

The background of the slide is a scenic photograph of a coastline. In the foreground, there are waves breaking on a sandy beach. In the middle ground, there are rolling hills or mountains. The sky is a deep blue with scattered white clouds. The text is overlaid on this background.

# NORBIT

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## **Presentation of second quarter and first half 2019 results**

CEO Per Jørgen Weisethaunet and CFO Stian Lønvik

Oslo, Norway 22 August 2019

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# NORBIT at a glance

NORBIT is a global provider of tailored technology to carefully selected niches



- NORBIT is to be recognized as world class, enabling people to explore more

- Founded 1995
- HQ in Trondheim, Norway
- Offices and Subsidiaries in 12 countries
- Dedicated workforce of ~250
- Listed on OSE with ticker NORBIT

## Long-term financial targets

- Targeting 3Y revenue CAGR > 25%
- EBITDA margin > 20%
- Aims to invest ~5% of revenue in R&D, to secure long-term growth



*Victory awaits him who has everything in order. Luck people call it...  
Defeat is certain for him who has neglected to take necessary precaution in time. This is called bad luck"*  
**Roald Amundsen 1912**

# Tailored technology for carefully selected niches

## Segment introduction



- Core offering of **sonar solutions** developed for selected niches
- Proprietary technology targeting global maritime markets
- Proven indirect global distribution network

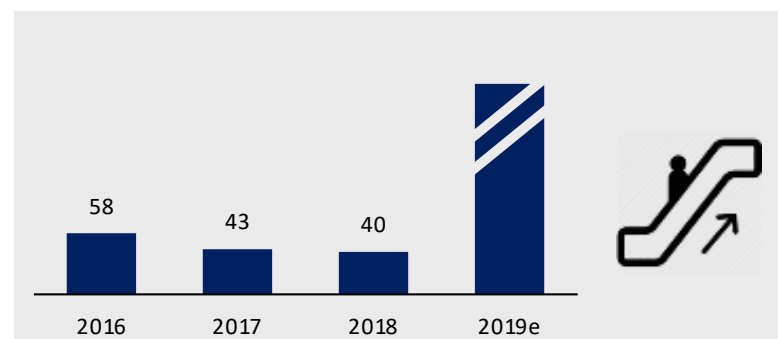
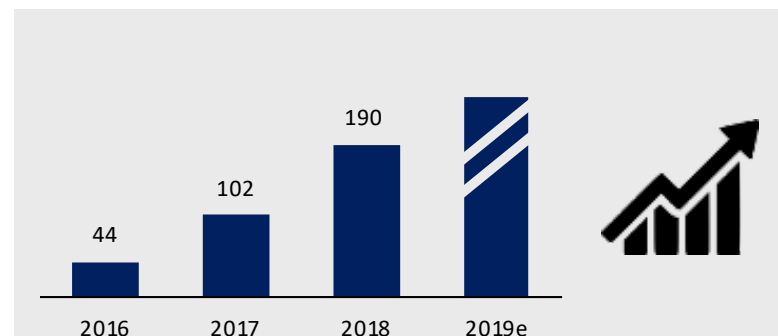


- Core offering of tailored connectivity solutions for **tachograph** and **satellite based tolling**
- Specialized supplier to international ITS market
- Significant step-up in 2019 based on new product range with long-term contracts



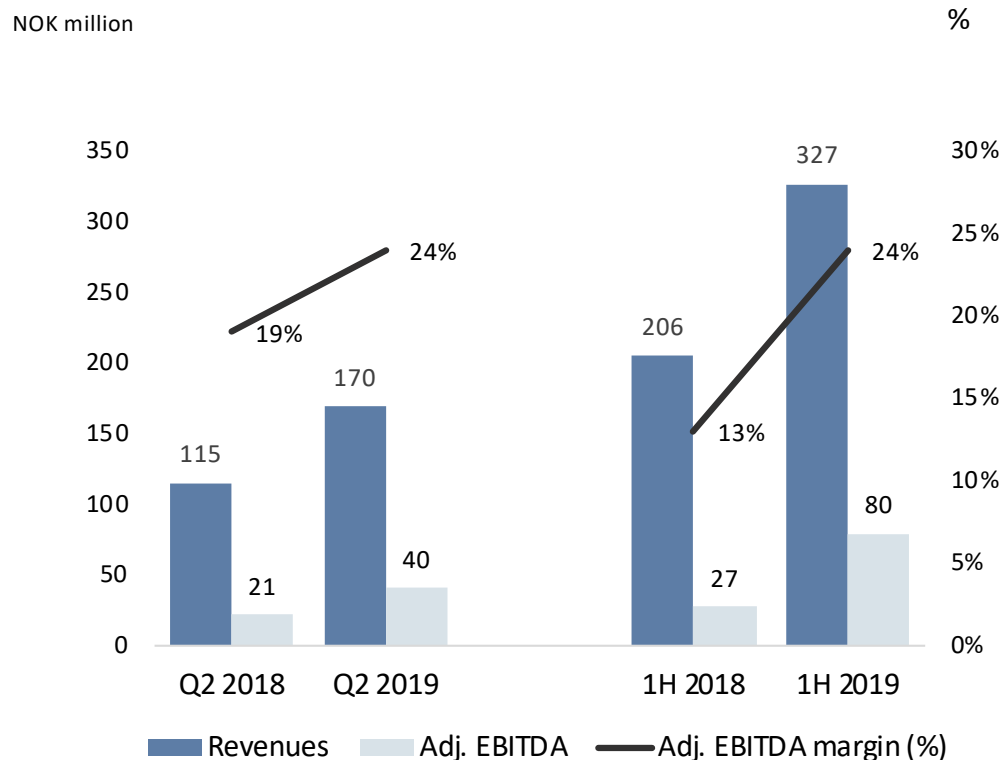
- Vast in-house **multidisciplinary R&D** capabilities
- In-house world class manufacturing
- Range of tailored niche products based on NORBIT IPR for long-term industrial key clients

