

*UNAUDITED TRANSLATION*



Annual Report 2016

*UNAUDITED TRANSLATION***THE OTI GREENTECH GROUP AT A GLANCE**

<b>Balance sheet (TEUR)</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Balance sheet total	23,826	28,299
Fixed assets	20,750	24,949
Current assets	2,615	3,254
Equity	9,607	16,898
Equity ratio	40.3%	59.7%
<b>Profit and loss account (TEUR)</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Revenue	8,809	6,249
EBITDA	-2,673	-2,245
Consolidated earnings before taxes	-7,649	-4,322

<b>Trading information</b>	<b>31 Dec 2016</b>
Number of shares	27,478,162
Share price	EUR 0.40
WKN	A0HNE8
ISIN	DE000A0HNE89
Stock exchange code	NSA
Stock Exchange	Open market, Düsseldorf Stock Exchange
Financial year	01 Jan to 31 Dec
Accounting standard	HGB
Issuer	OTI Greentech AG

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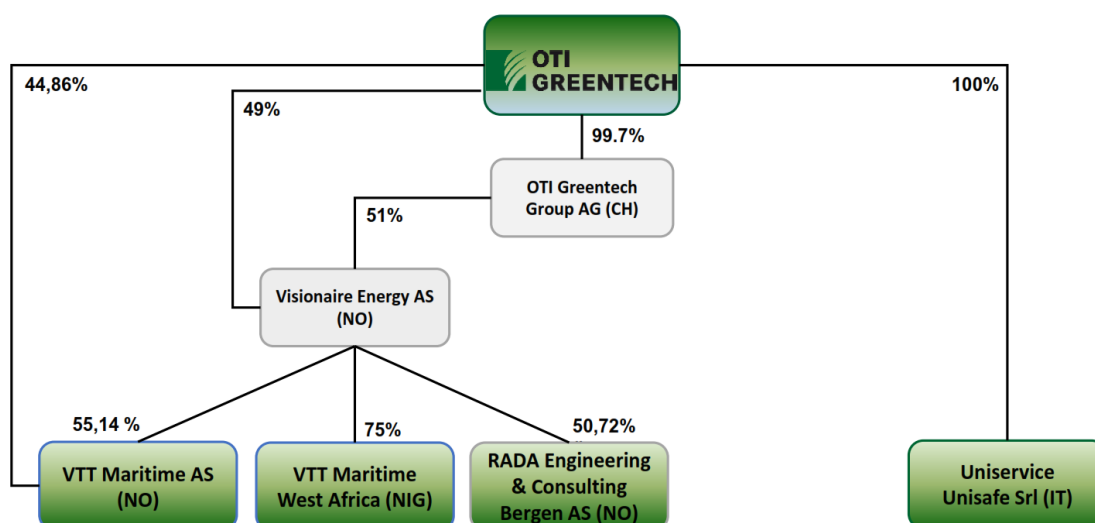
## About OTI Greentech

*OTI Greentech provides advanced engineering services, project management, and a wide range of products and technology solutions for the maritime, infrastructure, and oil & gas industries worldwide. OTI Greentech's surfactant-based patented technology enables innovative, sustainable, and cost-efficient solutions for various industrial cleaning challenges, with potential for application in land remediation. Through its subsidiaries, VTT Maritime and RADA Engineering & Consulting, OTI Greentech has more than 30 years of experience providing engineering services and project management on complex maritime operations and infrastructure projects in Northern Europe, as well as carrying out inspections of tankers globally. A full range of products, technology solutions and services are provided to the global shipping industry in all major ports via Uniservice Unisafe. OTI Greentech Group currently has more than 100 employees in Europe, the USA and West Africa. OTI Greentech AG is listed on the Düsseldorf Stock Exchange (WKN A0HNE8). OTI Greentech's corporate headquarters is in Berlin, Germany.*



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### Corporate structure



### Business Divisions

Innovative, environmentally friendly products and solutions for the cleaning and decontamination of oil-based contamination



Maritime projects & engineering services in Scandinavia

Highly qualified engineers and other specialists for our infrastructure and industrial customers in Scandinavia



Maritime projects & engineering services in West Africa

Chemicals, as well as fire protection and safety equipment for our customers in the worldwide shipping industry



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### Letter from the Management Board

Dear Shareholders,  
Ladies and Gentlemen,

2016 was a challenging financial year. The business result for 2016 is unfortunately well below what the Management Board had hoped for in early 2016. Instead of achieving our target of doubling revenues in 2016, we made it to TEUR 8,809 (up 41% compared to the 2015 reporting period). Instead of the hoped-for positive EBITDA result, we are (before deduction of minority interests) at TEUR -2,673 (compared to TEUR -2,245 in the reporting period 2015). It should be noted that the reporting period 2015 covers only 9 months with regard to the subsidiaries.

The following factors contributed to the low revenue result:

- The award of a large VTT Maritime project to a competitor;
- Delays in the implementation of the takeover of Uniservice Unisafe S.r.l. and the conclusion of the collaboration with our new partner KMI in the USA; and
- The longer-than-expected start-up and investment phase of our new activities in West Africa.

The negative EBITDA results to a large extent, of course, from the revenue target not being met. Add to that the investments in connection with the establishment of our new activities in West Africa.

Seen by these numerical yardsticks alone, the 2016 financial year was disappointing, and as a Management Board we don't want to look at things through rose-tinted glasses – but it is also important to note the successes and progress achieved in 2016. And there were quite a few.

In 2016, the Company continued to work on consolidating and optimising its corporate structure and strategy. Moreover, important milestones were reached at operative level.

- The acquisition of the minority interests in Visionaire Energy and VTT Maritime was completed. Both acquisitions (except the cash consideration element related to Visionaire Energy, which is being further deferred by Visionaire Invest) were achieved exclusively by issuing new shares at a price of EUR 1.50 (well above the market share price). From the Management Board's point of view, a very good result for our shareholders.
- Significant and visible cost reductions were achieved, e.g. by streamlining the Management Board, merging the Swiss companies, and reducing fixed costs in Switzerland by an estimated TEUR 20 per month.



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- In January 2017, the takeover of Uniservice Unisafe S.r.l. ('USUS') was entered in the commercial register. This transaction was also effected exclusively by issuing new shares (2.5 million) at EUR 1.50 each. This means that the Group gained a renowned company with revenues of TEUR 4,700 in 2016, and with a slightly positive EBITDA result, without a high financial outlay. USUS is a profitable company that does not require any major investments. Potential for increasing revenues and profit at USUS is high. The acquisition allowed us to outsource the production and marketing of our EcoSolut products and technology to USUS, which reduces our administrative costs in Switzerland as well as our production costs, and thus increases our profit margin.
- We started negotiations with the founders of RADA to increase the Group's stake in the company to as much as 100% (in return for OTI Greentech AG shares).
- In Q1 2016, our new joint venture in Nigeria, VTT Maritime West Africa, was launched. Since then, the management of this joint venture has been working on several highly interesting projects, of which just one can lead to significant revenues and profits for the Group. As with the establishment of any new line of business, we had to invest in this new project. The Management Board strongly believes that the decision to make these investments was the right one in view of the great potential, even if these investments had a negative impact on our result for the 2016 financial year.
- After months of preparatory work, in May 2017 we signed a new distributorship agreement and a collaboration contract with KMI Chemical Solutions, one of the largest suppliers of tank wash systems in the United States. We expect this collaboration to lead to an increase in sales of our EcoSolut products. Another declared goal of the collaboration is to develop new products and solutions for known problems of the existing KMI customer base.
- We concluded a basic agreement with several owners of shareholder loans to convert the loans (including accrued interest) into new OTI Greentech AG shares. Once this has been completed, the conversion of approximately TEUR 4,000 in loans including interest accrued will lead to a significant reduction in the Group's total debt, and a reduction in annual financing costs by over TEUR 300.

Our long-term objective is to establish OTI Greentech Group as a leading partner in innovative Cleantech products (e.g. cleaning chemicals) and engineering services for the maritime, infrastructure, and oil & gas industries.

In general, we have further developed our corporate strategy in cooperation with our Supervisory Board in order to achieve this goal. The strategy and the above-mentioned measures are discussed in detail in the Management Report.

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The Management Board believes in our strategy and potential. Some successes can be achieved quickly and without great financial outlay (USUS, RADA, OTI Greentech Technical Solutions). Others (VTT Maritime West Africa) are longer-term goals and require investment and patience – but the potential success is enormous.

Our biggest challenge is to ensure the Group's liquidity. In our current situation it is difficult for the company to raise financial resources from third parties through a capital increase (or even through loans at reasonable terms). Much of the funding required in 2016 was provided by members of the Management Board directly or through related companies, as loans to the Group on very fair terms. We believe that this is a clear sign of our confidence in our strategy and potential, as well as our commitment to the Company and all our shareholders.

Our share price dropped to a new all-time low in 2017. From the perspective of the Managing Board we have no real 'functioning' market for our shares at the moment. For this reason, we feel the share price does not reflect the fundamental value of our Group. Beyond a certain level, we cannot influence developments in this respect either. Our focus is on increasing the fundamental value of our company and the Group. We believe that this is the best way to secure the medium and long-term interests of our shareholders. Good investor relations and transparency are important to us. As soon as we have positive (or negative) developments to report, we will do so. When the time is right, we will also discuss whether it makes sense to move from the open market of the Düsseldorf Stock Exchange to another segment in order to increase the basis of potential investors and the liquidity of our shares. The share price should then take care of itself.

Based on falling short on our target result in FY 2016 and the inherent risk of our activities in VTT Maritime and VTT Maritime West Africa, the Management Board decided upon an unscheduled depreciation of our goodwill at Group level of EUR 2 million. We believe this is appropriate in view of all the circumstances.

Although we are geared toward medium and long-term success, we would like to state the following regarding our expectations for the 2017 financial year: we are very confident that the operating result will improve significantly in 2017. The Company expects revenues of EUR 16 million and a slightly positive EBITDA result for 2017.



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Ladies and Gentlemen, we thank you – including on behalf of our employees – for your confidence in our work.

Berlin, May 2017

The Management Board

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Johnny Christiansen  
CEO

Joe Armstrong  
COO

John C. Kisalus  
CTO

## Supervisory Board Report

Dear Shareholders,  
Ladies and Gentlemen,

We look back on a business year that can still be described as challenging. Despite the difficult business environment, we achieved a 41% revenue increase in the 2016 financial year compared to the 2015 reporting period, to EUR 8.8 million. On the other hand, we had a higher EBITDA loss of EUR -2.67 million compared to EUR -2.25 million. This is disappointing because the figures were significantly below our expectations for 2016. The goal was to get much closer to a financial turnaround in 2016.

Nevertheless, there is positive news in that we took an important step forward in our business transformation process. In 2016, we worked with the Management Board to further develop the company strategy, approve it, and even to already implement it in many areas.

The following provides an overview of the strategy:

We aspire to become a leading provider of innovative Cleantech products in the maritime sector and on land, while offering outstanding services for the international maritime industry.

