANNUAL REPORT
and
CONSOLIDATED FINANCIAL STATEMENTS

1 JANUARY - 31 DECEMBER 2017

for

Ovzon AB (publ)

559079-2650

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR OVZON AB (PUBL)

The Board of Directors and CEO of Ovzon AB (publ) hereby submit the annual report and consolidated financial statements for the financial year 1 January - 31 December 2017.

ADMINISTRATION REPORT

TYPE AND DIRECTION OF THE OPERATIONS

Ovzon AB (publ) is the parent company of a group that has the object of being able to offer broadband services via proprietary and leased satellites to customers in various parts of the world.

Vision

The vision is to offer global satellite coverage from its own six proprietary satellites within a ten-year period.

Business idea

The Group provides mobile satellite broadband services in areas without functioning infrastructure.

Financial targets

Ovzon's financial target is to continue to develop and expand its current service offering in the coming years, at the same time as the company prepares the launch of its first self-developed satellite. The intention is to finance the company's future proprietary satellite through a combination of equity and borrowing.

OWNERSHIP STRUCTURE

The parent company of the largest Group in which Ovzon AB (publ) is a subsidiary is OverHorizon (Cyprus) Plc, Corp. Reg. No. 177462, with its head office in Nicosia, Cyprus.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Customer contracts related to the leased satellite capacity were essentially extended due to the receipt of an order totalling USD 22.85 M in September 2017. The new customer contracts apply for a year until mid-September 2018.

Efforts that commenced in early 2017 to determine the conditions for an IPO are continuing. In conjunction with this, a split of the company's shares was implemented at a ratio of 1,000:1. The new number of shares is 5,000,000.

THE MARKET AND EVENTS

Ovzon noted a continued strong interest in the company's service, from defense-related operators as well as other customer segments in need of mobile broadband services via satellite in areas without functioning infrastructure.

In the third and fourth quarters, Ovzon launched a number of marketing activities, including a major demonstration of the company's service in the UK. About 30 specially invited groups were in attendance to watch Ovzon's demonstration of the company's unique satellite service, which enables ultra-small, mobile satellite terminals for broadband communications. The applications demonstrated included high-definition video, data acquisition from terrestrial and airborne sensors, broadband Internet access, telephony, Push-To-Talk which was communicated in real time between vehicles over satellite (on-the-move) and handheld manpack terminals. During the autumn, the company also received orders totalling USD 22.85 million from the US Department of Defense (US DoD) via Intelsat General Corporation for one year's use of the company's satellite service, which is a continuation, with some extension, of previous contracts.

FINANCIAL PERFORMANCE

Revenue for the twelve-month period was slightly lower year-on-year. This was mainly due to an order for extra terminals delivered in the preceding year, and income from a development project with the Air Force

Research Laboratory (AFRL) in the US, which concluded in 2016. The company's earnings, excluding costs relating to the planned IPO, were relatively stable during the period and amounted to SEK 32,534 k (37,241) for full-year 2017.

However, profitability was negatively impacted by the costs of starting up a new gateway to launch the new Media customer segment, and the relocation of a satellite to one of the Group's orbit positions to bring the position into use. The cost of the relocation amounted to USD 1 million. It should be noted that this orbit position and the costs required to bring it into use are not related to the current service but comprise a primary feature of Ovzon's development of proprietary satellites. At the same time, purchased satellite capacity costs declined.

THE GROUP'S PERFORMANCE

Ovzon provides its current satellite communication service using leased capacity from existing satellites owned by third parties. The company is investigating the possibility of extending this service into other geographic areas by leasing capacity from additional satellites. For a satellite to be considered at all for use in Ovzon's services, it must meet certain requirements that comprise the correct frequency, coverage area and a certain minimum level of other performance. During 2019, a number of suitable satellites will be launched, in which the company intends to lease further capacity. The objective to launch the company's first self-developed satellite (Ovzon-3) remains and the company considers an IPO to be a key step in this process.

Ovzon has a strong patent portfolio and currently has six orbital positions with associated frequency licenses for global coverage. A proprietary satellite will increase the capacity and coverage area on the ground. In addition, it will be possible to use the company's patented technology to its full extent. This will greatly increase the power of the service, meaning it will be possible to introduce considerably higher data speeds and significantly smaller terminals, which are currently under development. A proprietary satellite will also significantly improve our potential for growth and profitability. It should also be noted that the realisation of Ovzon's own high-performance satellites is also a key demand from the company's defense customers. Efforts that commenced in early 2017 to determine the conditions for an IPO of Ovzon are continuing. As part of our IPO preparations and the Group's necessary restructuring, all patents and one frequency license were transferred to the Ovzon AB wholly owned subsidiaries OverHorizon AB and OverHorizon OHO 1 Ltd, respectively, during the financial year.

CONSOLIDATED MULTI-YEAR OVERVIEW

SEK '000	**2017**	**2016**	**2015**
Revenue	201,050	209,219	111,978
Operating profit	24,025	37,241	2,996
Operating profit/ (adjusted)	32,534	37,241	2,996
Operating margin, % (adjusted)	16%	18%	3%
Profit/loss after financial items	7,807	25,171	-20,822
Profit/loss after tax	6,100	25,137	-21,233
Total assets	95,037	69,362	51,295
Average number of employees	12	11	10

The comparison years of 2015 and 2016 pertain to aggregated financial statements.

FINANCIAL OVERVIEW

Revenue

Revenue amounted to SEK 201,050 k (209,219). The decline for full-year 2017 is attributable to lower terminal deliveries. In 2017, customer contracts were essentially extended with unchanged terms and did not therefore have any significant impact on income.

Operating profit/loss

Operating profit for the full year amounted to SEK 24,025 k (37,241). Operating profit for the full year excluding IPO-related expenses amounted to SEK 32,534 k (37,241), corresponding to an operating margin of 16 percent (18). Profit was negatively impacted by the costs amounting to USD 1 million, or SEK 8,538 k, for the relocation of a satellite to one of the Group's orbital positions and by the costs of starting up a new gateway to launch the new Media customer segment. At the same time, purchased satellite capacity cost declined year-on-year. The Group's expenses apart from that remained relatively unchanged compared with the preceding year.

Profit/loss after financial items
Net financial items for the full year amounted to an expense of SEK 16,218 k (expense: 12,070), due to higher interest expense, with profit after financial items of SEK 7,807 k (25,171).

Profit/loss after tax
Profit after tax was SEK 6,100 k (25,137)

Cash flow
- Cash flow from operating activities was SEK 34,254 k (21,232).
- Cash flow from investing activities was negative in an amount of SEK 6,509 k (neg: 7,780).
- Cash flow from financial activities was SEK 0 k (neg: 250).
- Total cash flow was SEK 28,093 k (13,202).
- During the reporting period, cash flow was positively impacted by a decrease in consolidated working capital and lower investments.

Financial position
At the balance-sheet date, the Group's cash and cash equivalents amounted to SEK 49,672 k (24,530).
Equity amounted to negative SEK 120,562 k (neg: 135,331).
It is proposed that no dividend be paid for the 2017 financial year.