## Historic Revenue development (NOK million)



# Financial highlights

## Revenue and EBITDA



## Comments

- **All-time high revenue**, with a strong growth of **47%** in the quarter and **59%** in the first half year compared to the corresponding periods in 2018
  - ITS segment strongest contributor to growth based on volume deliveries on major long-term contracts in the first half of 2019
- **Adjusted EBITDA of NOK 80 million** in first half year, representing a margin of **24%**
  - Margin improvement driven by new products, increased volumes and higher utilisation
- Invested ~ 7.8% of revenues first half year in R&D
- Listed at Oslo Børs on 20 June 2019

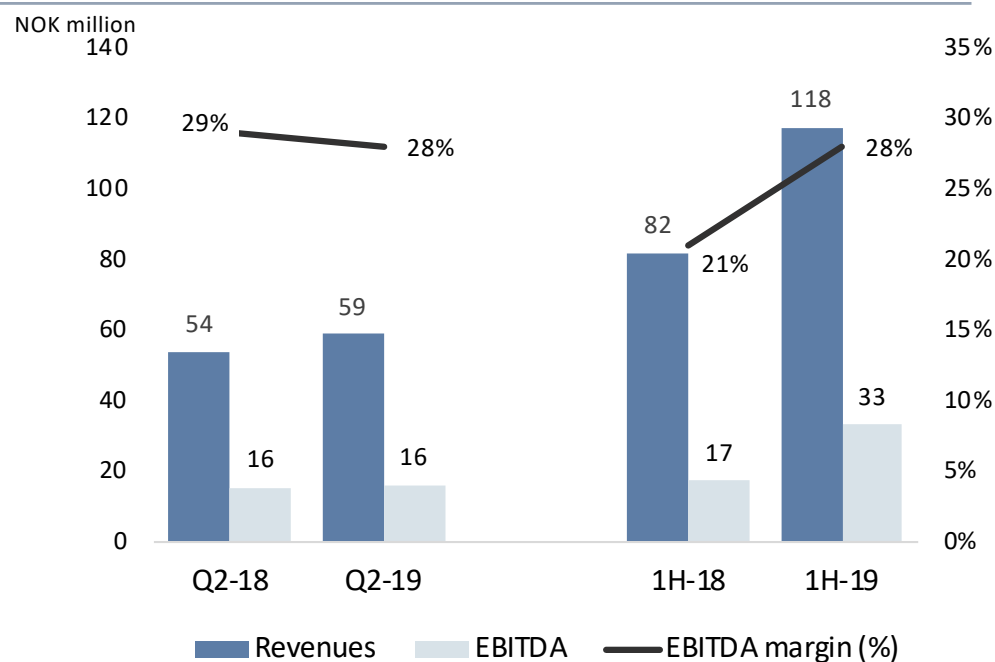


Oceans



# Solid development in Oceans

## Revenue and EBITDA



## Simplified P&L and key KPIs

NOK million	Q2-19	Q2-18	1H-19	1H-18
<b>Revenue</b>	<b>58.7</b>	<b>53.9</b>	<b>117.6</b>	<b>81.8</b>
<b>EBITDA</b>	<b>16.2</b>	<b>15.6</b>	<b>33.1</b>	<b>17.2</b>
<b>EBIT</b>	<b>12.5</b>	<b>11.5</b>	<b>25.7</b>	<b>9.0</b>
<b>Key KPIs</b>				
EBITDA margin	28%	29%	28%	21%
EBIT margin	21%	21%	22%	11%

- Oceans delivers 9% revenue growth in the quarter and **44%** revenue growth in the first half year compared to 2018
  - Solid performance on Europe and North-America
  - Sales to the Asian markets are lower than expected for the quarter
- Shanghai office established in the quarter
- Successfully completed customer demonstration of integrated sonar solution tailored for dredging application