Quantitatively speaking, the stated goal is to generate revenues of EUR 50 million and EUR 5 million in EBITDA by the end of 2020.

The strategy is now resolutely built on 3 strategic pillars:

- 1) "Focused growth" (business segments and markets)
- 2) "Leveraging group skills" (customers, R&D, management expertise)
- 3) "Increased productivity" (costs, production, structure)

This is underpinned by an increasingly integrated corporate culture => "Winning as One".

On the operations side, our strategy significantly informed the decision-making process for the realignment. In fiscal 2016, we pushed forward the acquisition of Uniservice Unisafe S.r.l. (Italy, which we completed in January 2017), initiated the sales process of the VTT Maritime Inspection Agency in Norway (which we have also completed in the meantime), and found a strong U.S. partner in the land-based Cleaning sector in KMI. We implemented significant cost savings ("fit for purpose" structure) and developed our skills to create consortia that are in an excellent position to participate in and win large-scale project tenders in West Africa. Not least, major steps were taken towards restructuring OTI Greentech AG's debts.

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This strategy and the above-mentioned measures are discussed in detail in the Management Report.

### **Cooperation between the Supervisory Board and Management Board**

In fiscal 2016, the Supervisory Board performed its tasks with great diligence in accordance with the law and the Company's articles of association.

The Supervisory Board closely monitored the work of the Management Board during the fiscal year. An intensive and cooperative dialogue between the Supervisory Board and Management Board lays the foundations for efficiently formulating and implementing the Supervisory Board's activities in an economically challenging environment.

The Management Board provided the Supervisory Board with regular, timely, and comprehensive information, both orally and in writing, about all aspects of business development and significant business transactions. In particular, this refers to the state and development of the business, profitability and liquidity, as well as the short, medium and long-term corporate, financial and personnel planning, and the overall situation of the Group including its risk position. The focus of the reporting and remarks was on the progress of the integration of the new OTI Greentech Group; compliance with the cost budgets; increasing revenue; VTT's expansion to West Africa; ensuring liquidity; reducing our overall debt; and the acquisition of Uniservice Unisafe S.r.l. (Italy).

All transactions requiring Supervisory Board approval were reviewed, discussed and approved with the Management Board. The Supervisory Board was involved in all decisions of fundamental importance to the Company.

In fiscal 2016, 4 regular Supervisory Board meetings were held (3 chaired by Stephan Rind and 1 chaired by Andrew Schwager), for which the Management Board submitted extensive and detailed documents. All members of the Supervisory Board were always present at all of these meetings. Beyond this, 5 conference calls were conducted with the Management Board; all Supervisory Board members, and at least 2 Management Board members, participated in each of these calls.

Due to the size of the Company, it was decided not to form committees. In addition to the current business performance, the main topics of discussion included the following key topics and decisions:

- Support and advice on the integration of the new OTI Greentech Group, and the Group's financing including the search for investors
- Approval of the financial statements of OTI Greentech AG, Cologne, and approval of the Consolidated financial statements of OTI Greentech AG, Cologne, as of 31 December 2015
- Legislative Changes to the EU Market Abuse Directive

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- Proposed resolutions to the Annual General Meeting 2016
- Resolution on the completion of the acquisition of Uniservice Unisafe S.r.l.
- Budget and corporate planning for the 2017 financial year

In urgent matters, decisions were also made outside the meetings, by written circular resolution or by conference call.

### Corporate Governance

The Supervisory Board believes that good corporate governance is an important basis for the Company's success.

### Annual and Consolidated financial statements

The Management Board presented the Supervisory Board with the annual financial statements of OTI Greentech AG as of 31 December 2016 in accordance with the German Commercial Code (HGB) with total assets of EUR 21.4 million and a net loss of EUR -13.6 million (including depreciations of EUR 12.4 million not relevant to the cash flow) as well as the Consolidated financial statements and Group Management Report of OTI Greentech as at 31 December 2016 in accordance with HGB, with a Consolidated balance sheet total of EUR 23.8 million and a consolidated net loss after minority interests of EUR -7.5 million (including amortisation of goodwill of EUR 4.1 million not relevant to the cash flow in accordance with HGB accounting).

The appointed auditors, Roever Broenner Susat Mazars GmbH & Co. KG, audited the financial statements of OTI Greentech AG and the Consolidated financial statements and the Management Report for fiscal 2016 and issued an unqualified audit opinion. The Audit Reports and documents to be audited were submitted to the Supervisory Board in good time. The Supervisory Board has reviewed the submitted documents.

The auditor participated in the Supervisory Board meeting on 03 May 2017 about the audit of the annual and Consolidated financial statements and reported on the key results of the audit. The main points and results of the audit were discussed comprehensively.

The Supervisory Board approved the findings of the auditors' audit and approved both the annual and Consolidated financial statements on 16 May 2017. The financial statements of OTI Greentech AG are thus approved. According to the results of its own review, there were no objections to the annual and Consolidated financial statements or the Management Report to be raised.

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### Changes to the Supervisory Board

In fiscal 2016, the following changes occurred in the composition of the Supervisory Board and the Management Board:

With effect from 01 November 2016, Stephan Rind resigned from the Supervisory Board. Leif Pedersen was appointed to replace him as a member of the Supervisory Board of OTI Greentech AG with effect from 1 November 2016 by resolution of the District Court of Cologne. On 1 November 2016, the Supervisory Board elected Andrew Schwager as the new Chairman of the Supervisory Board and Paul Morris as Deputy Chairman.

At the end of May 31, 2016, Ralf Grönemeyer resigned from his position as finance director. Mr. Joe Armstrong (COO) has taken over his responsibilities until further notice.

### Thanks to the shareholders, management and employees

The Supervisory Board thanks all the shareholders who supported the OTI Greentech Group through its integration phase this year. The Supervisory Board also thanks the Management Board and all employees for their commitment and support in a business year full of changes, and wishes everyone involved much success in the future development of the Group.

Berlin, May 2017  
The Supervisory Board

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Andrew Schwager  
Chairman of the Supervisory Board of OTI Greentech AG

## Group Management Report

### of OTI Greentech AG, Cologne for the 2016 Financial Year

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### **I. Basic Information about the Group**

#### **1. Business model**

##### **Overview**

OTI Greentech AG is headquartered in Germany and serves as the parent of an international group of companies that offer products and services for the maritime, infrastructure, and oil & gas industries around the world. Its major subsidiaries and shareholdings are located in Switzerland (OTI Greentech Group AG, Zug), Norway (VTT Maritime AS, Bergen, and RADA Engineering & Consulting AS, Bergen) and Nigeria (VTT Maritime West Africa Limited, Lagos). Uniservice Unisafe S.r.l. (Genoa, Italy) became part of the Group since January 2017. In the following, OTI Greentech AG and its subsidiaries and major shareholdings are also referred to as the 'Group', 'OTI Greentech', or the 'OTI Greentech Group'.

##### **Organisation and corporate divisions**

OTI Greentech AG is the parent company of the OTI Greentech Group.

The subsidiary OTI Greentech Group AG (also known as 'OTI Greentech Technical Solutions') is the research and development core of the OTI Greentech Group with 10 years of experience in the development of sustainable solutions for the cleaning, recovery and disposal of oil in a range of applications. Revenues are currently generated through the sale of EcoSolut products to global shipping companies for cleaning cargo tanks. OTI Greentech Group AG holds the expertise and patents for our environmentally friendly and very effective EcoSolut products and the technology in general. The areas of application of the EcoSolut range include the cleaning of tanks, ships and industrial machinery, the recovery of oil from oil sands, soil remediation, and the recovery of oil from conventional and non-conventional oil deposits. On 21 July 2016, the merger of the two companies OTI Greentech (International) AG and Uniservice Global AG with OTI Greentech Group AG under Swiss law was registered in the Zug Commercial Register. 99.55% of the shares in OTI Greentech Group AG are held by the Group.

The subsidiary VTT Maritime AS ('VTT Maritime') has been offering marine engineering services, technical inspections and verifications, and project management for complex maritime operations, mainly in Scandinavia and the North Sea, for more than 25 years. The entry in the commercial register of the acquisition of a further 44.86% of shares in the subsidiary in the form of a contribution in kind took place on 31 May 2016, so that now 100% of the shares in VTT Maritime are held by the Group.

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Since the foundation of our new joint venture, VTT Maritime West Africa Limited (VTT West Africa), through our investment in one of our partner's existing companies in Q1 2016, VTT Maritime has offered its services in the promising West African market as well. As of 31 December 2016, the Group's share under company law in VTT West Africa amounted to 31.58%. However, based on contractual stipulations, OTI Greentech AG currently has a 75% participation in the company's results.

Our new subsidiary RADA Engineering & Consulting AS ('RADA') offers highly qualified personnel for engineering services and expertise on complex infrastructure projects.

Within a few years, RADA has become a market leader in its sector in Norway. As of 31 December 2016, the Group's share in RADA was 50.72%. RADA's co-founders and management, who hold the remaining shares, are currently in talks to increase the Group's stake in RADA to 100%.

The subsidiary acquired in January 2017, Uniservice Unisafe S.r.l ('USUS'), has for many years offered the global shipping industry a full range of chemicals (including OTI Greentech's ECOSOLUT range) and fire-fighting, rescue & safety products. This offer is supported by a professional 'Supercargo' service.

The primary goal of the OTI Greentech Group is to become established as a leading partner in the field of innovative cleantech products (e.g. cleaning chemicals) and engineering services for the maritime, infrastructure, and oil & gas industries.

To achieve this goal as quickly as possible, the company strategy was further developed in fiscal 2016 (with the input of the Supervisory Board), and now is based on the following three strategic pillars:

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- 1) *'Focused growth'* in the 3 areas:
  - a. Global maritime tank cleaning and chemicals,
  - b. Land-based tank cleaning in the US,
  - c. Highly qualified engineer services in Scandinavia and
  - d. Major infrastructure projects in West Africa
- 2) *'Leveraging the Group's skillset'* across all lines of business, e.g.
  - a. Management Expertise / Rada Engineering Resources,
  - b. R & D and product knowledge, and
  - c. Large cross-divisional customer platform
- 3) *'Enhanced productivity'*, e.g.
  - a. Insourcing production,
  - b. Back-office integration,
  - c. Cash management and banking, and
  - d. Streamlining the company structure

The extension of the scope of use for our patented product solutions based on EcoSolut technology to include land-based tank cleaning in the United States, announced last year, was further pursued in the 2016 financial year, and was recently successfully implemented in the form of a new collaboration with KMI Cleaning Solutions, Inc. ('KMI'), a US company.

Our joint venture in West Africa, which was newly founded in 2016, is pursuing some very interesting and promising projects in the fields of maritime engineering, infrastructure and oil & gas, some on its own and some as part of a syndicate. Although this area of our activities doesn't yet have a positive effect on cash flow and needs to be financed, the Management Board is convinced that these investments will pay off in the medium term.