GOING CONCERN
As shown in the consolidated balance sheet at 31 December 2017, liabilities exceed the value of assets by SEK 120,562 k, and negative equity has been recognised. Current liabilities are considerably higher than current assets. Other indications of whether a material uncertainty exists in relation to the entity's ability to continue as a going concern include the level of net debt.

The Board of Directors assesses and evaluates the Group's ability to continue as a going concern and continuously monitors financing and liquidity. The Board deems that conditions exist to implement a new share issue and/or additional debt financing. By doing so, the Board believes it will be able to pay debts as they fall due and build a sufficient capital base. The annual report and consolidated financial statements for 2017 were prepared on a going concern basis.

OTHER SIGNIFICANT CONDITIONS
The Group's satellite operations currently generate revenue from customer agreements that have a duration of one year at a time. To remain valid, these must thus be renewed each year. Satellite operations usually require permits. However, operations are currently being conducted using leased satellites and it is the responsibility of the satellite owners to provide the required frequency licences and other permits.

The Group's financial position is not satisfactory. Loans from external lenders to OverHorizon AB and OverHorizon OHO 1 Ltd are due for payment and must be renegotiated with the creditors or settled.

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. The nominal amount of the loan is SEK 22 m and its rate of interest is 12%. 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 2017. On 8 March 2018, the parties signed an agreement by which the dispute was settled.
According to the agreement, OverHorizon OHO 1 Ltd is to pay the loan's capital amount, accrued interest and the counterparty's arbitration expenses. The counterparty may not request implementation of the arbitration settlement prior to 31 May 2018.

SIGNIFICANT RISKS AND UNCERTAINTIES
Risks associated with the Group's operations can generally be divided into operational risk related to business activities and risk related to financial activities. The Board is responsible for ensuring that the company manages its risks correctly and that there is compliance with the established policies for financial statements and internal control. Financial risks may be the loss or embezzlement of assets, wrongful favouring of another party at a cost to the company, and other risks pertaining to significant errors in the financial statements, such as bookkeeping and valuation of assets, liabilities, revenue and costs, or deviations from disclosure requirements. See also Note 3.

In conjunction with an agreement being signed by one of the Group's companies in 2015 for the purchase of a proprietary satellite, an advance payment of USD 3 million was paid to the supplier. In the event that the Group fails to raise sufficient financing to enable payment of the full purchase consideration, the USD 3 million will probably be lost.

RESEARCH AND DEVELOPMENT

The development and design of satellite components, rocket launches, frequency rights, antennas and terminals in the field of satellites are activities conducted within the Group. Among other activities in the Group, a new type of ground terminal has been developed that is adapted to the company's broadband service.

FINANCIAL INSTRUMENTS

The Group's policy is to balance revenue and expenses as far as possible as well as assets and liabilities through exposure in the same currency. The Group's revenues for the satellite operation are in USD. The satellite capacity purchased on existing satellites is also in USD, as are most of the Group's operating expenses. See also Note 3 Financial risk management.

NON-FINANCIAL DISCLOSURES

The Group's possibility of expanding the part of the operation based on leased satellites may in some cases be limited by the availability of further satellite capacity and the design of the satellites. The plans to acquire a proprietary satellite are to be viewed in particular in light of this information.

The Group's operations have no known environmental impact, no waste or emissions. In the case of the leased satellites, each satellite operator is responsible for any consequences in conjunction with its satellites being discontinued.

PERSONNEL

At the end of 2017, the number of employees in the Group was 14 (11).

To date, the Group is not covered by a collective agreement, since the business is in a development phase and several employees are also partners in the company. Fully equal pay is applied within the Group.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Efforts that commenced in early 2017 to determine the conditions for an IPO are continuing.
On 31 January 2018, an agreement was signed with a satellite operator for the localisation of a satellite on the Ovzon Group's orbital position, 59.7. In accordance with the agreement, Ovzon will pay a total of USD 1.6 million, of which USD 0.8 million in March 2018 and, providing the satellite meets a number of requirements in the agreement, USD 0.8 million in June 2018.

As presented above in the section entitled Other significant conditions, there was a settlement in the arbitration process against Ramab Iggesund AB, see also Note 31.

At 31 March 2018, Ovzon AB (publ) had received an unconditional shareholder contribution of SEK 6,000 k from its parent company, OverHorizon (Cyprus) Plc.

ANTICIPATED FUTURE DEVELOPMENT

Customer contracts related to the leased satellite capacity were essentially extended due to the receipt of an order from the US DoD totalling USD 22.85 million. The new customer contracts apply for one year until mid-September 2018.

PROPOSED ALLOCATION OF PROFITS (SEK)

The following profit/loss is at the disposal of the annual general meeting

Loss brought forward	-24,420
Profit for the year	28,635
	4,215
The Board of Directors proposes that the following be carried forward:	4,215
	4,215

For the Group's and parent company's earnings and position otherwise, refer to the income statements and balance sheets, cash flow statements and supplementary disclosures below. All amounts are expressed as thousands of Swedish kronor (SEK '000) unless otherwise stated. The comparative year for the Group pertains to the aggregated financial statements, see Note 1.

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

SEK '000	Note	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Operating income, etc.			
Revenue	5	201,050	209,219
Other operating income		1,398	–
Operating expenses			
Purchased satellite capacity and other direct costs		-107,264	-114,713
Other external costs	7, 8	-39,769	-30,869
Employee benefit expenses	9	-26,206	-22,869
Depreciation/amortisation of property, plant and equipment and intangible assets	10	-5,184	-3,527
Operating profit		**24,025**	**37,241**
Income from financial items			
Financial income	11	3,520	3,477
Financial expenses	12	-19,738	-15,547
		-16,218	-12,070
Profit after financial items		**7,807**	**25,171**
Tax on the profit for the year	14	-1,707	-34
PROFIT FOR THE YEAR		**6,100**	**25,137**
Net profit for the year attributable to:			
Shareholders of the parent company		6,100	25,137
Total profit for the year		**6,100**	**25,137**
Earnings per share and share data	15		
Earnings per share attributable to shareholders of the parent company, SEK1)		1.22	5.03
Average number of shares1)		5,000,000	5,000,000

1) No dilutive effect. The share split conducted was observed for the comparative year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Profit for the year	**6,100**	**25,137**
Other comprehensive income:		
Items that can be subsequently reclassified to the income statement:		
- Translation differences	8,668	2,071
Other comprehensive income net after tax	**8,668**	**2,071**
COMPREHENSIVE INCOME FOR THE YEAR	**14,768**	**27,208**
Net profit for the year attributable to:		
Shareholders of the parent company	14,768	27,208
Comprehensive income for the year	**14,768**	**27,208**