DSRC solutions for enforcement in satellite based truck tolling



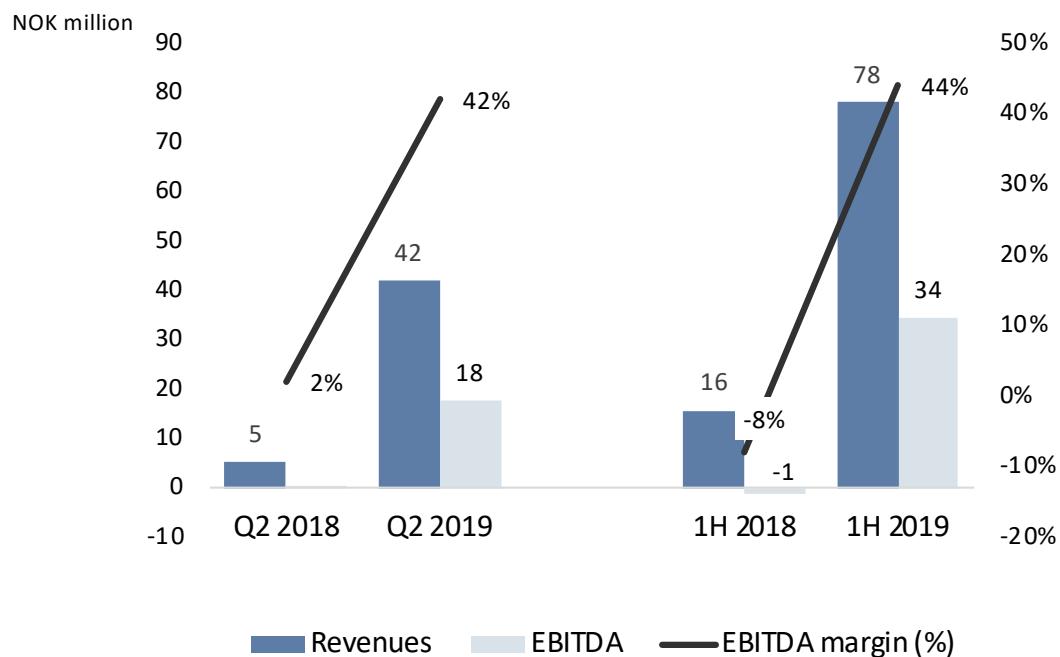
Connectivity devices for tachograph

# Intelligent Traffic Systems (ITS)



# Significant revenue and margin step-up in ITS

## Revenue and EBITDA



## Simplified P&L and key KPIs

NOK million	Q2-19	Q2-18	1H-19	1H-18
Revenue	41.7	5.1	77.8	15.7
EBITDA	17.5	0.1	34.3	-1.2
EBIT	13.7	-1.7	29.1	-4.9
<b>Key KPIs</b>				
EBITDA margin	42%	2%	44%	-8%
EBIT margin	33%	-33%	37%	-31%

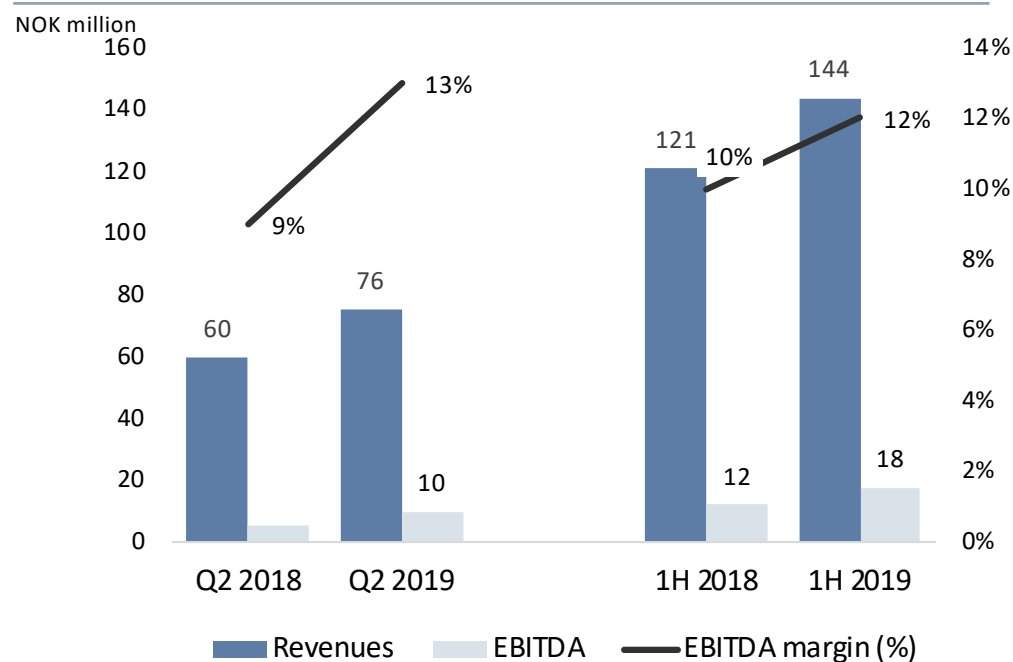
- Significant growth compared to 2018 driven by new long-term contracts with international blue-chip customers
  - Some volumes expected in the quarter postponed to second half of 2019, as some customers are still in ramp-up of their own logistics
  - Quarterly volume fluctuations should be expected
- Margin expansion driven by new product range introduced