## 2. Research and Development

Innovations based on effective, efficient research and development are the origin of the OTI Greentech Group. Since 2007, the OTI Greentech Technical Solutions division has been developing innovative, sustainable and cost-effective solutions for a wide range of industrial cleaning challenges, with potential applications for more efficient oil recovery and decontamination based on our patented, surfactant-based technology. Our employees and external service providers are constantly working on innovative processes and products for various industries. Research and development (R&D) is especially critical to the success of our activities in the maritime, and now in the land-based cleaning sector as well.

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Three employees are currently working with external service providers to advance our technology at two sites in the UK and US. All R&D activities are overseen by our Chief Technical Officer and member of the Management Board, Dr John Kisalus.

By purchasing USUS we now have our own manufacturing capacities in Genoa as well as decades of accumulated experience and technical know-how in solving customers' complex problems. One declared objective of the new collaboration with KMI is to expand the market for our EcoSolut products and technology in the USA, but also to work with KMI to develop new products and solutions for its existing customer base. Our customers turn to us with difficult problems that cannot be solved with conventional products. Our R&D department, led by John Kisalus, develops customer-specific solutions.

In 2014, we were [already – and] very quickly – granted a patent in the US for the ECOSOLUT formulation and products we developed in 2013. Very promising patent registration procedures are underway in various countries in Europe, Asia, South America and the Middle East. The older patents granted are renewed if we feel it makes sense taking into account all the circumstances, including the renewal costs.

The Management Board, in consultation with the R&D Department, will decide on a case-by-case basis to what extent future new products and developments should be protected by means of patents, or by the 'trade secret' method instead. A patent can be very worthwhile/lucrative/valuable. However, the costly application process requires a detailed cost-benefit analysis.

The OTI Greentech AG Group's expenditure on R&D in the reporting year totalled TEUR 175. As of 31 December 2016 the Group's patents have a residual book value of TEUR 3,534.

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### II. Economic Report

#### 1. Macroeconomic and sector-specific conditions

##### Macroeconomic framework conditions

According to the IMF (source: *IMF World Economic Outlook, April 2017*), the global economy grew by 3.1% in 2016, slightly below the forecast of 3.4% issued at the beginning of the year. It is interesting to note that the industrialised countries in particular were growth drivers in the second half of 2016, while the emerging markets cooled down unexpectedly rapidly, partly and especially because of the upheavals in the commodity markets. For Germany, the growth figures increased by 0.1% to 1.8% in the second half of 2016, for the United Kingdom by 0.4% to 1.8% and for the US by 0.1% to 1.6%. For Nigeria, a return to economic growth (after -1.5% in 2016) is expected for 2017 (0.8%) and 2018 (1.9%).

The IMF expects a global growth rate of 3.5% for 2017, and 3.6% for 2018, which signifies a slight acceleration of growth rates. This positive expectation is supported in particular by the expected recovery in the USA, where the tax relief scheme is of particular significance. As in the past year, the situation for the emerging markets is less positive, as low commodity prices continue to hinder development. The IMF also sees possible risks through growing nationalism, protectionism and risks through possibly less restrictive financial supervision. For the emerging markets, a deterioration in the financial situation is seen as a risk to economic development.

A stabilisation of the commodity markets in the current year – especially the oil sector – should contribute to global growth. In 2016, the average oil price was US \$ 42.84; for 2017 the oil contracts indicate a price of US \$ 55.23 (Source: *IMF World Economic Outlook, April 2017, page 3*).

In Germany, GDP grew by 1.8% in 2016 (Source: *IMF World Economic Outlook, April 2017*). This development, is again primarily driven by the rise in consumer spending, which increased by 1.8% year-on-year. The stable growth of the past two years was also reflected in the labour market, resulting in an unemployment rate of 5.8% in December 2016. (Source: *Destatis, GDP 2016*). The average number of unemployed people in 2016 was 2.691 million. This is the lowest annual average in 25 years (Source: *WELT24, 03 Jan 2017*).

**Sector-specific conditions***Oil and gas sector*

Economic activity in the offshore oil and gas sector – a relevant market for the Group in 2016 – stagnated at a low level that was established in 2015 due to the fall in oil prices. OPEC was only able to agree a cut in production of 1.2 million bpd (barrel per day) to stabilise the oil prices starting in January 2017, which put the average OPEC oil price in 2016 at \$40.76, compared to \$49.49 in 2015 (*OPEC data graphs, OPEC Basket Price*). For this reason, leading oil companies continued to favour very restrictive investment programmes. The environment for service providers in the established regions has therefore continued to deteriorate. Since the introduction of the OPEC production cut and with the support of non-OPEC oil producers, the oil price has established itself above the \$50.00/brl mark, i.e. roughly at the average level of 2015.

In the medium term, this development can also affect the activity of OTI Greentech Technical Solutions. However, in 2016 it emerged that renowned oil companies continue to see the solutions offered by OTI as an attractive option for solving problems, particularly in the field of oil recovery and disposal. However, these are about long-term developments, which we are watching closely.

In the short and medium term, this development has also affected VTT Maritime's market potential in the offshore oil and gas market. Contrary to our expectations, activities in Norway – which are relevant for VTT Maritime – significantly decreased as well. VTT Maritime responded to this, and at the end of 2016 entered into talks about selling the Inspections division to a competitor (this was completed in 2017). Nevertheless, it can be expected that the more investment-intensive offshore business will become more important again in the medium term, as more recent technologies are also more cost-effective in the long term. However, it is not possible to ascertain exactly when this improved market environment will materialise.

VTT Maritime already prepared for the nascent competitive pressure in its established markets in 2015, by expanding into new regions. In West Africa, a new joint venture was set up in 2016 through our shareholding in the existing company of one of our partners, so as to profit from the high demand for services that improve the efficiency of the energy sector, as well as for cutting edge know-how and technology from Europe in general.



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RADA had already started shifting its focus from the oil and gas market to infrastructure projects and customers at the end of 2014. RADA was able to establish an excellent position here in 2016, and already has further successes to report in the present year.

### New markets in the oil and gas sector

After VTT Maritime and RADA had oriented themselves towards new regions and new industries, new structures were created at OTI Greentech Technical Solutions as well, to win new regions and markets for our products. In 2016, the development of cleaning solutions for land-based transport was intensified. The very promising results led, first and foremost, to an increased cooperation with KMI as a leading service provider and supplier in the cleaning of road tankers. This sector is very widespread in the USA. These land-based cleaning results were excellent – as were those in the maritime sector – and promise a significant cost reduction. We have started a distribution and product development cooperation with KMI this year. Furthermore, talks with an oil company operating in the oil sands business were resumed after a break caused by the oil price crisis.

### Maritime transport sector

OTI Greentech products are mainly used on tankers for chemical products. From 01 January to 05 October 2016, the Baltic Clean Tanker Index, which reflects the general price situation in the maritime transport of chemical products, steadily fell from 652 to a 13-year low of 347 points (Source: investing.com, BAIT Index). A rapid increase to over 678 points by the end of the year – reflecting the OPEC decisions and the US presidential election, which supports expectations of stronger economic growth and a stronger consideration of fossil fuels – has now led to an average level of about 650 points in the current year, which roughly equates to the average level of the years 2013 to 2015.

This normalisation should improve demand for auxiliary products, which include OTI Greentech Technical Solutions products, in the medium term, as the transport of chemicals by tanker is the most cost-effective transport option. So OTI Greentech expects a significant recovery of trading volumes in the next few years. OTI Greentech products offer a significant cost advantage over many competitor products. Therefore, taking account of the strong competition in the major customer segment, it can be expected that the products will establish themselves disproportionately in the market.

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### Infrastructure sector

Investments in infrastructure have a special status in Norway. After the country had neglected investment in this area over a long period, the government approved a NOK 606 billion (*approximately EUR 63 billion, Source: Regjeringen.no, 2014*) investment programme for the next 10 years. In this environment, RADA offers its engineers for companies in this market.

In 2015, RADA was able to conclude framework agreements with existing and new customers – usually large engineering companies. At the same time, existing contracts were fulfilled. These contracts led to revenues that were within the management's expectations in the past fiscal year, although the EBITDA result fell short of expectations.

Norway – the main market for RADA and VTT Maritime – is in a special situation in Europe due to the fact that it has a very large sovereign wealth fund (*worth approximately EUR 850 billion at year-end 2016, Source: Der SPIEGEL, 21 Mar 2017*). This fund supports infrastructure projects in the country as well. Norway's gross domestic product (GDP) is expected to have fallen to US\$ 376 billion in 2016, from US\$ 388 billion in 2015 (*Source: [www.statista.com](http://www.statista.com), 2017*). It should be emphasised that about 1/3 of the Norwegian economic output is due to oil exports. The development in 2016 is nevertheless remarkable, as the important sector 'investment in oil and gas' will drop by approx. 17% in the year to around EUR 18 billion. This trend will continue with a further 7% decline in 2017 (*Source: [www.gtai.de](http://www.gtai.de), German Trade & Investment, 2017*).

The decline in oil prices is increasingly causing the Norwegian government to invest in the country's infrastructure; according to proposals by the transport authorities, anywhere between EUR 64 billion and EUR 104 billion in the period from 2018 to 2029, depending on the scenario (*source: [www.gtai.de](http://www.gtai.de), German Trade&Investment, 2017*). Furthermore, in its budget for 2017, the government in Oslo has earmarked a total of EUR 6 million to build a system of industrial test centres. The program, known as 'Norsk Katapult', provides for the construction of several sites as public-private partnerships. These investments provide a very good basis for continued growth in RADA's business.

## 2. Business development including forecast-actual comparison

2016 was a challenging financial year. The business result for 2016 is unfortunately well below what the Management Board had hoped for in early 2016. Instead of achieving our target of doubling revenues in 2016, our revenue for fiscal 2016 came to TEUR 8,809 (up 41% compared to the 2015 reporting period). Instead of the hoped-for positive EBITDA result, we are (before deduction of minority interests) at TEUR -2,673 (compared to TEUR -2,245 in the reporting

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period 2015). It should be noted that the reporting period 2015 covers only 9 months with regard to the subsidiaries.

The following factors contributed to the low revenue result:

- The award of a large VTT Maritime project to a competitor;
- Delays in the implementation of the takeover of Uniservice Unisafe S.r.l. and the conclusion of the collaboration with our new partner KMI in the USA; and
- The longer-than-expected start-up and investment phase of our new activities in West Africa.