CONSOLIDATED BALANCE SHEET

SEK ‘000	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalised expenditure for development	16	10,633	11,937
Patents	17	462	551
		11,095	**12,488**
Property, plant and equipment			
Equipment, tools, fixtures and fittings	18	1,815	367
Construction in progress and advance payments	19	24,595	24,595
		26,410	**24,962**
Financial fixed assets			
Deposit		840	955
		840	**955**
Total fixed assets		**38,345**	**38,405**
Current assets			
Current receivables			
Trade receivables	21	–	4,383
Other receivables		3,041	630
Prepaid expenses and accrued income	22	3,979	1,414
		7,020	**6,427**
Cash and cash equivalents	23	**49,672**	**24,530**
Total current assets		**56,692**	**30,957**
TOTAL ASSETS		**95,037**	**69,362**

SEK '000	Note	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES			
Equity	24		
Share capital		500	500
Other injected capital		53,524	53,524
Reserves		14,228	5,559
Accumulated deficit including profit/loss for the year		-188,814	-194,914
Equity attributable to the parent company's shareholders		**-120,562**	**-135,331**
Total equity		**-120,562**	**-135,331**
Long-term liabilities			
Liabilities to related parties	25, 30	71,233	115,505
Deferred tax liabilities	14	1,288	–
		72,521	**115,505**
Current liabilities			
Other borrowings	25	33,201	31,057
Trade payables		16,350	12,508
Liabilities to parent company		17,293	20,808
Liabilities to related parties	25, 30	62,773	11,546
Current tax liabilities		11	–
Other liabilities		8,369	8,005
Accrued expenses and deferred income	26	5,081	5,264
		143,078	**89,188**
TOTAL EQUITY AND LIABILITIES		**95,037**	**69,362**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK '000

	Equity attributable to the parent company's shareholders				
	Share capital	**Other injected capital**	**Reserves**	**Accumulated deficit including profit/loss for the year**	**Total equity**
Equity at 1 January 2016	**500**	**53,524**	**3,488**	**-220,051**	**-162,539**
Adjusted opening balance	**500**	**53,524**	**3,488**	**-220,051**	**-162,539**
Profit for the year				25,137	25,137
Other comprehensive income			2,071	–	2,071
Total comprehensive income	**–**	**–**	**2,071**	**25,137**	**27,208**
Equity at 31 December 2016	**500**	**53,524**	**5,559**	**-194,914**	**-135,331**
Equity at 1 January 2017	**500**	**53,524**	**5,559**	**-194,914**	**-135,331**
Profit for the year				6,100	6,100
Other comprehensive income			8,668		8,668
Total comprehensive income	**–**	**–**	**8,668**	**6,100**	**14,768**
Equity at 31 December 2017	**500**	**53,524**	**14,228**	**-188,814**	**-120,562**

CONSOLIDATED CASH FLOW STATEMENT

SEK ‘000	Note	1 Jan 2017 31 Dec 2017	1 Jan 2016 31 Dec 2016
Operating activities			
Operating profit		24,025	37,241
Adjustments for non-cash items	28	4,394	9,226
Interest paid		–	–
Income tax paid		-227	17
Cash flow from operating activities before changes in working capital		**28,192**	**46,484**
Cash flow from changes in working capital			
Decrease(+)/increase(-) in current receivables		-3,553	-2,484
Decrease(-)/increase(+) in current liabilities		9,963	-22,768
Total change in working capital		**6,410**	**-25,252**
Cash flow from operating activities		**34,602**	**21,232**
Investing activities			
Acquisition of intangible fixed assets		-4,657	-7,252
Sale of property, plant and equipment		-1,852	-528
Cash flow from investing activities		**-6,509**	**-7,780**
Financing activities			
Amortisation of liabilities to credit institutions		–	-250
Cash flow from financing activities		**–**	**-250**
Cash flow for the year		**28,093**	**13,202**
Cash and cash equivalents at the beginning of the year		24,530	12,308
Exchange-rate difference in cash and cash equivalents		-2,951	-980
Cash and cash equivalents at the end of the year		**49,672**	**24,530**

Financial statements, parent company

PARENT COMPANY INCOME STATEMENT

SEK '000	Note	1 Jan 2017 31 Dec 2017	7 Oct 2016 31 Dec 2016
Operating income, etc.			
Revenue	5, 6	1,410	–
Other operating income		6	–
		1,416	–
Operating expenses			
Other external costs	7, 8	-9,486	-24
		-9,486	-24
Operating loss		**-8,070**	**-24**
Income from financial items			
Interest expenses and similar expenses	12	-39	–
		-39	–
Loss after financial items		**-8,109**	**-24**
Appropriations	13	8,140	–
Tax on the profit for the year	14	-2	–
PROFIT/LOSS FOR THE YEAR		**29**	**-24**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME		
Profit/loss for the year	**29**	**-24**
Other comprehensive income:	-	-
COMPREHENSIVE INCOME FOR THE YEAR	**29**	**-24**

PARENT COMPANY BALANCE SHEET

SEK '000	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Fixed assets			
Financial fixed assets			
Shares in Group companies	20	305	170
		305	**170**
Total fixed assets		**305**	**170**
Current assets			
Current receivables			
Receivables from Group companies		775	–
Other receivables		779	2
		1,554	**2**
Cash and cash equivalents	23	**1,818**	**489**
Total current assets		**3,372**	**491**
TOTAL ASSETS		**3,677**	**661**

SEK '000	Note	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES			
Equity	24		
Restricted equity			
Share capital		500	500
		500	**500**
Unrestricted equity			
Loss brought forward		-24	–
Profit/loss for the year		29	-24
		5	**-24**
Total equity		**505**	**476**
Current liabilities			
Trade payables		756	–
Liabilities to parent company		170	170
Liabilities to Group companies		2,100	–
Current tax liabilities		2	–
Accrued expenses and deferred income	26	144	15
		3,172	**185**
TOTAL EQUITY AND LIABILITIES		**3,677**	**661**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK '000

	Restricted equity	*Unrestricted equity*	
	Share capital	**Profit/loss for the year carried forward, including profit/loss for the year**	**Total equity**
Formation of the company on 7 October 2016	**500**		**500**
Loss for the year		-24	-24
Other comprehensive income		-	–
Total comprehensive income		**-24**	**-24**
Equity at 31 December 2016	**500**	**-24**	**476**
Equity at 1 January 2017	**500**	**-24**	**476**
Profit for the year		29	29
Other comprehensive income		-	–
Total comprehensive income		**29**	**29**
Equity at 31 December 2017	**500**	**5**	**505**

PARENT COMPANY CASH FLOW STATEMENT

SEK ‘000	Note	1 Jan 2017 31 Dec 2017	7 Oct 2016 31 Dec 2016
Operating activities			
Operating loss		-8,070	-24
Cash flow from operating activities before changes in working capital		**-8,070**	**-24**
Cash flow from changes in working capital			
Decrease(+)/increase(-) in current receivables		-777	-2
Decrease(-)/increase(+) in current liabilities		846	15
Total change in working capital		**69**	**13**
Cash flow from operating activities		**-8,001**	**-11**
Investing activities			
Shareholders’ contributions provided		-135	–
Cash flow from investing activities		**-135**	**–**
Financing activities			
Rights issue		–	500
Borrowing from Group companies		9,465	–
Cash flow from financing activities		**9,465**	**500**
Cash flow for the year		**1,329**	**489**
Cash and cash equivalents at the beginning of the year		489	–
Cash and cash equivalents at the end of the year		**1,818**	**489**