# Product Innovation & Realization (PIR)

# Strong first half year in PIR

## Revenue and EBITDA



## Simplified P&L and key KPIs

NOK million	Q2-19	Q2-18	1H-19	1H-18
<b>Revenue</b>	<b>75.5</b>	<b>60.0</b>	<b>143.9</b>	<b>121.1</b>
<b>EBITDA</b>	<b>9.9</b>	<b>5.2</b>	<b>17.8</b>	<b>12.0</b>
<b>EBIT</b>	<b>4.8</b>	<b>1.5</b>	<b>8.6</b>	<b>4.7</b>
<b>Key KPIs</b>				
EBITDA margin	13%	9%	12%	10%
EBIT margin	6%	3%	6%	4%

- Increase in revenues driven by higher sales of R&D services and contract manufacturing
- Margin expansion driven by higher utilisation on R&D engineers, as well as a higher share of products sold based on NORBIT IP rights



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**Group financials**

# Financials – P&L

<i>NOK million</i>	1H-19	1H-18	Q2-19	Q2-18
Revenue	327.3	205.5	169.7	115.4
Other gains and losses	10.9 <sup>I</sup>			
Raw materials and change in inventories	148.7	101.8	78.0	55.7
Employee benefits expenses	84.1 <sup>II</sup>	52.5	51.3	26.3
Depreciation and amortisation expenses	22.5	19.6	13.0	9.9
Other operating expenses	34.4	23.7	19.4	12.0
<b>Operating profit/loss</b>	<b>48.6</b>	<b>7.8</b>	<b>8.0</b>	<b>11.5</b>
<b>Finance income and expenses</b>				
Financial income - inv. in associated companies		30.3		30.3
Net other financial items	-7.3 <sup>III</sup>	-4.1	-7.7	-3.6
<b>Total/net financial items</b>	<b>-7.3</b>	<b>26.2</b>	<b>-7.7</b>	<b>26.7</b>
<b>Earnings before taxes</b>	<b>41.3</b>	<b>34.0</b>	<b>0.3</b>	<b>38.2</b>
Tax on ordinary result	6.7	1.0	-0.3	1.9
<b>Result after tax</b>	<b>34.6</b>	<b>33.0</b>	<b>0.5</b>	<b>36.4</b>
Share of result to minority	0.1	-0.3	0.0	-0.3
Share of result to majority	<b>34.5</b>	<b>33.3</b>	<b>0.5</b>	<b>36.6</b>
<b>Other comprehensive income</b>				
Profit for the period	34.6	33.0	0.5	36.4
Exchange differences on translation of foreign operations	0.0	-0.3	0.0	-0.5
<b>Total comprehensive income</b>	<b>34.6</b>	<b>32.8</b>	<b>0.6</b>	<b>35.9</b>

## Comments

- <sup>I</sup> **Other gains and losses 1H-19**  
Bargain purchase gain related to acquisition of AblePay of NOK 10.9 million
- <sup>II</sup> **Employee benefits expenses Q2-19**  
Termination of synthetic option programme and other employee benefits expenses related to the IPO of NOK 19.5 million
- <sup>III</sup> **IPO related financial expenses**  
Expenses related to the IPO recorded as financial expense in Q2-19 of NOK 4.7 million

 **Total expenses related to IPO in P&L for Q2-19 of NOK 24.2 million**

# Financials – Balance sheet (Assets)

<i>NOK million</i>	30.06.2019	31.12.2018
<b>Fixed assets</b>		
<b>Intangible assets</b>		
Research and development, patents	124.3 <span>I</span>	104.3
Deferred tax asset	36.1	33.1
<b>Total intangible fixed assets</b>	<b>160.4</b>	<b>137.4</b>
<b>Tangible assets</b>		
Property, plant and equipment	21.1	22.1
Other tangible assets	48.0	48.8
<b>Total tangible fixed assets</b>	<b>69.2</b>	<b>71.0</b>
<b>Financial assets</b>		
Investment in associated companies	1.4	1.4
Investment in shares and other assets	0.6	0.6
Other loans and receivables	0.1	
<b>Total financial assets</b>	<b>2.2</b>	<b>2.0</b>
<b>Total fixed assets</b>	<b>231.8</b>	<b>210.4</b>
<b>Current assets</b>		
Inventories	151.7 <span>II</span>	122.9
<b>Receivables</b>		
Accounts receivables	133.1 <span>III</span>	102.0
Other receivables	22.0	26.1
Financial instruments	1.2	
<b>Total receivables</b>	<b>156.3</b>	<b>128.1</b>
Bank deposits, cash etc.	21.1	9.1
<b>Total current assets</b>	<b>329.1</b>	<b>260.1</b>
<b>Total assets</b>	<b>560.9</b>	<b>470.5</b>