The negative EBITDA results to a large extent, of course, from the revenue target not being met (by the Group and the individual operating companies). Although significant cost reductions were achieved in Germany and Switzerland, there were higher costs than expected in other areas, including VTT Maritime's reorientation towards West Africa. However, the Management Board sees these costs as sensible investments in the future, and are very confident that they will pay off in the medium term

The following significant events occurred during the 2016 financial year:

### *Legal structure*

- Completion of the purchase agreement to take over 100% of Uniservice Unisafe S.r.l. through a contribution in kind, which was finalised with the entry in the commercial register in January 2017;
- Entry into the commercial registry of the capital increase to take over the remaining 44.86% of VTT Maritime as part of a contribution kind on 31 May 2016;
- Merger (under Swiss law) of the 3 Swiss subsidiaries into OTI Greentech Group AG in July 2016 (retroactively from 1 January 2016);
- Cash capital increase of TEUR 420 in September 2016;
- Basic agreement with OTI Greentech Group AG and OTI Greentech AG's providers of loans totalling approximately TEUR 4,000 regarding a conversion to equity in OTI Greentech AG

### *Operating activities*

- Implementation of significant cost reductions (e.g. by streamlining Management Board, the merger of the Swiss companies, and the reduction of fixed costs in Switzerland by an estimated TEUR 20 per month, as well as the outsourcing of EcoSolut production to USUS in Genoa);

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- Exploration of the US market for EcoSolut products, including many series of tests at potential customers, preparations for the new collaboration with KMI;
- Ongoing R&D activities;
- Establishment of our new presence in West Africa, and intensive work on several promising projects;
- Change of focus at VTT Maritime (NOR) to major projects and providing support to VTT Maritime West Africa; and
- Conclusion of important framework agreements with key customers by RADA

### **3. The Group's position (description, analysis, assessment)**

#### **a. Earnings position**

Revenue for the year under review came to TEUR 8,809 (41% higher than in the previous year). The revenue was generated by the subsidiaries RADA Engineering & Consulting Bergen AS, Norway, with TEUR 5,803, VTT Maritime AS, Norway, with TEUR 1,792, and OTI Greentech Group AG, Switzerland, with TEUR 1,116.

Personnel expenses as at 31 December 2016 amounted to TEUR 7,097. Most of the staff, 64 employees, work at the Norwegian subsidiaries. In all, the Group employed an average of 78 people during the year under review.

The scheduled depreciations of TEUR 4,137 resulted primarily from the amortisation of goodwill (TEUR 1,450) and patents held (TEUR 658). In addition, an unscheduled write-down of goodwill in the amount of TEUR 2,000 was made at Group level due to changes in business and projection assumptions.

Other operating expenses of TEUR 1,897 were down year-on-year thanks to stringent cost management. In particular, they consist of legal and consultancy costs, rents, and mobility expenditures.

Consolidated earnings before interest and taxes, depreciation and amortisation (EBITDA) as a key financial indicator was TEUR -2,673 (previous year: TEUR -2,245). Consolidated earnings before taxes (EBT) amounted to TEUR -7,649 (PY: TEUR -4,308).

Contributors to this year-on-year reduction in the result included expenses at VTT West Africa of TEUR 752 (before consolidation effects), and the unscheduled impairment of goodwill in the amount of TEUR 2,000.

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As mentioned, the Management Board is confident that a better result can be achieved in the 2017 financial year. The main reasons for this are the promising large-scale projects VTT Maritime and VTT West Africa are currently working on, the improvement of the order situation at RADA, and the new collaboration with KMI by OTI Greentech Technical Solutions.

### b. Financial position

Cash and cash equivalents at the balance sheet date amounted to TEUR 303. Solvency was always ensured because we had commitments from major shareholders regarding the provision of funding.

Aside from the EBITDA result (EUR -2.763 million), Cash flow from operating activities is primarily influenced by the change in net current assets (TEUR 477).

Cash flow from financing activities (TEUR 2,354) is dominated by the provision of loans amounting to TEUR 2,212, and a cash capital increase of TEUR 420.

One of the Management Board's priorities is to ensure sufficient liquidity and maintain the Group's financial substance. In April 2017, the company was provided with further short-term loans of approximately TEUR 500 by major shareholders. For the 2017 financial year, the Management Board expects a positive result. However, this result is not guaranteed. Further investment may be needed in VTT Maritime and VTT Maritime West Africa to pursue and win the big projects. The exact timescale when these projects start to generate significant revenues and profits cannot be foreseen with complete certainty. To ensure the liquidity of the Group, major shareholders firmly promised the Management Board additional capital of TEUR 500 in May 2017. The Management Board is also preparing other alternative financing measures.

Further remarks on the subject of liquidity and liquidity risks can be found under 'Liquidity risks, countermeasures' in the Risk Report.

### c. Asset position

At the reporting date, the Group's balance sheet total was TEUR 23,826, composed primarily of goodwill of EUR 17,216 and patents held in the amount of TEUR 3,534. The goodwill was created by the incorporation of the Swiss OTI Greentech AG Group into the German OTI Greentech AG as a contribution in kind in 2015.

Trade accounts receivable of TEUR 1,169 are at the previous year's level and mainly relate to the Norwegian subsidiaries.

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The equity capital, down by TEUR 7,291, in particular reflects the net loss of TEUR 7,649 for the year, as well as the acquisition of minority interests of 44.86% with TEUR 1,056. This was offset by an increase in the subscribed capital through cash and non-cash capital increases. The equity ratio is 40.32%. At TEUR 901, provisions were slightly down year on year, and mainly related to provisions for personnel and provisions for outstanding invoices.

Other provisions of TEUR 901 are slightly lower and mainly relate to unpaid salaries and unpaid invoices.

The increase in other liabilities from TEUR 5,821 to TEUR 8,226 mainly results from taking up loans from major shareholders, at normal market terms. The Management Board is in constant close contact with these lenders. Most of these loans are to be converted into equity in the Company through a debt-to-equity swap. The lenders of further loans have declared their willingness to defer the repayment of loans.

Furthermore, two convertible bonds exist that were issued in 2015: WA I totalling TEUR 1,900 and WA II totalling TEUR 1,000.

- WA I was issued with an interest rate of 8.5%, a conversion price of EUR 1.65 per share, and a term until 31 October 2018.
- WA II also has an interest rate of 8.5%; the conversion rate is EUR 1.20 per share, and it matures on 23 May 2019.

At the end of 2016, the Management Board of OTI Greentech AG entered into a basic agreement with several owners of shareholder loans to OTI Greentech Group AG and OTI Greentech AG, to convert loans (including accrued interest) in the amount of approximately TEUR 4,000 into new shares in OTI Greentech AG on a 1-to-1 basis. The plan is to carry out this transaction ('debt to equity swap') by way of a capital increase via contribution in kind before the end of the second quarter of 2017. Once it has been entered in the commercial register, the conversion will lead to a significant reduction in the Group's total debt, and a reduction in annual financing costs of more than TEUR 300.

### **4. Employees**

The Group had an average employee headcount of 78 during the 2016 financial year.

With effect from 31 May 2016, Ralf Grönemeyer stepped down from the management board. His duties were taken over by Joe Armstrong. In 2016, the Management Board was comprised of the following persons:



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- Johnny Christiansen, CEO
- Ralf Grönemeyer, CFO (until 31 May 2016)
- Joe Armstrong, COO (and, from 01 June 2016, acting CFO)
- John Kisalus, CTO

### 5. Overall assessment

2016 was a challenging financial year. The business result for 2016 is, unfortunately, well below what the Management Board had hoped for at the beginning of 2016. Securing the Group's liquidity was an ongoing challenge for the Management Board in 2016, and remains one in 2017.

Nevertheless, some major advances were made in the 2016 financial year:

- The acquisition of the minority interests in Visionaire Energy and VTT Maritime was completed. Both acquisitions (with the exception of the cash element in connection with Visionaire Energy) were achieved exclusively by issuing new shares at a price of EUR 1.50 (well above the market share price). From the Management Board's point of view, a very good result for our shareholders.
- Significant cost reductions have been achieved, e.g. through the streamlining of the Management Board, the merger of the three Swiss companies, and the outsourcing of the production and marketing of our EcoSolut products and technology to USUS.
- In Q1 2016, our new joint venture in Nigeria, VTT Maritime West Africa, was launched. Since then, the management of this joint venture has been working on several very interesting projects. The Management Board is confident that at least one of these projects will lead to significant revenues and positive earnings in the medium term.
- In January 2017, the takeover of Uniservice Unisafe S.r.l. ('USUS') was entered in the commercial register. This transaction was also effected exclusively by issuing new shares (2.5 million) at EUR 1.50. This means that the Group gained a renowned company with revenues of TEUR 4,700 and a slightly positive EBITDA result in 2016, without a high financial outlay. There is great potential to increase revenues and profit at USUS.
- The conversion of approximately TEUR 4,000 in shareholder loans into shares will significantly reduce the Group's total debt; this also reduces our annual financing costs by more than TEUR 300.

The Management Board is convinced that these measures will lead to an improvement in the earnings situation in the current year 2017 and in the following years.

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### III. Material events after the balance sheet date

- On 10 January 2017, the 100% acquisition of USUS by means of a contribution in kind was entered into the commercial register
- On 20 March 2017, the entire production and marketing of our EcoSolut products was transferred to USUS from OTI Greentech Group AG by a licensing agreement
- In Q1 2017, VTT Maritime's inspection business in Norway was sold to a Norwegian third-party company
- In April 2017, shareholders made loans of approximately TEUR 500 available to the Company
- On 9 May 2017, a distributorship agreement and a framework agreement on joint business and product development was signed between OTI Greentech Group AG, USUS and KMI.

### IV. Forecast

#### 1. Macroeconomic situation

GDP growth in the European Union (EU) was 1.7% in 2016, and according to leading analysts, will remain at 1.7% in the current year, eventually stabilising at around 1.8% in 2018. In the Euro area, unemployment already fell from 10.9% to 10.0% in 2016, leading to a further increase in aggregate disposable income. As a result, consumption has risen and should rise again in 2017, although geopolitical risks should not be overlooked as a possible corrective.

Against this background, the European Central Bank (ECB) made decisions designed to support the euro area growth. In addition, the continuing low energy prices, low interest rates on consumer credit, and the relatively weak euro (against the US dollar) will support economic growth in the EU.

#### 2. Business Outlook

As mentioned above, the Company continued to work on consolidating and optimising the Group structure and strategy in the 2016 financial year. The visible results in the 2016 financial

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year, specifically the revenues generated and EBITDA, fell short of the Management Board's expectations. However, from the Management Board's point of view, these numerical results do not reflect the significant progress achieved in many areas. The investments in West Africa and the projects that are being developed should be seen as medium-term prospects. Due to the specific circumstances of the region, there is an increased risk potential and it is more difficult to estimate exactly when a project will begin to generate revenues. However, as soon as just one of these projects is implemented, it could become a game changer for the Group. We see the growth opportunities at RADA, USUS and OTI Greentech Technical Solutions as less risky, especially due to our new cooperation with KMI. Here, we should already see some success in 2017.

In 2016, RADA successfully shifted its focus from the oil and gas market to the infrastructure sector, and was able to conclude further framework agreements with major customers. For the 2017 financial year, the Management Board expects a significant year-on-year increase in the number of engineers and specialists hired, and in revenues. As the number of engineers and specialists hired can be increased by approximately 20%, without having to increase the Company's fixed costs (e.g. for additional account managers), the Management Board also expects an improvement in the gross profit margin and the EBITDA result.