SCHEDULE OF NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

Note	Note text:
1	General information
2	Summary of important accounting policies
3	Financial risk management
4	Important estimates and important assessments for accounting purposes
5	Breakdown of revenue
6	Disclosures on intra-Group purchases and sales, etc.
7	Information about charges for operating leases, etc.
8	Information about auditor's remuneration and reimbursement of expenses
9	Average number of employees, wages and salaries, other remuneration and payroll overheads
10	Depreciation/amortisation of property, plant and equipment and intangible assets
11	Financial income
12	Financial expenses
13	Appropriations
14	Tax on the profit for the year
15	Earnings per share and share data
16	Capitalised expenditure for development
17	Patents
18	Equipment, tools, fixtures and fittings
19	Construction in progress and advance payments
20	Shares in Group companies
21	Trade receivables
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27	Pledged assets and contingent liabilities
28	Supplementary disclosures on cash flow statement
29	Supplementary disclosures on financial assets and liabilities
30	Transactions with related parties
31	Events after the end of the financial year
32	Proposed allocation of profits

Notes to the annual report and the consolidated financial Statements

NOTE 1 GENERAL INFORMATION

Ovzon AB (publ) is the parent company of a group that has the object of being able to offer broadband services via proprietary and leased satellites to customers in various parts of the world.

The parent company Ovzon AB (publ) with corporate registration number 559079-2650 is a limited liability company in Sweden, with its head office in Sweden. The address of the head office is Box 6069, SE-171 06 Solna, Sweden.

The parent company of the largest Group in which Ovzon AB (publ) is a subsidiary and for which the overall consolidated financial statements are prepared is OverHorizon (Cyprus) Plc, corporate registration number 177462, with its head office in Nicosia, Cyprus.

The operations of the parent company Ovzon AB (publ) comprise exclusively Group coordinating assignments and the assets comprise mainly shares and participations in Group companies, as well as transactions among Group companies.

At 31 December 2017, Ovzon AB (publ) was a wholly owned subsidiary of OverHorizon (Cyprus) Plc. For prior periods, the parent company, Ovzon AB (publ), was not required to prepare consolidated financial statements, since Ovzon AB (publ) was registered as a company in October 2016 and its subsidiaries were acquired on 31 December 2016. The restructuring of the Ovzon Group was completed on 31 May 2017, when a number of assets in the Cypriot parent company, OverHorizon (Cyprus) PLC, were acquired.

Because there is no historical financial information for the Group, aggregated financial statements for the 2015-2016 financial years and for the comparative figures in this annual report have been prepared. The basis of preparation for the aggregated financial statements in accordance with IFRS is presented in its Note 1 General information, and Note 2 Summary of significant accounting policies.

The Ovzon Group was founded on the basis of common control transactions. These types of transactions are not regulated by IFRS, which means that the Group is required to establish a policy. The Group has chosen to apply the policies encompassed by the definition of combined financial statements when preparing the consolidated financial statements. This means, essentially, that the assets and liabilities of the entities have been aggregated and recognised on the basis of the carrying amounts they represent in the consolidated financial statements of OverHorizon (Cyprus) PLC, and that the transactions are recognised as if they had taken place at the beginning of the earliest presented period (i.e. comparative figures have been included).

The annual report and consolidated financial statements were approved by the Board of Directors on 25 April 2018 and will be presented for approval at the upcoming Annual General Meeting.

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The most important accounting policies applied in the preparation of this report are presented below. These policies were applied consistently for all of the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU for the financial year beginning 1 January 2017. The parent company prepares its financial statements in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities.

The Group has applied a number of new standards and interpretations since 1 January 2017. None of the new standards and interpretations that the Group has applied since 1 January 2017 has resulted in any material impact on the consolidated financial statements.

The consolidated financial statements were prepared based on historical cost, meaning that assets and liabilities are recognised at these values and, where appropriate, certain financial instruments measured at fair value. The functional currency for the parent company and the Group's reporting currency is Swedish kronor (SEK). All amounts are rounded to the nearest thousand (SEK '000), unless otherwise stated. The income statement is organised by cost type. Amounts in brackets pertain to the preceding year.

Preparing financial statements in accordance with IFRS requires the application of some key estimates for accounting purposes. Further, the Board of Directors and the management are required to make certain judgments in the application of the company's accounting policies. The areas requiring a high degree of judgment, which are complex or areas in which assumptions and estimates are of material importance for the consolidated financial statements, are described in Note 4.

2.1.1 Going concern

As shown in the consolidated balance sheet at 31 December 2017, liabilities exceed the value of assets by SEK 120,562 k, and negative equity has been recognised. Current liabilities are considerably higher than current assets. Other indications of whether a material uncertainty exists in relation to the entity's ability to continue as a going concern include the level of net debt.

The Board of Directors assesses and evaluates the Group's ability to continue as a going concern and continuously monitors financing and liquidity. The Board deems that conditions exist to implement a new share issue and/or additional debt financing. By doing so, the Board believes it will be able to pay debts as they fall due and build a sufficient capital base. The annual report and consolidated financial statements were prepared on a going concern basis.

2.2 CHANGED ACCOUNTING POLICIES IN 2018 AND LATER

A number of new standards and amendments to interpretations and existing standards come into force for the financial years commencing after 1 January 2017, which were not applied in the preparation of these consolidated financial statements.
The most important changes for the Group are:

IFRS 15 Revenue from Contracts with Customers
This standard regulates how revenue is to be recognised. The principles on which IFRS 15 is based are to give the user of financial statements more useful information regarding the company's revenues. The expanded disclosure obligation entails that information is to be provided on revenue type, time of settlement, uncertainty related to revenue recognition and cash flow attributable to the company's customer contracts. According to IFRS 15, revenue is to be recognised when the customer gains control of the sold goods or services and is able to use or benefit from the goods or services. IFRS 15 replaces IAS 18 Revenue Recognition and IAS 11 Construction Contracts, as well as the associated SIC and IFRIC. IFRS 15 comes into force on 1 January 2018. Early application is permitted. As a transitional method, companies can choose between "complete retroactivity" or future-oriented application with further disclosures.

A survey of the Group's revenue flows and evaluation of the effects of implementation were completed in 2017. The standard will not have a material impact on Ovzon's financial statements, other than an extended disclosure requirement. The introduction of IFRS 15 will not impact the income statements nor the total assets for the Group in any significant amount. The Group has chosen to use a future-oriented transition method, which is why comparison figures will not be restated.