## Comments

- I **R&D 1H-19**
  - Net change of NOK 20 million
  - One time effect of NOK 7.9 million when acquiring AblePay
  - Investments in R&D ex. AblePay of NOK 25.6 million ~7.8% of revenues
  
- II **Inventories 1H-19**
  - NOK 18.5 million in Q1 and NOK 10.3 million in Q2
  - Includes security stock ITS and Oceans products
  
- III **Accounts receivables 1H-19**
  - Increase due to higher activity and revenues
  - Automotive customers requires longer credit terms
  - Low credit risk

# Financials – Balance sheet (Equity and liabilities)

<i>NOK million</i>	30.06.2019	31.12.2018
<b>Paid-in equity</b>		
Share capital	5.7	0.4
Other equity	276.3 <span>I</span>	43.8
<b>Total paid-in capital</b>	<b>282.0</b>	<b>44.3</b>
<b>Retained earnings</b>		
Retained earnings	118.1 <span>II</span>	103.9
<b>Total retained earnings</b>	<b>118.1</b>	<b>103.9</b>
Minority interest	0.5 <span>II</span>	9.7
<b>Total equity</b>	<b>400.6</b>	<b>157.9</b>
<b>Other long term debt</b>		
Debt to financial institution	17.2	97.6
Lease liabilities	3.1	12.9
Other long term debt	0.1	0.2
<b>Total long term debt</b>	<b>20.3 <span>III</span></b>	<b>110.6</b>
<b>Short term debt</b>		
Liabilities to financial institutions	2.1 <span>IV</span>	72.4
Lease liabilities	6.9	
Trade creditors	83.7	75.6
Payable tax		
Public duties payable	6.7	11.6
Dividend		
Financial instruments		1.2
Other short term debt	40.4	41.2
<b>Total short term debt</b>	<b>139.9</b>	<b>202.0</b>
<b>Total debt</b>	<b>160.3</b>	<b>312.6</b>
<b>Total equity and debt</b>	<b>560.9</b>	<b>470.5</b>

## Comments

- I Equity contribution Q2-19**
- Gross proceeds of NOK 250 million, transaction cost net of tax of NOK 12.3 million
- II Retained equity and minority interest, net change NOK 5 million**
- 1H-19 result after tax of NOK 34.6 million
  - Reduction of minority interest and retained earnings of NOK 23.6 million due to acquisition of shares in NORBIT EMS and NORBIT ITS
  - Paid dividend of NOK 6 million in Q1-19
- III Long term debt**
- Repaid bank loan in Q2-19, facility of NOK 150 million undrawn at 30.06
- IV Short term liabilities to financial institutions**
- Undrawn facility of NOK 130 million

# Financials – Cash flow

NOK million	1H-19	1H-18	Q2-19	Q2-18
<b>Cash flows from operating activities</b>				
Profit for the period	34.6	33.0	0.5	36.4
Adjustments for:				
Income tax expense recognised in profit or loss	6.7	1.0	-0.3	1.9
Investment income recognised in profit or loss	-10.9			
Depreciation and amortisation of non-current assets	22.5	19.6	13.0	9.9
Movements in working capital:				
(Increase)/decrease in trade and other receivables	-31.1	-24.6	-7.8	-2.0
(Increase)/decrease in inventories	-28.8	-17.0	-10.3	-9.5
Increase/(Decrease) in trade and other payables	8.1	6.1	3.7	-4.5
Increase/(Decrease) in accruals	-5.4	-3.4	-15.9	-5.3
<b>Net cash generated by operating activities</b>	<b>-4.3</b>	<b>14.8</b>	<b>I -17.0</b>	<b>26.8</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	-7.1	-14.4	-2.9	-8.8
Payments for intangible assets	-33.5	-20.6	II -12.7	-11.9
Net cash outflow on acquisition of subsidiaries	0.4			
<b>Net cash (used in)/generated by investing activities</b>	<b>-40.2</b>	<b>-35.0</b>	<b>-15.6</b>	<b>-20.7</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of equity instruments of the Company	250.0	10.5	III 250.0	10.5
Payment for services related to issue of equity instruments	-15.6		-15.6	
Payment for buy-back of shares	-19.3			
Proceeds from borrowings	104.9	25.3	0.9	25.2
Repayment of borrowings	-185.2	-14.3	IV -103.1	-10.7
Net increase in overdraft facility	-72.4	6.2	-82.8	-12.5
Dividends paid to owners of the Company	-6.0	-16.0		-16.0
<b>Net cash used in financing activities</b>	<b>56.5</b>	<b>11.8</b>	<b>49.5</b>	<b>-3.6</b>
<b>Net increase in cash and cash equivalents</b>	<b>12.0</b>	<b>-8.4</b>	<b>16.9</b>	<b>2.6</b>
Cash and cash equivalents at the beginning of the period	9.1	14.8	4.3	3.8
<b>Cash and cash equivalents at the end of the period</b>	<b>21.1</b>	<b>6.4</b>	<b>21.1</b>	<b>6.4</b>