VTT Maritime was restructured and strategically realigned towards the end of 2016. The inspection business (including employees) in Norway was sold to a third-party company (completed in Q1 2017), greatly reducing VTT Maritime's fixed costs as a result. VTT Maritime is now exclusively geared towards major projects in the marine engineering sector, with a focus on West Africa. It is cooperating with the new Group subsidiary VTT West Africa on several major projects in the areas of maritime engineering, infrastructure, and oil & gas in Nigeria and the region.

The expected increase in OTI Greentech Technical Solutions' revenues for the 2016 financial year was impeded by the delay in the acquisition of USUS and the finalisation of the collaboration agreements with KMI. With the conclusion of both transactions, the Management Board expects to quickly see positive results in the current financial year.

In 2016 a lot was achieved despite the disappointing results. The Management Board is confident that the measures and activities described will partly be reflected in better results in the medium term and also to partly in the short term. Our focus is to bring the Group into a positive EBITDA range as soon as possible. In addition, we firmly believe in the enormous opportunities in West Africa and are willing to continue to invest there even if this has a short-term negative impact on our result. In the interest of all our shareholders, we are very keen to find the right balance. The minimum target expectation for 2017 is revenues of TEUR 16,000, with a slightly positive EBITDA result.

## V. Risks and Opportunities Report

The following shows the major risks and opportunities that generally apply for the OTI Greentech AG Group due to its business model.

### 1. Risk Report

#### **Macroeconomic and sector-specific risks**

Macroeconomic risks for the OTI Greentech AG Group result from global economic developments because of its focus on global companies. Macroeconomic fluctuations in particular contain risks for its business development. Global growth of 3.5% is expected in 2017, and an increase in GDP of 1.7% for the euro zone (*Source: IMF*), but a resurgence of the EU debt problems and geopolitical uncertainty could affect this development. In particular, the current crises in the Near and Middle East, the refugee crisis, the instability of the European Union and the growing trend towards protectionism, Brexit, the unpredictability of the new administration under President Trump in the US, and the ongoing conflict in the South China Sea should be mentioned as potential influencing factors.

Macroeconomic risks can first and foremost affect the market volume and competitive environment. While the relevant volume for engineering services in Norway continued to be influenced by the low price of oil on the one hand, but increasing infrastructure investment on the other hand, opportunities have arisen in new regions, where demand for complex engineering services increased. The market for OTI Greentech Technical Solutions was characterized by stabilising trading volumes.

We constantly monitor the market for engineering services, particularly with regard to new regions (Africa, USA), as well as global economic developments - focusing on Europe - with the aim of anticipating future contract development potential and risks to the contract award process. This reduces the risk resulting from a misallocation of resources. The risk assessment also includes possible changes in the subsidiaries' financial situation.

OTI Greentech Technical Solutions is a relatively young company in the market for cleaning chemicals. Risk of loss of market share is countered by OTI Chemicals promoting its differentiation strategy by expanding its product range and also offering customised solutions, and expanding its scope of services to include marketing concepts.

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### **Operational risks**

The business model includes operational risks that are associated with the provision of services, temporary provision of employees, and the sale of products, as well as risks in other operative tasks, such as purchasing, IT, and development.

### **Credit risks – Bad debts**

The Group's business model is not fraught with high credit risks. The Group generally generates its revenues with longstanding business partners as well as companies that are directly or indirectly under state control. So far, the Group has indeed recorded late payments, but no payment defaults. Late payments regularly lead to the drawing down of granted credit lines with the banks with which the Group companies have longstanding business relationships. The banks are familiar with these practices in the product business, where payment terms are commonly up to 90 days. The Group companies have a meticulous receivables management system, which ensures that to date, all payments have been received in full. RADA and USUS also avail themselves of 'factoring' lines at their banks.

The Company protects itself against the general risk of default on receivables by continually reviewing its customer relationships and closely monitoring incoming payments.

### **Operational risks in the engineering services sector**

The increasing complexity of tasks on the demand side of the engineering sector is leading to rising costs in connection with the submission of offers. An increasing price pressure is also observable on the market.

The Group addresses this risk primarily by focusing its range of services on customised solutions and extending them regionally. This serves to ensure stable customer relationships. One key element in this strategy is the expansion of the offer of multi-annual framework agreements with established clients. In addition, ongoing measures are taken to improve productivity, for example, by merging administrative tasks.

Usually, engineering services are not affected by purchasing risks on the materials side – but risks do arise on the sub-contractor level in the project business. OTI Greentech manages these potential risks as part of its risk management system. This includes the selection of companies with which jobs are processed, and a very close and daily-updated control system that monitors work steps for early-stage detection, so as to be able to take action accordingly. At this point, no exceptional risk resulting from this area is expected in 2017.

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### **Operational risks in the OTI Greentech Technical Solutions product business**

The concentration process seen for years now on the producer side leads to price stability, though it is causing competition among the remaining suppliers of cleaning products to rise. The possible increase in price pressure on the market is an operational risk. The Group addresses this risk by offering its services as customised solutions, giving it a USP and strong customer loyalty. On the production side, the raw materials necessary for the production of ECOSOLUT products are available in large quantities and thus not subject to significant price fluctuations.

### **IT risks**

One of the main tasks of the IT systems used is to ensure the reliable and efficient execution of business processes. At the operational level, the Group works with various systems that meet the needs of the service business on the one hand, and of the product business on the other. The risk of unauthorised access to corporate data or tampering or sabotage of IT systems is countered at operational level through regular checks, back-up systems, and the permanent updating of firewalls.

### **Management risks**

Highly qualified professionals and executives are a key success factor for OTI Greentech. Personnel risks usually arise when qualified staff cannot be recruited or retained. The Group counters the intense competition for highly qualified professionals and executives with performance-related pay systems as well as corporate training and experience management. Recruitment is generally difficult for some specialist roles, especially in the field of engineering, because of high demand in the industry. However, the Group has a very effective, well-established recruitment department with the Group company RADA, that usually allows possible personnel shortages to be quickly and effectively dealt with. In addition, the management has a wide network of contacts that can deliver highly qualified individuals in many sectors.

### **Financial risks**

This includes interest and currency risks, which the Group monitors regularly, because operational risks can arise from them. In general, the Group seeks to limit currency risks.

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Because of the identified risk of currency fluctuations, as far as possible the Company has switched all sales in foreign currencies to euros.

However, business is still regularly transacted in Norwegian kroner, euros, Swiss francs and US dollars. For transactions in Norwegian kroner, the costs incurred are usually also in Norwegian kroner, which greatly limits operational risk. These revenues currently constitute by far the largest share of the Group's revenue. In the product business, the situation is somewhat different, as invoices are usually issued in euros, but also in Swiss francs and US dollars. In order to assess the risks, there is a clear separation between administration, accounting and controlling. Invoices are usually paid within 90 days, which should ensure the exclusion of long-term operational currency risk. If the due dates of currency balances are significantly extended, the Group uses currency forwards, foreign exchange swaps, currency options and interest rate swaps to limit the risks. The necessity for this has not arisen in the past. The Group will use derivative financial instruments only to hedge existing underlying transactions.

An increased currency risk exists in connection with our activities in West Africa. The Nigerian Naira is exposed to strong price fluctuations. To limit this risk, contracts are agreed in USD wherever possible.

Possible interest rate increases may adversely affect the net assets, financial position and results of operations. An increase in interest rates, and a simultaneous 0.5% increase in the interest rate on all of the Group's borrowed capital would increase the OTI Greentech AG Group's annual interest expenses by approximately TEUR 40 to TEUR 50. Much of the Company's financing is covered by a fixed-rate convertible bond, so there is no interest-change rate risk in the next 18-24 months.

### **Liquidity risks and countermeasures**

One of the Management Board's priorities is to ensure sufficient liquidity and maintain the Group's financial substance. Due to the negative operating result in fiscal 2016, the cash flow from operating activities was TEUR -2,381. This negative cash flow was largely covered by the provision of funds by a group of major shareholders (who are also directly or indirectly involved in the management). These loans were made available on market terms (and approved by the Supervisory Board).

The Company was most recently granted further short-term loans of TEUR 500 by major shareholders in April 2017. The Management Board expects a slightly positive EBITDA result for the 2017 financial year. However, this result is not guaranteed. As mentioned above, further investments in VTT Maritime and VTT Maritime West Africa are required in order to pursue the projects. The exact point in time when these projects will begin to generate

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significant revenues and profits is not foreseeable with certainty. To safeguard the Group's liquidity, in May major shareholders promised the Management Board another TEUR 500 in capital. Moreover, the sellers of the shares in Visionaire Energy have agreed to a further deferral of the cash component of the share purchase. The Management Board is also preparing further alternative financing measures.

Despite the aforementioned measures, in the event that the operating business performs significantly poorer than expected and the Company needs a much greater than expected capital inflow, there is a theoretical risk that the Group will not receive these funds (or not in time) from the major shareholders or from third parties. In such a case, either additional cost savings would first need to be implemented, or if there is no other way, a line of business might have to be discontinued. The Group is set up in such a way that each individual operating company is "ringfenced" from the rest of the Group as far as possible, to ensure the continued survival of the rest of the Group if the discontinuation of a subsidiary's business operations cannot be avoided. In addition, the Management Board sees additional opportunities for alternative financing in order to secure the survival of a single subsidiary (if it makes economic sense) or the Group even in such a case.

### **Legal risks**

Like any business activity, the operational business of OTI Greentech Group contains legal risks. For the Group companies' activities, they are on a scale that is usual for this industry. Major general contract risks are excluded wherever possible by the established contract guidelines. Moreover, the parent company provides centrally managed services and support. In addition, legal advice is regularly sought from specialised law firms regarding key contracts and other transactions with legal significance.

Beyond this, compliance risks can arise if company employees do not comply with laws and regulations. The Group counters this with permanent internal monitoring and by providing information about compliance.

### **Overall risk**

The Management Board and the Group's management practice intensive risk management. In general, business is conducted with longstanding customers. The solvency and payment behaviour of customers is reviewed weekly in coordination meetings (also by phone). If there is unexpected behaviour, checks and inquiries are immediately initiated and action is taken accordingly. All Group companies practice strict risk controlling and deal with any risks within their business area. Comprehensive information to the Group management is ensured by the weekly coordination meetings and additional monthly reporting.



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According to the information and knowledge currently available, beyond the risks mentioned above, no other appreciable risky operations are known that would represent a further material risk for the company's development and existence. Following an analysis of fiscal 2016 by the Management Board, all identified risks with the exception of the economic and sector-specific risks were assessed as manageable. Besides the liquidity risks explained above, which are counteracted to a certain extent by the corresponding commitments of shareholders and by the existence of the options described in the previous paragraph, which can also be taken if the Management Board currently considers that there are no risks that could endanger the continued existence of OTI Greentech.

### **2. Opportunities Report**

#### **Macroeconomic opportunities and opportunities from the development of industries**

The macroeconomic environment and market development for engineering services and cleaning chemicals affect OTI Greentech Group's business activities as well as its earnings and financial position. Therefore, a global economic development that is noticeably more positive than what is currently expected would be the most important stimulus for a better revenue development than previously forecast.

Our economic outlook for 2017 is based on estimates by renowned institutes, as well as our own market assessments, which we gather through our business partners and our own observations and experiences.