IFRS 9 Financial instruments
This standard addresses the classification, valuation and recognition of financial assets and liabilities. It replaces parts of IAS 39, which manages classification and valuation of financial instruments and introduces a new impairment model. The new standard requires expanded disclosures on anticipated credit losses from the financial instruments and risk management in hedge accounting. The standard is to be applied for financial years commencing on 1 January 2018.

A survey of the effects of the implementation of IFRS 9 was completed in 2017. The standard will not have a material impact on Ovzon's financial statements, other than an extended disclosure requirement. The introduction of IFRS 9 will not impact the income statements nor the total assets for the Group in any significant amount. The method of calculating impairment of trade receivables will be amended and will be conducted in accordance with the simplified model in IFRS 9. The Group has chosen to use a future-oriented transition method, which is why comparison figures will not be restated.

IFRS 16 Leasing
In January 2016, the IASB published a new leasing standard that will replace IAS 17 Leases and the associated interpretations, IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, are recognised in the balance sheet. This accounting is based on the view that the lessee is entitled to use an asset over a specific period of time and, at the same time, has an obligation to pay for this entitlement. Accounting for lessors will essentially remain unchanged. The standard applies to the financial years commencing on 1 January 2019 or later. Early application is permitted. The Group has not yet completed its evaluation of the effects of IFRS 16, but does not expect the introduction of the new standard to have any material impact on the consolidated financial statements.

Other new standards, amendments and interpretations of existing standards that have not yet come into force are not currently relevant for the Group or are not expected to have any significant impact on the Group's earnings or financial position.

2.3 CONSOLIDATED FINANCIAL STATEMENTS
Group companies are consolidated as of the day the Group has control of the company according to the definitions stated under each category of Group company below. Divested Group companies are included in the consolidated financial statements until the day the Group ceases to have control or influence over these companies. Internal Group transactions were eliminated.

Subsidiaries
Subsidiaries are all companies in which Ovzon AB (publ) has control. Control means that the Ovzon Group has the ability to control the subsidiary, is entitled to its returns and can use its influence to steer the activities that affect the returns. The financial statements are prepared on the basis of assumed values from OverHorizon (Cyprus) Plc. All of the Group's subsidiaries are owned 100%.

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

Business combinations
No business combinations occurred during the financial years covered by this annual report and consolidated 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 business activities comprise 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 currency and as the presentation currency in the consolidated financial statements. 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.

2.6.2 Other operating income

Other operating income mainly comprises repayment of debt provisions.

2.6.3 Interest income and dividend income

Interest income is recognised through application of the effective interest method.
Dividend income is recognised when the owner’s right to payment has been established.

2.7 LEASES

A finance lease is a lease according to which the financial risks and rewards incidental to ownership of an asset are essentially transferred 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

Current benefits

Current benefits to employees, such as salary, paid vacation, paid sickness absence, etc., are calculated without discounting and are expensed in the period when the related services are received.

Pension obligations

The Group’s pension plans are defined-contribution. For defined contribution pension plans, the Group pays contributions to publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. The Group has no further payment obligations after the contributions have been paid. The contributions are recognised as personnel expenses when they fall due for payment. Prepaid contributions are recognised as an asset in credit. However, the American subsidiary pays premiums under a defined benefit plan.

Severance pay

Severance pay may be provided when an employee has been given notice before the usual time of retirement or when an employee accepts voluntary redundancy. The Group recognises a liability and a cost in conjunction with a termination when the Group is demonstrably obliged to either terminate the employee before the usual time for retirement or provide financial incentives to encourage early departure.

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 include 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 tax calculated on the taxable earnings for the 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 on 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	3–5 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.

2.14 IMPAIRMENT OF NON-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 – loan receivables, 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.

The categories are presented in Note 29 Supplementary disclosures, financial assets and liabilities. 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 EQUITY
Equity in the Group comprises the following items:

- *Share capital* - represents the par value of issued and registered shares.
- *Other injected capital* - contributions that the company has received from its shareholders and that are not recognised as share capital.
- *Reserves* - comprises exchange differences referable to translation of foreign subsidiaries.
- *Accumulated deficit, incl. profit/loss for the year* - correspond to the accumulated profits and losses generated in total in the Group.

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.

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 an event or a future uncertainty that is not recognised as a liability or provision, since an outflow of resources is not probable, does not happen or an existing obligation resulting from an event, but which is not recognised as a liability or provision.

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 financial activities.

2.23 PARENT COMPANY ACCOUNTING POLICIES
General
The parent company has prepared the annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The statements issued by the Swedish Financial Reporting Board also apply to listed companies. RFR 2 entails that, in the annual report of the legal entity, the parent company is to apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act and in regard to the connection between accounting and taxation. The recommendation states the exceptions and additions that are to be made to IFRS.

Accordingly, the parent company applies the policies presented in Note 2 of the consolidated financial statements above, with the exception of what is stated below. The policies are applied consistently for all years presented, unless otherwise stated.

Classification and structures
The parent company income statements and balance sheets follow the Annual Accounts Act in their structure. The differences compared with IAS 1 Presentation of Financial Statements, applied in the presentation of the Group's financial statements, mainly pertain to the recognition of financial income and expenses, fixed assets, equity and the recognition of provisions under a separate heading in the balance sheet.

Shares in Group companies
Shares in Group companies are recognised in the parent company in accordance with the cost method. Acquisition-related costs for Group companies, which are expensed in the consolidated financial statements, are included as part of the cost of shares in Group companies.

Group contributions and shareholder contributions for legal entities
The parent company recognises Group contributions and shareholder contributions in accordance with the RFR2 statement from the Swedish Financial Reporting Board. Group contributions are recognised as appropriations. In the parent company, shareholder contributions are capitalised as shares and participations. Impairment testing is also made as required of shareholder contributions together with other holdings in the receiving company.

NOT 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 plans 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.

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. 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.

The Group's operations are mainly conducted in the US and Sweden, as well as to a lesser extent in Cyprus. The sale of satellite services is made in its entirety in USD. Associated capacity costs are also in USD. Of the other operating expenses, excluding depreciation/amortisation, approximately 50% occurs in USD and approximately 50% in SEK. Purchases in EUR occur to a minor extent.

As a comparison, it can be said that if the USD/SEK had been an average of 10% lower in 2017, sales would have declined to the same extent and operating profit would have declined by 25%.

Ovzon's net financial liabilities in USD amounted to SEK 20,483 k (16,165 k), expressed in SEK. A 10% higher USD rate on the balance-sheet date would result in a negative earnings effect of SEK 2,048 k (1,617 k).
A 10% lower USD rate on the balance-sheet date would result in a positive earnings effect of SEK 2,048 k (1,617 k). See also the Administration Report under the heading Financial Risks. For the impact through operating profit, see Notes 11 and 12.

3.1.6 Terms of loans
The terms of loans are shown in Note 25 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. Furthermore, Ovzon is dependent on access to satellite capacity that is provided by a third party. Ovzon's services are sold indirectly to an individual end user.

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 2.1.1 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 the business is a going concern
The financial situation presented is not satisfactory. The management came to the conclusion, as shown above in Note 2.1.1 "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.