## Comments

- I Increased working capital**
- Net increase in working capital in 1H-19 of NOK 57.2 million
  - Planned increase in inventory to secure components for the step-up in ITS
  - Increased accounts receivables due to higher activity, somewhat offset by increase in accounts payables
- II Investment R&D**
- Adjusted for one-time effect of acquisition of Ablepay, investment in R&D is ~7.8% of revenues
- III Equity contribution**
- Net proceeds in Q2-19 of NOK 234.4 million
- IV Long and short term liabilities to financial institutions**
- See comments on previous page



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Outlook

# Outlook

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- Revenues and margins expected to be on same level in second half as first half of 2019
- Expansion of product offering and tailored solutions to new sub markets expected to be driver for continued growth in the medium to long term



- Second half of 2019 expected to be stronger than first half, driven by volume increase related to already announced contracts
- High demand for the second half of 2019 requires increased manufacturing capacity allocation from PIR



- Increase production capacity; investing in expansion of facilities and new machinery
  - Facility expansion will commence in the third quarter of 2019
- In the second half of 2019, a larger share of the production capacity is expected to be allocated for deliveries to Oceans and ITS, affecting revenue contribution from PIR



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Exploring is finding opportunities  
where others find limits

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Appendix

# Shareholder overview as of 15 August 2019

#	Investor	Shares	
		#	%
1	VHF INVEST AS	8 686 495	15.30
2	PETORS AS	6 645 695	11.70
3	DRAUPNIR INVEST AS	5 702 949	10.04
4	EIDCO A/S	3 597 124	6.33
5	ESMAR A/S	2 858 579	5.03
6	HANDELSBANKEN Nordiska Smabolag	2 855 000	5.03
7	Dan Sten Olsson and family (thru SEB S.A.)	2 391 000	4.21
8	ARCTIC FUNDS PLC	2 390 719	4.21
9	Morgan Stanley & Co. Int. Plc.	2 000 000	3.52
10	Citibank, N.A.	1 200 000	2.11
11	Danske Invest Norge Vekst	1 050 000	1.85
12	REGENTS OF THE UNIVERSITY OF MICHIGAN	971 500	1.71
13	The Northern Trust Comp, London Br	902 106	1.59
14	RACCE AS	738 546	1.30
15	Danske Bank A/S	726 526	1.28
16	USEGI AS	721 989	1.27
17	T.D. VEEN AS	715 000	1.26
18	UBS AG, LONDON BRANCH	704 947	1.24
19	ARCTIC FUNDS PLC	662 353	1.17
20	TOLUMA NORDEN AS	600 000	1.06
	<b>Total 20 largest</b>	<b>46 120 528</b>	<b>81.22</b>
	Other	10 666 390	18.78
	<b>Total</b>	<b>56 786 918</b>	<b>100.00</b>

# Selected client references by market segments

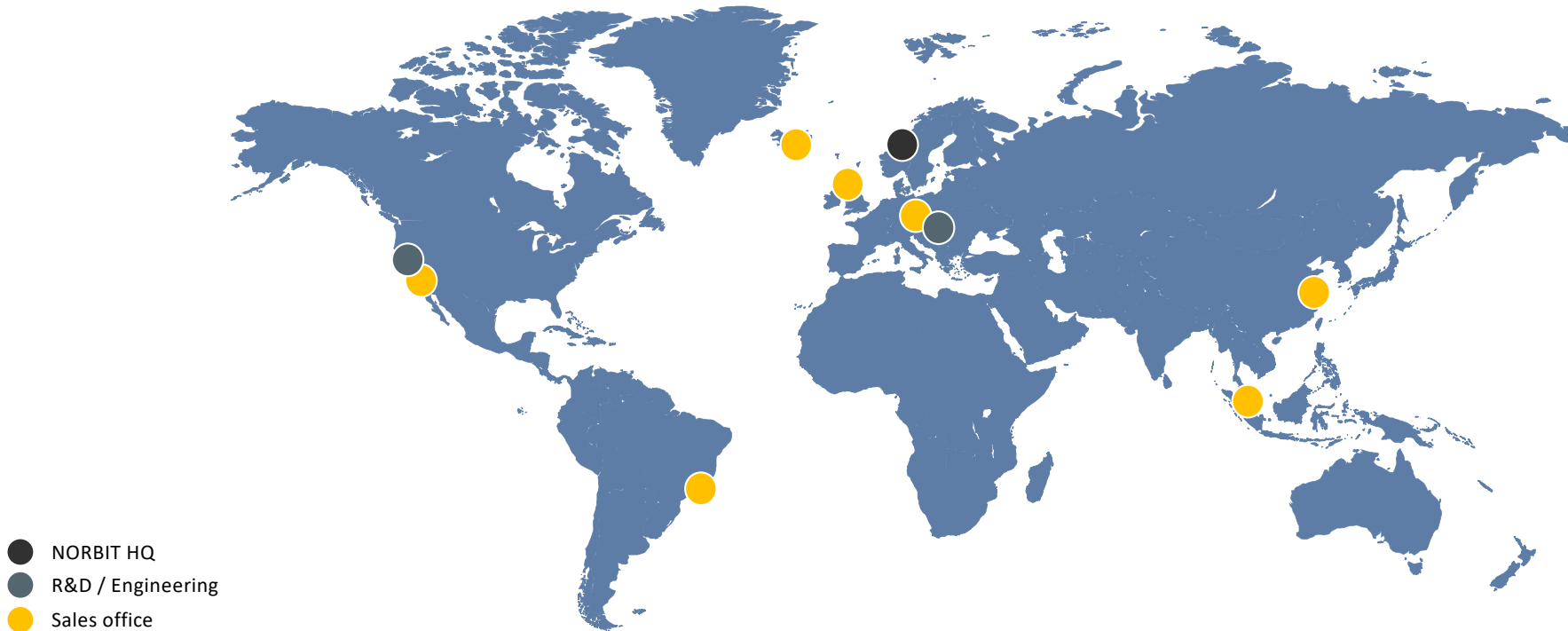
<p>Public clients within hydrography</p>	
<p>Private dredging and survey companies</p>	<p>Private dredging companies</p> <p>Survey companies</p>
<p>Research and education institutions and defence</p>	<p>Research and Education</p> <p>Defence</p>