Should the global economy experience faster and stronger growth than expected, this would have particularly positive consequences for the oil price and for demand for investment, which in our experience includes infrastructure investments and investments into the expansion and efficiency of fossil energy production. Accordingly, the achievable revenue and EBITDA values could exceed the Company's forecast.

In this connection, we feel the continuation of the current low interest level is crucial. As we see it, one positive impact of the states' low interest burden should be an increased willingness by the public sector to invest in infrastructure programmes – but also increased willingness to invest among the private sector. This includes the global shipping industry, which increases its efficiency with new vessels. New cleaning systems – which use products including those of OTI Greentech Technical Solutions – are a component of this.

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### **Operational business opportunities in the services sector**

Opportunities for developing the OTI Greentech Group's business in the services sector may arise from significantly better utilisation of the framework agreements signed in 2016, tenders won, and the success of activities outside Norway (especially our new activities in West Africa and the US).

Rising oil prices during the year can also lead to a resurgence of commissioning in the offshore engineering sector, from which the Group companies VTT Maritime and to a certain extent RADA would stand to benefit disproportionately. Besides the activities in Scandinavia, other regions can benefit from such a development, which had reduced their investments in the past, particularly in Africa and the Middle East.

New customer segments in the US could be accessed through cross-selling activities based on the new collaboration with KMI. Selective reorganisation and new appointments in key positions should help exploit the potential of the markets and create synergies through international cooperation.

### **Operational business opportunities in the product sector**

Opportunities for developing OTI Greentech's business in the product sector (OTI Greentech Technical Solutions) can arise from a much better utilisation at shipping companies that currently already use the products of the ECOSOLUT product family. Selective reorganisation as a result of acquisitions and new appointments to key positions should help exploit the potential of the customers and markets and create new revenue channels within the Group through increased cross-selling activities.

In this context, the activities in connection with the collaboration KMI North America, as well as current trials involving the use of cleaning chemicals at new shipping companies are worth mentioning.

OTI Greentech Technical Solutions' products (and its technology in general) can also be used in areas – maritime and land-based activities – beyond the cleaning sectors. Extensive trials have already been initiated to this end. If these trials are successfully completed in the current year, this will result in revenue that was not yet included in the current planning.

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### **3. Overall assessment of risk and opportunities by the company's management**

The principal risks were identified and assessed based on our analyses. They are limited – as far as possible – by the measures described. The development of material risks over time is monitored regularly at Group level.

According to an analysis of fiscal 2016 by the Management Board, all identified risks with the exception of the economic and sector-specific risks were assessed as manageable. The Management Board feels that at this time, Besides the liquidity risks explained above, which are counteracted to a certain extent by the corresponding commitments of shareholders, there are no risks that could endanger the continued existence of OTI Greentech.

The main opportunities consist in steadily and sustainably increasing the revenues and earnings of RADA, USUS and OTT Greentech Technical Solutions through the measures described, as well as participating in the execution of major projects in West Africa via VTT Maritime and VTT West Africa.

Cologne, 16 May 2017

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Johnny Christiansen  
CEO

Joe Armstrong  
COO

John C. Kisalus  
CTO

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## Consolidated income statement

in EUR	01.01.-31.12. 2016	01.01.-31.12. 2015
Revenues	8'808'618.43	6'249'252.85
Other operating income	5'569.99	79'204.16
<b>Total income</b>	<b>8'814'188.41</b>	<b>6'328'457.00</b>
Cost of materials	-2'493'438.87	-604'356.99
Personnel expenses	-7'097'025.73	-5'888'862.98
Depreciation	-4'136'938.06	-1'676'412.54
Other operating expenses	-1'896'689.50	-2'080'579.10
<b>Operating profit (EBIT)</b>	<b>-6'809'903.74</b>	<b>-3'921'754.60</b>
Other interest and similar income	15'202.97	14'506.01
Depreciation on financial assets	0.00	-35'177.01
Interest and similar expenses	-854'368.89	-379'342.76
<b>Earnings before income taxes (EBT)</b>	<b>-7'649'069.66</b>	<b>-4'321'768.36</b>
Taxes on income and earnings	0.00	14'086.53
<b>Group net income before minority interests</b>	<b>-7'649'069.66</b>	<b>-4'307'681.83</b>
Minority interests	187'177.85	188'918.57
<b>Group net income after minority interests</b>	<b>-7'461'891.81</b>	<b>-4'118'763.25</b>

## UNAUDITED TRANSLATION

### Consolidated cash flow statement

in EUR	01.01.-31.12. 2016	01.01.-31.12. 2015
Group result	-7'649'069.66	-4'307'681.83
Depreciation	4'136'938.06	1'711'589.55
Changes in provisions	-138'726.77	397'403.98
Other non-cash expenses / income	-61'637.38	-155'691.37
Changes in inventories, receivables, and other assets	308'743.11	481'882.87
Change in liabilities	168'704.13	-541'466.82
Interest expense	854'368.89	379'342.76
<b>Cash flow from operations</b>	<b>-2'380'679.63</b>	<b>-2'034'620.87</b>
Investments in intangible assets and Property, plant and equipment	-26'239.29	-67'538.78
Inpayments from the acquisition of consolidated companies	0.00	416'586.99
<b>Cash flow from investment activities</b>	<b>-26'239.29</b>	<b>349'048.21</b>
Cash capital increase	420'000.00	0.00
Inpayments from the addition of financial liabilities	2'212'342.37	2'900'000.00
Disbursements from the repayment of loans	0.00	-501'690.06
Interest paid	-278'699.89	-379'342.76
<b>Cash flow from financing activities</b>	<b>2'353'642.48</b>	<b>2'018'967.18</b>
Changes in cash and cash equivalents	-53'276.43	333'394.53
Cash and cash equivalents at the beginning of the period	356'007.52	22'612.99
<b>Cash and cash equivalents at the end of the period</b>	<b>302'731.08</b>	<b>356'007.52</b>

*UNAUDITED TRANSLATION*

## Consolidated balance sheet

**Assets**

in EUR	31 Dec 2016	31 Dec 2015
<b>A. Fixed assets</b>		
I. Intangible assets		
1. Goodwill	17'216'092.23	20'666'363.35
2. Concessions and licenses	3'533'857.66	4'195'854.34
	20'749'949.90	24'862'217.68
II. Property, plant and equipment		
1. Plant and business equipment	88'711.11	87'142.09
III. Financial assets		
1. Shares in associated companies	0.00	1.00
	20'838'661.00	24'949'360.77
<b>B. Current assets</b>		
I. Inventories	287'084.46	0.00
III. Receivables and other assets		
1. Trade receivables	1'169'022.88	1'167'956.37
2. Receivables from affiliated companies	0.00	0.00
3. Other assets	1'142'828.91	1'729'987.55
	2'311'851.79	2'897'943.92
III. Cash & cash equivalents	302'731.08	356'007.52
<b>C. Deferred items</b>	85'464.71	95'200.15
	23'825'793.04	28'298'512.35

## UNAUDITED TRANSLATION

### Liabilities

in EUR	31 Dec 2016	31 Dec 2015
<b>A. Equity</b>		
I. Subscribed capital	27'478'162.00	22'104'162.00
II. Capital reserves	2'477'000.00	0.00
III. Revenue reserves	0.00	0.00
IV. Currency translation reserve	422'592.49	424'890.24
V. Initial capital contribution made for implementing the resolved capital increase	0.00	6'375'000.00
VI. Accumulated loss	-20'513'057.90	-11'594'170.49
VII. Minority interests	-257'521.13	-411'999.26
<b>Total equity</b>	<b>9'607'175.46</b>	<b>16'897'882.50</b>
<b>B. Provisions</b>		
1. Other provisions	900'872.57	1'039'599.34
	900'872.57	1'039'599.34
<b>C. Liabilities</b>		
1. Bonds	2'900'000.00	2'900'000.00
2. Liabilities to credit institutions	366'017.11	259'799.12
3. Trade payables	1'761'936.43	1'358'433.08
4. Other liabilities	8'225'635.14	5'821'343.76
	13'253'588.68	10'339'575.96
<b>D. Deferred items</b>	<b>64'156.34</b>	<b>21'454.55</b>
	<b>23'825'793.04</b>	<b>28'298'512.35</b>

*UNAUDITED TRANSLATION*

## Consolidated statement of changes in equity

in EUR	Subscribed capital	Kapital- rücklage	Gewinn- rücklage
<b>1 January 2015</b>	<b>500'000.00</b>	<b>0.00</b>	<b>0.00</b>
First-time consolidation OTI Greentech Group AG, Switzerland	21'604'162.00	0.00	0.00
Acquisition of remaining shares in Visionaire Energy AS, Norw	0.00	0.00	0.00
Foreign currency translation	0.00	0.00	0.00
Total Group income	0.00	0.00	0.00
<b>31 December 2015</b>	<b>22'104'162.00</b>	<b>0.00</b>	<b>0.00</b>
Capital increase	5'374'000.00	2'477'000.00	0.00
Foreign currency translation	0.00	0.00	0.00
Acquisition of minority stake VTT Maritime AS	0.00	0.00	0.00
Acquisition of VTT West Africa Ltd.	0.00	0.00	0.00
Total Group income	0.00	0.00	0.00
<b>31 December 2016</b>	<b>27'478'162.00</b>	<b>2'477'000.00</b>	<b>0.00</b>



## UNAUDITED TRANSLATION

Währungsum- rechnungsrücklage	Bilanz- verlust	Zur Durchführung der beschlossenen Capital increase geleistete Einlagen	Anteile anderer Gesellschafter	Summe
0.00	-131'387.01	0.00	0.00	368'612.99
0.00	0.00	0.00	-80'913.13	21'523'248.87
0.00	-7'344'020.22	6'375'000.00	-155'979.78	-1'125'000.00
424'890.24	0.00	0.00	0.00	424'890.24
0.00	-4'118'763.25	0.00	-175'106.34	-4'293'869.59
<b>424'890.24</b>	<b>-11'594'170.48</b>	<b>6'375'000.00</b>	<b>-411'999.25</b>	<b>16'897'882.51</b>
0.00	0.00	-6'375'000.00	0.00	1'476'000.00
-2'297.75	0.00	0.00	0.00	-2'297.75
0.00	-1'389'238.82	0.00	333'238.82	-1'056'000.00
0.00	-67'756.79	0.00	8'417.15	-59'339.64
0.00	-7'461'891.81	0.00	-187'177.85	-7'649'069.66
<b>422'592.49</b>	<b>-20'513'057.90</b>	<b>0.00</b>	<b>-257'521.13</b>	<b>9'607'175.46</b>