NOTE 5 BREAKDOWN OF REVENUE

Line of business	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Satellite services				
USA	201,050	209,219	–	–
	201,050	**209,219**	**–**	**–**
Management services				
Sweden	–	–	635	–
USA	–	–	705	–
Cyprus	–	–	70	–
	–	**–**	**1,410**	**–**
Total	**201,050**	**209,219**	**1,410**	**–**

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

Total fixed assets by geographic market	31 Dec 2017	31 Dec 2016
Sweden	25,435	25,550
Cyprus	11,461	11,937
USA	1,449	918
Total	**38,345**	**38,405**

NOTE 6 DISCLOSURES ON INTRA-GROUP PURCHASES AND SALES, ETC.

	Parent company 2017	Parent company 2016
Purchases	6%	–
Sales	100%	-

NOTE 7 INFORMATION ABOUT CHARGES FOR OPERATING LEASES, ETC.

Operating leases - charges for the year	Group 2017	Group 2016	Parent company 2017	Parent company 2016
For leased premises	693	699	–	–
Licence fees for satellite services	596	584	–	–
	1,289	**1,283**	**–**	**–**

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	1,289	573	–	–
After one year but within five years	2,384	2,293	–	–
After five years	9,238	10,890	–	–
	12,911	**13,756**	**–**	**–**

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 of EUR 60,000 is included in the above table stating 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.

NOTE 8 INFORMATION ABOUT AUDITOR'S REMUNERATION AND REIMBURSEMENT OF EXPENSES

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Grant Thornton				
audit engagements	550	411	15	10
auditing work in addition to audit engagements	795	–	–	–
tax consultancy	99	13	–	–
other services	880	–	–	–
Total	**2,324**	**424**	**15**	**10**

The term audit engagement pertains to the auditors' work on the statutory audit and various types of auditing of quality assurance services. Other services are those not included in the audit engagements, audit business or tax consultancy.

NOTE 9 AVERAGE NUMBER OF EMPLOYEES, WAGES AND SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

	Group		Parent company	
Average number of employees	**2017**	**2016**	**2017**	**2016**
Women	1	1	–	–
Men	11	10	–	–
Total	**12**	**11**	**–**	**–**

	Group		Of which women	
Subsidiaries	**2017**	**2016**	**2017**	**2016**
Sweden	7	6	1	1
USA	5	5	–	–
Total	**12**	**11**	**1**	**1**

	Group		Parent company	
Gender breakdown in Board of Directors and management	**2017**	**2016**	**2017**	**2016**
Number of Board members	3	3	3	3
of which women	(–)	(–)	(–)	(–)
Number of officers in the company incl. CEO	7	1	1	1
of which women	(–)	(–)	(–)	(–)

	2017			**2016**		
Wages and salaries and remuneration amount to:	Board of Directors and CEO (of which bonuses)	Other em-ployees	Total	Board of Directors and CEO (of which bonuses)	Other em-ployees	Total
Subsidiaries						
Sweden	4,237	3,756	7,993	3,936	1,801	5,737
USA	6,276	6,214	12,490	–	10,720	10,720
Total remuneration subsidiaries	**10,513**	**9,970**	**20,483**	**3,936**	**12,521**	**16,457**
	(–)		**(–)**	**(–)**		**(–)**
Statutory and contractual payroll overheads:						
Subsidiaries	1,438	1,526	2,964	1,494	2,552	4,046
Pension expenses:						
Subsidiaries	1,542	837	2,379	1,062	1,303	2,365
Total payroll overheads and pensions	**2,980**	**2,363**	**5,343**	**2,556**	**3,855**	**6,411**
Group, total	**13,493**	**12,333**	**25,826**	**6,492**	**16,376**	**22,868**

PENSIONS

The company and Group have no outstanding pension commitments in addition to pension liabilities. 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.

REMUNERATION FOR OFFICERS OF THE COMPANY

No Board fees were paid for the financial years 2017 and 2016, respectively. The table below shows each Board member's salary and other remuneration for work done as an employee. CEO Per Wahlberg has an annual salary of SEK 1,554 k. His pension corresponds to the ITP occupational pension plus SEK 15 k per month. No other benefits are paid in addition to this. The mutual period of notice is six months. If notice is served by the company, salary is subsequently paid for 36 months. Lennart Hällkvist also has a corresponding pension, period of notice and salary if notice is served by the company. For the other four senior officers of the company, two of whom are hired in through companies, remuneration is paid on market terms.

	2017					
Salaries and remuneration amount to:	**Basic salary/actual remuneration**	**Variable remuneration**	**Board fees**	**Other benefits**	**Pension expense**	**Total**
Per Wahlberg, CEO/Board Member	1,554	–	–	–	484	2,038
Lennart Hällkvist, Chair	1,553	–	–	–	549	2,102
Kennet Lejnell, Board Member	1,130	–	–	–	196	1,326
Other officers of the company, 4	10,124		–	–	313	10,437
Total	**14,361**	**–**	**–**	**–**	**1,542**	**15,903**

	2016					
Salaries and remuneration amount to:	**Basic salary/ actual remunera-tion**	**Variable remunera-tion**	**Board fees**	**Other benefits**	**Pension expense**	**Total**
Per Wahlberg, CEO/Board Member	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**	**4,998**

Pension liabilities inclusive of special payroll tax	**31 Dec 2017**	**31 Dec 2016**
Per Wahlberg and Lennart Hällkvist, total	4,801	6,801
Carrying amount	**4,801**	**6,801**

NOTE 10 DEPRECIATION/AMORTISATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Amortisation of intangible fixed assets:	-4,870	-3,375	–	–
Depreciation of property, plant and equipment:	-314	-152	–	–
Total	**-5,184**	**-3,527**	**–**	**–**

NOTE 11 FINANCIAL INCOME

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Exchange gains	3,520	3,476	–	–
Interest income	–	1	–	–
Total	**3,520**	**3,477**	**–**	**–**

NOTE 12 FINANCIAL EXPENSES

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Exchange losses	-4,294	-979	–	–
Interest expenses	-15,426	-14,364	-39	–
Other financial expenses	-18	-204	–	–
Total	**-19,738**	**-15,547**	**-39**	**–**

NOTE 13 APPROPRIATIONS

	Parent company	
	2017	**2016**
Group contributions received	8,140	–
Total	**8,140**	**–**

NOTE 14 TAX ON PROFIT FOR THE YEAR

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
The following components are included in the tax expense:				
Current tax	-419	-34	-2	–
Deferred tax pertaining to:				
untaxed reserves	-1,288	–	–	–
Tax reported	**-1,707**	**-34**	**-2**	**–**
Net profit/loss before tax	**7,807**	**25,171**	**31**	**-24**
Income tax calculated in accordance with national tax rates applicable to the profit/loss in each country	592	1,451	-7	5
Tax effect of:				
Non-deductible				
expenses, non-taxable revenue				
and also effect of uncapitalised				
losses carried forward, net	-2,299	-1,485	5	-5
Tax reported	**-1,707**	**-34**	**-2**	**–**

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%

At the end of the financial year, there were total tax losses carried forward of SEK 67,802 k in the Group. The following table indicates the losses carried forward broken down by country.