- A highly diversified customer base worldwide with largest customer in 2018 accounting for ~3% of revenues
- In 2018, ~3% of total NORBIT revenues was attributed to Defence related revenues
- Less than 10% of revenue in 2018 was oil and gas related on a global scale
- Other clients are surveying Companies in the Far-East, Middle-East and US, small maritime rental companies and contractors

Selection includes clients we can disclose. Others are excluded from the list based on need to keep confidential.  
 Note (1): Suppliers to the defence segment that is integrating NORBIT's solutions into their own.

# Established proven global indirect distribution network

Indirect distribution supported by regional offices covering a wide range of clients in various industries



TIER 1	TIER 2	TIER 3
<ul style="list-style-type: none"> <li>NORBIT essential to distributor's success</li> <li>Technical competence to perform demos and sales</li> <li>(70% + of revenues)</li> </ul>	<ul style="list-style-type: none"> <li>A substantial share of distributor' revenues</li> <li>High domain competence</li> </ul>	<ul style="list-style-type: none"> <li>Introduction to NORBIT's solutions</li> <li>Pipeline/gateway for regional TIER 1 and 2 partners</li> </ul>

# Creating a new niche: 4D sonar for real-time dredging

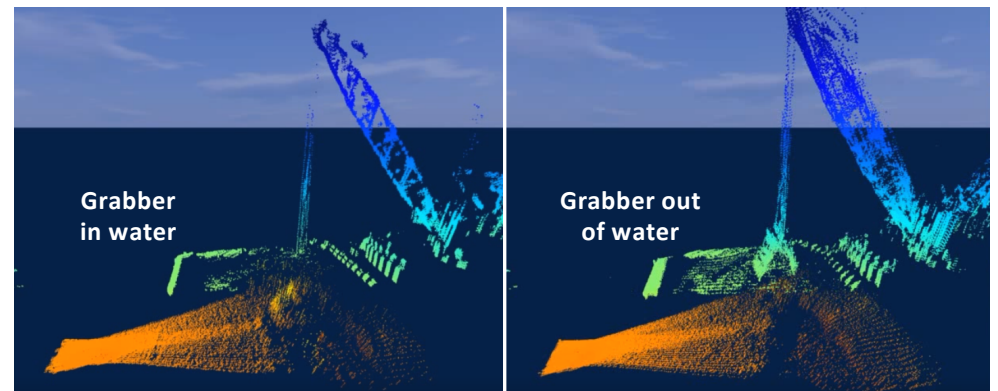
## Proven ability to develop niche markets

- Created a niche market for real-time sonars in subsea dredging
- Dredging jobs typically target a specific depth
- Challenge:
  - Zero or limited subsea visibility to dredge accurately
  - Depends on expensive recursive surveys to measure seabed
- Solution: Real-time simple 4D georeferenced seabed
- Enables significant value-adding improvements for operators
- Significant potential due to limited sonar penetration

→ More than 1,500 dredging vessels registered  
 → In addition to 500 survey vessels<sup>1</sup>  
 → Price range sonar solution: USD 100-250k

**Addressable market: Up to ~USD 500m**

## 4D sonar for real-time dredging

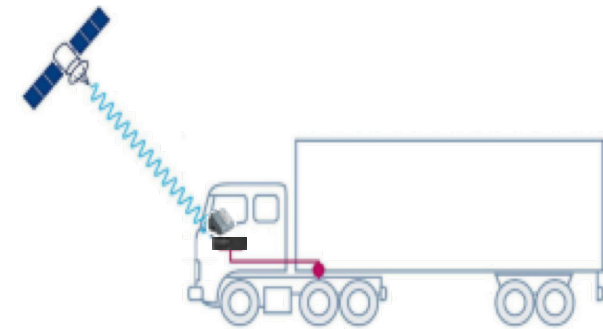


Note (1): Clarksons' Dredger Register documents in addition to management assumption of one survey vessel per three dredging vessels. Note that there is a large number of small dredging companies (one vessel, one person) not included in the database. Thus, the actual number is probably 2x or 3x this figure.