*UNAUDITED TRANSLATION*

## Fixed assets over time

Acquisition and production costs				
in EUR	01.01.2016	Additions	Disposals	31.12.2016
<b>I. Intangible Assets</b>				
1. Goodwill	21'754'066.68	0.00	0.00	21'754'066.68
2. Acquired concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets	4'759'503.70	0.00	0.00	4'759'503.70
	<u>26'513'570.38</u>	<u>0.00</u>	<u>0.00</u>	<u>26'513'570.38</u>
<b>II. Property, plant &amp; equipment</b>				
1. Other equipment, plant and business equipment	112'201.93	26'239.29	0.00	138'441.22
	<u>112'201.93</u>	<u>26'239.29</u>	<u>0.00</u>	<u>138'441.22</u>
<b>III. Financial assets</b>				
1. Shares in associated companies	35'178.01	0.00	35'178.01	0.00
	<u>35'178.01</u>	<u>0.00</u>	<u>35'178.01</u>	<u>0.00</u>
	<b>26'660'950.32</b>	<b>26'239.29</b>	<b>35'178.01</b>	<b>26'652'011.60</b>

## UNAUDITED TRANSLATION

Depreciation/Amortisation					Residual book values	
01.01.2016	Additions (scheduled)	Additions (unscheduled)	Disposals	31.12.2016	31.12.2016	31.12.2015
1'087'703.33	1'450'271.11 <sup>▼</sup>	2'000'000.00	0.00	4'537'974.44	17'216'092.24	20'666'363.35
563'649.36 <sup>▼</sup>	661'996.67	0.00	0.00	1'225'646.04	3'533'857.66	4'195'854.34
1'651'352.69	2'112'267.79	2'000'000.00	0.00	5'763'620.48	20'749'949.90	24'862'217.69
25'059.85 <sup>▼</sup>	24'670.27	0.00	0.00	49'730.12	88'711.10	87'142.08
25'059.85	24'670.27	0.00	0.00	49'730.12	88'711.10	87'142.08
35'177.01	0.00	0.00	35'177.01	0.00	0.00	1.00
35'177.01	0.00	0.00	35'177.01	0.00	0.00	1.00
<b>1'711'589.55</b>	<b>2'136'938.06</b>	<b>2'000'000.00</b>	<b>35'177.01</b>	<b>5'813'350.60</b>	<b>20'838'661.00</b>	<b>24'949'360.77</b>

## Notes

### Accounting principles

The Consolidated financial statements of OTI Greentech AG as of 31 December 2015 were prepared on the basis of the accounting rules of the German Commercial Code (HGB) and the German Stock Corporation Act. In accordance with Section 266 para 1 HGB, the Consolidated balance sheet is shown in account form, and the Consolidated income statement is in vertical format using the total cost method in accordance with Section 275 para 2. The Consolidated financial statements are presented in euros. The company is entered in the Company Register of the Cologne District Court under HRB 85079.

The company's shares may be traded on the Dusseldorf Stock Exchange under ISIN DE000A0HNE89, in accordance with §48 of the Stock Exchange Act.

### Consolidated companies

The Consolidated financial statements include all companies in which OTI Greentech AG can directly or indirectly exercise a controlling influence. The companies are included in the Consolidated financial statements from the date on which OTI AG gains a controlling interest. In addition to the parent company, OTI Greentech AG, Cologne, the following companies were fully consolidated in the Consolidated financial statements at the reporting date:

	Share of voting rights			Equity 31 Dec 2016	2016 result (1 January to 31 December 2016)
	total	indirect	direct	TEUR	TEUR
VTT Maritime AS, Straume, Norway	99.87%	44.86%	55.01%	-1,141	-593
Visionaire Energy AS, Horten, Norway	99.77%	49.00%	50.77%	-39	-196
OTI Greentech Group AG, Zug, Switzerland	99.55%	99.55%	0%	5.102	231
RADA Engineering & Consulting AS, Bergen, Norway	81.81%	0%	81.81%	-161	-3
VTT Maritime West Africa Limited, Lagos, Nigeria	31.58%	0%	31.58%	-739	-752
RADA Engineering & Consulting Bergen AS, Bergen, Norway	50.72%	0%	50.72%	-132	9

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With effect from 1 January 2016, OTI Greentech AG nominally acquired the remaining 44.86% of the shares in the company VTT Maritime AS through a capital increase by way of contribution in kind of TEUR 704.

Furthermore, during the financial year OTI Greentech AG became a shareholder in VTT Maritime West Africa Limited, Nigeria. As of 31 December 2016, its share under company law amounted to 31.58%. However, the company is fully consolidated due to a dominant influence interest based on contractual regulations. OTI Greentech AG currently also participates in 75% of the company's results.

OTI Greentech AG, Switzerland and Uniservice Global AG, Switzerland, were merged into OTI Greentech Group AG, Switzerland, by means of an upstream merger. This merger was preceded by the purchase of the 50% shareholding in Uniservice Global AG that was not yet held by the OTI Group, which had been accounted for using the equity method in the previous year.

The balance sheet date of the Consolidated financial statements and the individual financial statements of all consolidated companies is 31 December 2016. The Consolidated financial statements include the profit and loss statement of OTI Greentech AG for the full financial year from 1 January to 31 December 2016, and the profit and loss statements of consolidated subsidiaries for the period from 1 January to 31 December 2016. All financial statements were prepared using uniform accounting policies.

The following companies were not included in the Consolidated financial statements of OTI Greentech AG for reasons of materiality, pursuant to Section 296 Para 2 HGB:

	Share of voting rights
OTI Greentech GmbH, Germany	100%
OTI Greentech, UK	100%

The later subsidiaries were not included as they are of minor importance for the Group's asset, financial and earnings position.

### **Consolidation methods**

The assessed value of the parent company's shares in a subsidiary included in the Consolidated financial statements is offset by the amount of the equity capital in the subsidiary related to these shares. The equity is valued at the amount equal to the value of the assets, liabilities, prepaid expenses and special items to be included in the Consolidated financial statements, on the relevant date for the valuation. Any remaining differential amount is recorded on the

## *UNAUDITED TRANSLATION*

balance sheet recorded as goodwill if it is on the asset side. In the event that shares in existing majority shareholdings are increased, the Group will exercise its option to record any resulting goodwill in equity.

The debt consolidated takes place in accordance with Section 303 HGB. Thereafter, loans, other receivables, provisions and liabilities between the companies included in the Consolidated financial statements and related accruals during the consolidation of liabilities are reckoned up.

In accordance with Section 305 HGB, accounts receivable and payable between the companies included in the Consolidated financial statements are offset against the associated expenses incurred. Income and expenses of the intra-group deliveries and services were thus eliminated from the Consolidated income statement. Assets based on intra-Group deliveries and services that were included in the Consolidated financial statements were or will be eliminated from the interim result as needed.

Tax deferrals in accordance with Section 306 HGB are carried out where required as part of consolidation measures.

For shares not owned by the parent company in the subsidiaries included in the consolidated financial statement, a separate adjustment item for the shares of the other shareholders is shown, in the amount of their share in the equity capital.

### **Accounting and valuation principles**

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Intangible assets are measured at purchase cost less scheduled and, where applicable, unscheduled amortisation. Depreciation is calculated on a straight-line basis.

Any resulting positive difference arising from capital consolidation pursuant to Section 301 para 3 HGB is - insofar as it is recognised as goodwill - depreciated on a straight-line basis over fifteen years. The amortisation period of 15 years of the goodwill attributable to the subsidiaries VTT Maritime AS, Straume, Norway, Rada Engineering & Consulting AS, Bergen, Norway, and Rada Engineering & Consulting Bergen AS, Bergen, Norway, goodwill, is based on the long-term customer base of the companies with multi-year framework agreements, the experience and activities of the companies in Scandinavia, which can be directly transferred to activities in other regions, the future allegiance of experienced core staff, as well as in some cases the longstanding, almost thirty years of business operations.

If necessary, unscheduled amortisation is charged to the lower fair value.

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Tangible assets are valued at purchase or production cost, less scheduled and, where applicable, unscheduled amortisation calculated on a straight-line basis. Any assets whose cost of acquisition was EUR 410 or less were fully written off immediately for reasons of simplification in the year of their acquisition.

Financial assets are always shown in the balance sheet at purchase cost or nominal value, less any necessary unscheduled amortisation/write-downs. Write-ups are made in subsequent years if the reason for an unscheduled write-down ceases to apply.

Receivables and other assets are stated at nominal value or at purchase cost less reasonable valuation allowances.

Cash and cash equivalents are shown at their nominal value.

Deferred income items are formed for any expenditure and revenue before the reporting date that is commercially allocated to the time after the reporting date.

Deferred taxes are recognised for temporary differences between the respective balance sheet recognitions on the trade and tax balance sheets. The differences are deviations arising from the valuation of intangible assets. These deviations result in deferred tax liabilities. In addition, tax loss carryforwards existed at 31 December 2016, for which deferred tax assets were formed up to the amount of the deferred tax liabilities. The regulations on permissible balancing were observed. In calculating deferred taxes, the tax rate of the Company in which the temporary deviations arose is applied.

The subscribed capital is reported at nominal value.

Third-party interests include the shares in the Group's consolidated equity owned by minority shareholders.

Foreign currency deposits or foreign currency liabilities are translated at the spot exchange rate on the balance-sheet date.

Tax provisions and other provisions are recognised at the amount of the obligation that is deemed appropriate according to reasonable commercial judgement, taking into account all contingent liabilities and discernible risks.

Liabilities are recognised at the settlement amount.

**Notes on the Consolidated balance sheet**

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The breakdown and development of assets recorded in the Consolidated balance sheet is shown in the Development of fixed assets attached to these Notes.

The goodwill included in the intangible and tangible fixed assets decreased by TEUR 3,450 due to unscheduled impairments of TEUR 2,000 incurred in addition to the financial year's scheduled depreciation. The unscheduled impairments relate mainly to the Group companies Visionaire Energy AS and their holding, VTT Maritime AS.

Inventory relates exclusively to merchandise.

All receivables and other assets have a remaining maturity of less than one year.

The fully paid share capital of OTI Greentech AG, Cologne as of 31 December 2016 is EUR 27,478,162 (previous year EUR 22,104,162). The capital increase by EUR 4,250,000 relates to the 4,250,000 shares in the Company issued in connection with the acquisition of the 49% stake in Visionaire Energy AG, Horten, Norway at an issue price of EUR 1.50 per share. The capital increase was entered in the commercial register of OTI Greentech AG, Cologne in February 2016.

Based on the Management Board resolution of 13 September 2016, approved by the Supervisory Board on 13 September 2016, the Company's share capital was increased by EUR 420,000 via a cash capital increase. 420,000 shares were issued at an issue price of EUR 1.00 per share (excluding the premium). This capital increase was registered on 27 September 2016.

The provisions mainly consist of provisions for personnel-related matters and provisions for outstanding invoices. The TEUR 25 in provisions for personnel-related matters refer to possible future disbursements under an employee option programme that was granted to members of the Management Board and other employees in June 2016. At the time it was granted, the estimated fair value of the options granted amounted to approximately TEUR 400. This will be supplied pro rata/in instalments over the period until the earliest possible exercise of the options in fiscal 2020. The option programme stipulates a choice, to be exercised by the Company only, regarding the issue of shares from the conditional capital or the payment of a cash settlement. With the possibility of the payment of a cash settlement in mind, a provision was created instead of a direct recognition in equity, which would also have been a possibility.