	Amount, SEK ‘000
Cyprus	64,894
Sweden	–
USA	2,908

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.

Group **Parent company**

	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Deferred tax liabilities:				
Temporary differences in:				
- untaxed reserves	1,288	–	–	–
Carrying amount	**1,288**	**–**	**–**	**–**
Deferred tax liabilities:				
Opening balance	–	–	–	–
Change for the year in the income statement, net	1,288	–	–	–
Closing balance	**1,288**	**–**	**–**	**–**

NOTE 15 EARNINGS PER SHARE AND SHARE DATA

Earnings attributable to shareholders of the parent company, SEK ‘000	6,100	25,137
Earnings per share attributable to shareholders of the parent company, SEK	1.22	5.03
Total number of shares issued, no.[1)]	5,000,000	5,000,000

1) No dilutive effect. The share split conducted was observed for the comparative year.

NOTE 16 CAPITALISED EXPENDITURE FOR DEVELOPMENT

	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Cost, opening balance	17,608	9,718	–	–
Purchases	4,657	6,677	–	–
Exchange difference	-1,834	1,213		
Accumulated cost, closing balance	**20,431**	**17,608**	**–**	**–**
Amortisation, opening balance	-5,671	-1,953	–	–
Exchange difference	704	-366		
Amortisation for the year	-4,831	-3,352	–	–
Accumulated amortisation, closing balance	**-9,798**	**-5,671**	**–**	**–**
Carrying amount, closing balance	**10,633**	**11,937**	**–**	**–**

NOTE 17 PATENTS

	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Cost, opening balance	575	–	–	–
Purchases	–	575	–	–
Exchange difference	-54	–	–	–
Accumulated cost, closing balance	**521**	**575**	**–**	**–**
Amortisation, opening balance	-24	–	–	–
Exchange difference	4	-1		
Amortisation for the year	-39	-23	–	–
Accumulated amortisation, closing balance	**-59**	**-24**	**–**	**–**
Carrying amount, closing balance	**462**	**551**	**–**	**–**

NOTE 18 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Cost, opening balance	558	83	–	–
Purchases	1,852	528	–	–
Sales/disposals	-30	-53	–	–
Exchange difference	-116	–		
Accumulated cost, closing balance	**2,264**	**558**	**–**	**–**
Depreciation, opening balance	-191	-83	–	–
Sales/disposals	30	53	–	–
Exchange difference	26	-9	–	–
Depreciation for the year	-314	-152	–	–
Accumulated depreciation, closing balance	**-449**	**-191**	**–**	**–**
Carrying amount, closing balance	**1,815**	**367**	**–**	**–**

NOTE 19 CONSTRUCTION IN PROGRESS AND ADVANCE PAYMENTS

	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Cost, opening balance	24,595	24,595	–	–
Accumulated cost, closing balance	**24,595**	**24,595**	**–**	**–**
Carrying amount, closing balance	**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 20 SHARES IN GROUP COMPANIES

	Parent company 2017	2016
Cost, opening balance	170	170
Shareholders' contributions	135	–
Accumulated cost, closing balance	**305**	**170**
Carrying amount, closing balance	**305**	**170**

Directly owned subsidiaries

Company name	Number shares	Votes/share of capital, %	Carrying amount 31 Dec 2017	31 Dec 2016
OverHorizon AB	1,000	100%	235	100
OverHorizon OHO 1 Limited	1,000	100%	70	70
OverHorizon Communications Group, LLC	1,000	100%	0	0
			305	170

Directly owned subsidiaries

Company name	Corporate registration number	Registere d office	Country	Profit/ loss for the year	Equity
OverHorizon AB	556679-1181	Stockholm	Sweden	1,297	100
OverHorizon OHO 1 Limited	262622	Nicosia	Cyprus	645	-64,884
OverHorizon Communications Group, LLC	S226247-7	Arlington	USA	-3,016	-15,938

Subsidiaries indirectly owned through OverHorizon Communications Group, LLC	Corporate registration number	Registe-red office	Country	Votes/share of capital, %
OverHorizon LLC	S226246-9	Arlington	USA	100%

NOTE 21 TRADE RECEIVABLES

	Group 31 Dec 2017	31 Dec 2016	Parent company 31 Dec 2017	31 Dec 2016
Receivables not due	–	4,383	–	–
Total	**–**	**4,383**	**–**	**–**

The Group has no trade receivables due on the respective balance sheet dates and thus reports no provision for bad debts. The credit quality of trade receivables that have neither fallen due for payment or otherwise been impaired are assessed with reference to historical information about the counterparty.

NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

	Group 31 Dec 2017	31 Dec 2016	Parent company 31 Dec 2017	31 Dec 2016
Prepaid expenses	3,979	1,414	–	–
Total	**3,979**	**1,414**	**–**	**–**

NOTE 23 CASH AND CASH EQUIVALENTS

	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Cash and bank balances	49,672	24,530	1,818	489
Total	**49,672**	**24,530**	**1,818**	**489**

NOTE 24 EQUITY

	31 Dec 2017			
Class of share	No. of shares	Par value (SEK)	Number of votes per share	Share capital
Class A shares	5,000,000	0.10	1	500
Total	**5,000,000**		**5,000,000**	**500**

Otherwise, refer to the Group's and the parent company's specification of Change in equity.

OTHER INJECTED CAPITAL

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 25 BORROWINGS

	Group		Parent company	
Non-current	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Liabilities to related parties (Note 30)	71,233	115,505	–	–
Total	**71,233**	**115,505**	**–**	**–**
Current				
Other borrowings[1)]	33,201	31,057	–	–
Liabilities to related parties,[1)] (Note 30)	62,773	11,546	–	–
Total	**95,974**	**42,603**	**–**	**–**
Total borrowings	**167,207**	**158,108**	**–**	**–**

Weighted average effective interest rate for the Group	31 Dec 2017	31 Dec 2016
Other borrowings[1)]	12%	12%
Liabilities to related parties (Note 30)	9.5%-20%	9.5%-20%

1) On 1 February 2013, the Ovzon Group concluded a loan agreement with two lenders to provide total credit of SEK 22+8 m. The loans bear 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 loan portion of a nominal SEK 8 m is recognised under liabilities to related parties.

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Accrued employee benefit expenses	1,365	2,006	–	–
Other accrued expenses	3,716	3,258	144	15
Total	**5,081**	**5,264**	**144**	**15**

NOTE 27 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent company	
Pledged assets	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Pledged bank funds	840	955	–	–
Total	**840**	**955**	**–**	**–**

CONTINGENT LIABILITIES

Legal matters

Ramab Iggesund AB – OverHorizon OHO 1 Ltd

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. The nominal amount of the loan is SEK 22 m and its rate of interest is 12%. 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 2017. On 8 March 2018, the parties signed an agreement by which the dispute was settled.