# Tailored short range communication solutions

EU regulation and focus on distance based tolling creates a new market with huge potential



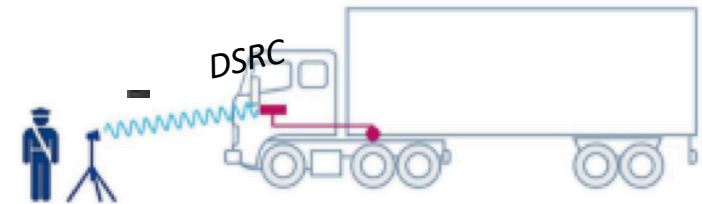
**One unit to connect them all:**  
EU priority to connect all tolling in Europe and enable vehicles to only need one OBU<sup>1</sup> that connect to any European electronic tolling system

**Gradual implementation of GNSS<sup>2</sup> in EU truck market:**  
~6.3 million trucks in EU market

**NORBIT's DSRC<sup>3</sup> units enables compatibility across country borders**  
**NORBIT is well positioned due to its ability to deliver tailored DSRC solutions**

# Tailored connectivity modules for tachographs

Stable long-term market with ~ 400,000 trucks<sup>1</sup> being registered in the EU annually ensure recurring revenue



**EU regulation implemented mid-2019<sup>2</sup>:**  
Mandatory to install smart tachograph in all new trucks registered after  
15 June 2019

**EU truck market:**  
~400,000 trucks being registered in the EU annually ensure  
recurring revenue

*New EU directive has been a door opener to long-term contracts in a market where NORBIT already has position due to its ability to deliver tailored DSRC solutions*

[1] Commercial vehicles above 3.5 tons | [2] Regulation (EU) No 165/2014, and Regulation (EU) 2016/799 of the European Parliament and of the Council  
Source: Continental AG, "Ready for Logistics 4.0", Press release 05.07.2018

# Secured long-term contracts

## SATELLITE BASED (GNSS) TOLLING

### DSRC solutions for GNSS truck tolling



- 1 million units frame contract
  - Tailored DSRC 2G integrated with GPS and GSM antennas
  - First 210k units in 2019
- Contracts for DSRC modules with three undisclosed EETS<sup>1</sup> providers
- Contract for DSRC modules for a large undisclosed GNSS tolling project in the EU

## SMART TACHOGRAPHS

### Connectivity devices for tachographs



- Continental
  - 6 years frame contract with tachograph market leader
- Intellic
  - 7 years frame contract with tachograph supplier Intellic

## TOLLING

### DSRC toll tags (OBUs)



- Frame contract with NPRA<sup>2</sup> for AutoPASS tags in Norway
- Frame contract with Øresund bridge in Denmark
- Frame contract with undisclosed international customer in Germany

# In-house multidisciplinary R&D capabilities

## R&D capabilities

- Competence covering all aspects of technology and product design
- Special projects to explore new market domains, new technologies and enable refinement of next generation NORBIT engineers
- Strong connection to start/scale-ups
- Close cooperation between in-house R&D and in-house manufacturing enables smooth industrialization
- Well equipped test facilities

## R&D competence

Competence areas	# FTEs
Embedded electronics, FPGA Firmware	15
Radio frequency, sensors, signal processing, acoustics	18
Application software	14
Embedded software	11
Mechanical design	7
<b>Total</b>	<b>65</b>



NAV Analyzer for  
Normarc (Indra Navia)



Ultrasound camera  
for Down Hole inspection  
for Tecwel (Archer)



Node electronics for  
seismological nodes.  
(Case abyss) for Seabed



NORBIT/COMROD branded  
Antenna system for Submarines



Tension Leg Monitoring System  
16 Sensor systems installed on the  
Snorre A platform for Equinor

# World class in-house manufacturing

## Overview of NORBITs manufacturing sites

### Røros Automotive

- High volume robotized production
- Automated, flexible, scalable
- Micro electronics
- Thick film hybrid circuits
- Automotive certified factory

### Selbu Defense, medical and subsea

- Mid-low volume
- High complexity
- Box built

### Trondheim Subsea and defence

- Cable and wire harness
- Electro mechanical assembly





# NORBIT

*- explore more -*

Exploring is finding opportunities  
where others find limits