A convertible bond for a nominal value of EUR 1.9 million was issued on 30 April 2015. It includes the right to exchange the bond for shares in the Company at a base value of EUR 1.65 until 60 days prior to the redemption date. The bond is due for repayment by no later than 30 October 2018. It has an interest rate of 8.50% p.a., and will not be redeemed during its



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term. Another convertible bond (Tranche I) was issued on 23 November 2015 at a nominal value of TEUR 550. It includes the right to exchange the bond for shares in the Company at a base value of EUR 1.20 until 60 days prior to the redemption date. The bond is due for repayment by no later than 23 May 2019. It has an interest rate of 8.50% p.a., and will not be redeemed during its term. Another convertible bond (Tranche II) was issued on 30 December 2015 at a nominal value of TEUR 450. It includes the right to exchange the bond for shares in the Company at a base value of EUR 1.65 up to 60 days prior to the redemption date. The bond is due for repayment by 23 May 2019. It has an interest rate of 8.50% p.a., and will not be redeemed during its term.

The amounts owed to credit institutions and other liabilities have a remaining maturity of less than one year.

### **Notes on the Consolidated income statement**

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Revenues were almost exclusively generated in Norway, with the majority of revenue generated in the field of engineering services by RADA Engineering & Consulting AS, Bergen, Norway in the amount of TEUR 5,803, and by VTT Maritime AS, Straume, Norway in the fields of marine engineering, technical inspections/verification and project management for complex infrastructure projects, in the amount of TEUR 1,792. Other revenue of TEUR 1,116 is mainly attributable to patent utility rights for ECOSOLUT 14.

An unscheduled write-down of goodwill by TEUR 2,000 was made based on changes in company and planning objectives.

Other operating expenses mainly consist of travel and advertising costs; legal, consulting and audit costs; costs for capital market and capital measures; and insurance and contributions

Foreign currency translation resulted in income of TEUR 18 and expenses of TEUR 29.

### **Notes on the Consolidated cash flow statement and Consolidated statement of changes in equity**

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The Consolidated cash flow statement was prepared using the indirect method. A distinction was made between operating, investing and financing activities. The liquidity shown in the Consolidated cash flow statement includes short-term bank deposits and to a lesser extent, cash balances. The liquidity is subject to limitations on disposal in the amount of TEUR 214.

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For reconciliation of consolidated equity, please refer to the presentations in the Consolidated statement of changes in equity.

### Notes on equity

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In addition to the shares already issued, on 30 April 2015 OTI Greentech AG issued a convertible bond with a nominal value of EUR 1.9 million. In addition, a convertible bond (Tranche I) with a nominal value of TEUR 550 was issued on 23 November 2015 and Tranche II with a nominal value of TEUR 450 on 30 December 2015.

### Authorised capital

On 25 November 2015, the Company resolved to issue EUR 4.25 million of the authorised capital for the acquisition of the remaining 49% of Visionaire Energy AS. The new shares are entitled to dividends from 1 January 2015. The Company's Articles of Association were amended accordingly on 2 December 2015, and the Company's capital increased to a nominal EUR 26,345,162.00. The transaction was concluded and entered into the commercial register in February 2016.

Furthermore, on 25 November 2015 the Company announced it was issuing authorised capital of TEUR 704 (nominal) for the acquisition of the remaining 44.86% of the company VTT Maritime AS. The capital increase was registered on 19 February 2016.

By resolution of the Annual General Meeting on 17 June 2016, Authorised Capital I/2015 was rescinded and a new Authorised Capital (I/2016) of EUR 12 million against cash or noncash contributions was created. This was entered into the commercial register on 14 July 2016.

By resolution of the Management Board of 13 September 2016 with the agreement of the Supervisory Board of 13 September 2016, and based on the authorisation granted by the Annual General Meeting on 17 June 2016 (Authorised Capital I/2016), the share capital was increased by TEUR 420, from EUR 27,058,162 to EUR 27,478,162, through partial utilisation of Authorised Capital I/2016. By resolution of the Supervisory Board on 13 September 2016, section 3 (share capital) and section 5 (Authorised Capital) of the articles of association were amended accordingly.

By resolution of the Management Board of 28 October 2016, as approved by the Supervisory Board on 28 October 2016, and based on the authorisation granted by the Annual General Meeting on 17 June 2016 (Authorised Capital I/2016), the share capital was increased by EUR 2.5 million, from EUR 27,478,162 to EUR 29,978,162, through partial utilisation of Authorised Capital I/2016. The nominal value was fully paid in as part of the noncash

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contribution of all shares in Uniservice Unisafe SRL, Genoa, Italy. This capital increase was registered on 10 January 2017.

### **Contingent capital**

By resolution of the shareholders' meeting of 19 June 2015, the share capital was conditionally increased by up to EUR 4 million (Contingent Capital I/2015).

The Company used EUR 1 million of this authorised capital in the 2015 financial year, in conjunction with the issuance of other convertible bonds.

By resolution of the shareholders' meeting of 19 June 2015, the share capital was conditionally increased by up to EUR 2.2 million (Contingent Capital II/2015).

Of this authorised capital, EUR 1.65 million was used as part of the employee options programme granted in June 2016.

### **Capital reserves**

During the financial year, TEUR 2,477 was transferred to the capital reserves due to premiums granted in connection with non-cash contributions.

### **Other information**

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At the balance sheet date, there were other financial obligations totalling TEUR 469.

Beyond this, there exist possible obligations in connection with the employee options programme, which is presented in more detail in the notes to the balance sheet, with an estimated fair value of approximately TEUR 400. Due to the pro-rata allocation over the period until the earliest possible exercise in fiscal 2020, the provision amounts to TEUR 25.

The Group employed an average of 78 full-time employees during the financial year.

The total fee calculated by the auditor for the Consolidated financial statements for the fiscal year amounted to TEUR 52, and was incurred exclusively for auditing services.

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### **Management Board**

During the reporting period the Company was managed by the Management Board, comprised of the following members:

- Johnny Christiansen, Businessman, Horten, Norway
- Joseph Owen James Armstrong, Lawyer, Berlin
- Dr John Kisalus, Chemist, Victoria, USA
- Ralf Grönemeyer, Businessman, Wiesbaden (until 31 May 2016)

The company is represented by two Management Board members or by one Management Board member together with an authorised signatory. Members of the Management Board are authorised to conclude legal transactions with themselves as a legal representative of a third party on behalf of the Company.

### **Supervisory Board**

In accordance with the Articles of Association, the Supervisory Board is composed of three members. During the reporting period, the following members served on the Supervisory Board:

- Andrew Schwager, Global FMCG Executive, London, UK,  
(Deputy Chairman until 30 November 2016 – Chairman from 1 December 2016)
- Paul Robert Morris, Consultant, Zurich, Switzerland  
(Deputy Chairman from 1 December 2016)
- Leif Eugen Pedersen, Businessman, Horten, Norway (from 1 December 2016)
- Stephan Rind, Businessman, Thalwil, Switzerland (until 30 November 2016),

The remuneration of the Supervisory Board in fiscal 2015 amounted to EUR 400.

The remuneration of the Management Board for the period from 1 January 2016 to 31 December 2016 is shown in the following table.

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Person	Fixed annual remunera tion	Variable annual remunera tion	Multi-year remunera tion	Options	Total annual remunera tion
<b><u>Management Board</u></b>					
Johnny Christiansen, CEO	210,000	-	-	5,000	215,000
Joe Armstrong, COO	210,000	-	-	15,000	225,000
Dr John Kisalus, CTO		-	-	5,000	5,000
Ralf Grönemeyer, CFO	46,992	-	-	-	46,992

In the 2016 financial year, an employee option programme was introduced, in which the estimated fair value of options granted amounts to approximately TEUR 400. Approximately 91% of this relates to the options granted to the Management Board.

Cologne, 16 May 2017  
The Management board

Johnny Christiansen  
CEO

Joe Armstrong  
COO

John C. Kisalus  
CTO

## Audit Certificate

### AUDIT CERTIFICATE ISSUED BY THE GROUP AUDITOR

To OTI Greentech AG, Cologne

We have audited the Consolidated financial statements - consisting of the Balance sheet, Income statement, Notes, Cash flow statement and Equity Analysis – and the Group Management Report of OTI Greentech AG, Cologne, for the fiscal year from 1 January to 31 December 2016. The preparation of the Consolidated financial statements and Management Report in accordance with German commercial law is the responsibility of the Company's management. Our responsibility is to express an opinion on the Consolidated financial statements and the Management Report, on the basis of our audit.

We conducted our audit of the Consolidated financial statements in accordance with Section 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the German Institute of Auditors (IDW). Those standards require that we plan and perform the audit in such a way such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. In determining the audit procedures, knowledge regarding the Group's business activities and its economic and legal environment, and expectations as to possible errors are taken into account. During the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated financial statements and the Group Management Report are examined mainly using spot checks. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's legal representatives, as well as evaluating the overall presentation of the Consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any objections.

In our opinion based on the findings of our audit, the Consolidated financial statements comply with the legal requirements, and give a true and fair view of the Group's assets, financial and earnings situation with due regard to the principles of proper accounting. The Group management report is consistent with the Consolidated financial statements, provides an accurate overall picture of the Group's position, and accurately presents the opportunities and risks of its future development.

## *UNAUDITED TRANSLATION*

Without qualifying our opinion, we draw attention to the fact that the Company's survival depends on achieving the revenue increase as planned or, if there are any significant deviations from these targets, successfully implementing further financing measures as needed. In this connection, we also refer to the remarks included in the Group Management Report under 'Liquidity measures, countermeasures' in the Risk Report section.

Hamburg, 16 May 2017

Roever Broenner Susat Mazars GmbH & Co. KG  
Auditing firm  
Tax consultancy

Dirk Jessen  
Auditor

Anja Hornow  
Auditor

This is a translation of the audit opinion issued with respect to the 2016 consolidated financial statements and management report of the OTI Greentech AG Group. It does not constitute an audit opinion issued with respect to this translation of the consolidated financial statements and management report. The audit opinion issued in conjunction with the German language consolidated financial statements and management report constitutes the sole legally authoritative audit opinion.

*UNAUDITED TRANSLATION*

Financial Calendar

17 Jun 2016	Annual General Meeting 2016
30/ 31 Aug 2016	Attendance Small Cap Conference
30 Sep 2016	Half-year Report
21/ 23 Nov 2016	Participation in the Equity Forum



## *UNAUDITED TRANSLATION*

### **Imprint**

#### **OTI Greentech AG**

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##### **Company registered office:**

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50672 Cologne  
Germany  
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Register number: HRB 85079  
VAT No.: DE 295 789 546

##### **Management board**

Johnny Christiansen (Chair)  
Joseph Armstrong  
Ralf Grönemeyer  
Dr John C. Kisalus

##### **Supervisory Board**

Andrew Schwager (Chair)  
Paul Morris  
Leif Pedersen

*UNAUDITED TRANSLATION*