Other contingent liabilities

As of 31 December 2017, 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. In accordance with the agreement, Carnegie is to receive a fee of 5% based on the value of the transaction, with a minimum remuneration of SEK 25,000,000. If the transaction is not implemented, Carnegie will receive remuneration for a terminated contract of a minimum of SEK 5,000,000 and a maximum of SEK 25,000,000 depending on when the contract was terminated, in the event that a significant number of the shares in Ovzon AB are divested to a third party. In addition, Carnegie shall receive compensation for disbursements in conjunction with work performed.

NOTE 28 SUPPLEMENTARY DISCLOSURES ON CASH FLOW STATEMENT

	Group		Parent company	
Adjustments for non-cash items	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Depreciation/amortisation	5,184	3,527	–	–
Other items	-790	5,699	–	–
Total	**4,394**	**9,226**	**–**	**–**

Change in liabilities with cash flows in financial activities, Group	Liabilities to related parties	Other borrowings	Liabilities to Parent company	Total
Opening balance, 1 January 2017	127,051	31,057	20,808	178,916
Non-cash items				
- capitalised interest and currency effects, net	6,955	2,144	-3,515	5,584
Closing balance, 31 December 2017	**134,006**	**33,201**	**17,293**	**184,500**

NOTE 29 SUPPLEMENTARY DISCLOSURES, FINANCIAL ASSETS AND LIABILITIES

Disclosures concerning financial instruments measured at fair value in the balance sheet

The Group has no derivative instruments or other financial instruments measured at fair value.

31 Dec 2017	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Financial assets				
Other non-current receivables	840		840	840
Trade receivables	–		–	–
Cash and cash equivalents	49,672		49,672	49,672
Total	**50,512**		**50,512**	**50,512**
Financial liabilities				
Other borrowings		33,201	33,201	33,201
Liabilities to related parties		134,006	134,006	134,006
Trade payables		16,350	16,350	16,350
Liabilities to parent company		17,293	17,293	17,293
Other current liabilities		13,450	13,450	13,450
Total		**214,300**	**214,300**	**214,300**

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
Cash and cash equivalents	24,530		24,530	24,530
Total	**28,913**		**28,913**	**28,913**
Financial liabilities				
Other borrowings		31,057	31,057	31,057
Liabilities to related parties		127,051	127,051	127,051
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		**202,097**	**202,097**	**202,097**

THE GROUP'S MATURITY STRUCTURE IN RESPECT OF UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES

Nominal amount at 31 December 2017	nom 1 year	1-2 years	2-5 years	More than five years	No due date
Other borrowing, Note 25	33,201	–	–	–	–
Liabilities to related parties, Note 30	62,773	–	–	–	71,233
Trade payables	16,350	–	–	–	–
Liabilities to parent company	17,293	–	–	–	–
Other current liabilities	13,450	–	–	–	–
Total	**143,067**	**–**	**–**	**–**	**71,233**

NOTE 30 TRANSACTIONS WITH RELATED PARTIES

Liabilities to related parties		Group 31 Dec 2017	Group 31 Dec 2016
Etheron AB	Shareholder	59,660	55,978
Equi Performance Sweden AB	Shareholder	11,573	10,927
LMK Ventures AB	Shareholder	12,478	11,546
LMK Forward AB	Shareholder	50,295	48,600
Total		**134,006**	**127,051**

The loans from Etheron AB and Equi Performance AB bear an interest rate of 9.5%. The loan from LMK Ventures AB bears an interest rate of 12% and the loan from LMK Forward AB an interest rate of 20%.

	Group		Parent company	
Liabilities to parent company	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
OverHorizon (Cyprus) Plc	17,293	20,808	170	170
Total	**17,293**	**20,808**	**170**	**170**

As regards related-party loans, there were no changes except for interest expenses and currency rate effects during 2017. As part of the Group's restructuring, all patents and one frequency license were transferred from the parent company, OverHorizon (Cyprus) Plc, to OverHorizon AB and OverHorizon OHO 1 Ltd, respectively, during the reporting period. The transactions are based on approximated fair value.

For remuneration to the Board of Directors, the CEO and other senior officers of the company, refer to Note 9.

NOTE 31 EVENTS AFTER THE END OF THE FINANCIAL YEAR

Efforts that commenced in early 2017 to determine the conditions for an IPO are continuing.

On 31 January 2018, an agreement was signed with a satellite operator for the localisation of a satellite on the Ovzon Group's orbital position, 59.7. In accordance with the agreement, Ovzon will pay a total of USD 1.6 m, of which USD 0.8 m in March 2018 and, providing the satellite meets a number of requirements in the agreement, USD 0.8 m in June 2018.
The legal dispute reported in Note 27 Pledged assets and contingent liabilities between Ramab Iggesund AB and OverHorizon OHO 1 Ltd was settled by an agreement between the parties on 8 March 2018.
According to the agreement, OverHorizon OHO 1 Ltd is to pay the loan's capital amount, accrued interest and the counterparty's arbitration expenses. The counterparty may not request implementation of the arbitration settlement prior to 31 May 2018.
At 31 March 2018, Ovzon AB (publ) had received an unconditional shareholder contribution of SEK 6,000 k from its parent company, OverHorizon (Cyprus) Plc.

NOTE 32 PROPOSED ALLOCATION OF PROFITS

The following profits are at the disposal of the Annual General Meeting, SEK	4,215
The Board of Directors proposes that the following be carried forward, SEK:	4,215

THE BOARD'S ASSURANCE

The Board of Directors and the CEO assure that the consolidated financial statements were prepared in accordance with the international accounting standards, IFRS, as adopted by the EU, and provides a fair view of the Group's position and results. The annual report was prepared in accordance with generally accepted accounting practice and provides a fair view of the parent company's position and earnings. The Administration Report for the Group and the parent company gives a true and fair view of the Group and the parent company's operations, financial position and results and describes the significant risks and uncertainties faced by the parent company and those companies included in the Group.

Stockholm, 25 April 2018

Lennart Hällkvist Chairman	Per Wahlberg CEO	Kennet Lejnell Board Member

Our audit report was submitted on 25 April 2018

Grant Thornton Sweden AB

Carl-Johan Regell
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Ovzon AB
Corporate identity number 559079-2650

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Ovzon AB for the year 2017.
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.
We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Significant uncertainty factors regarding going concern
Without prejudice to our opinion above, we draw attention to the administration report under the headline "going concern" as well as to the note 2.1.1 which describes indications that there is some uncertainty about the Group's possibility for going concern. The current liabilities are material higher than the consolidated current assets. These factors indicate that there is an uncertainty factor that may doubt the ability of the Group and Ovzon AB to continue the business.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.
In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the

Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company’s and the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ovzon AB for the year 2017 and the proposed appropriations of the company’s profit or loss.
We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor’s Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.
The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.
The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.
As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 25 April 2018

Grant Thornton Sweden AB

Carl-Johan Regell
Authorized Public Accountant