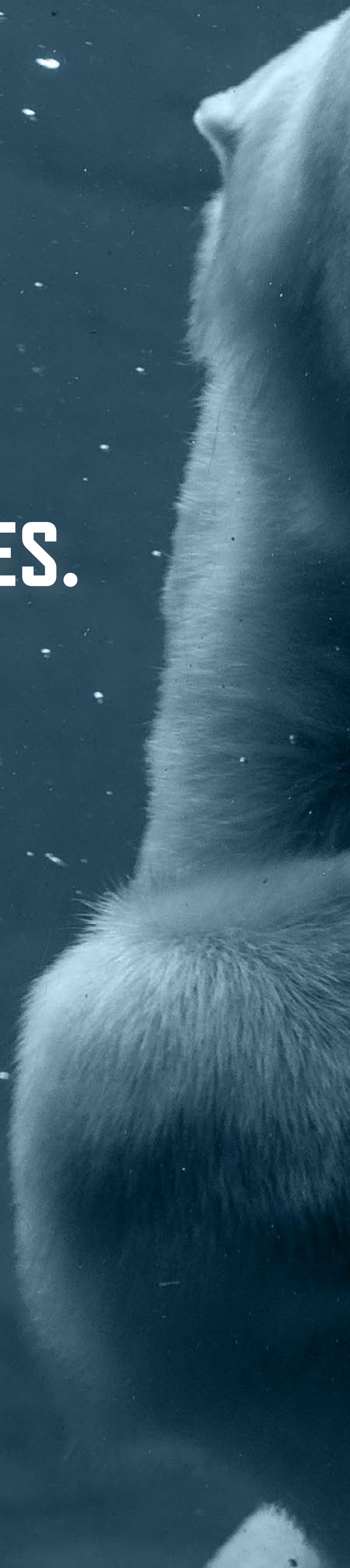
ANNUAL REPORT
2019

NORBIT
- explore more -

COVERING THE WORLD. UNCOVERING POSSIBILITIES.

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



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NORBIT AT A GLANCE

NORBIT is a global provider of tailored technology to carefully selected niches. The business is organised in three business segments.

The Oceans segment delivers tailored technology and solutions to the global maritime markets. The Intelligent Traffic Systems (ITS) segment offers tailored connectivity solutions based on short range communication technology to intelligent traffic systems and truck applications. The Product, Innovation & Realization (PIR) segment offers R&D services and contract manufacturing services to key customers.

All companies and employees in NORBIT share the same vision: To be recognised as world-class, enabling people to explore more.

NORBIT has a strong corporate culture inspired by great explorers. Deep domain knowledge from each segment ensures that innovations by NORBIT´s experienced R&D engineers are fully market driven. In-house manufacturing capabilities ensure good scalability and quality control, elements that are vital to further growth and expansions.

NORBIT is headquartered in Trondheim, Norway, with manufacturing facilities in Selbu and Røros, Norway and 12 offices and subsidiaries around the world.

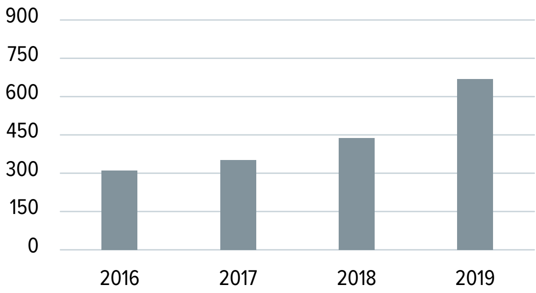
KEY FIGURES – NORBIT GROUP

Amounts in NOK million (except percentages and EPS)

	2019	2018
Revenues	**668.2**	438.4
EBITDA	**149.7**	74.8
EBITDA margin	**22%**	17%
EBIT	**102.9**	38.0
Profit for the period	**77.3**	48.0
Earnings per share (EPS)	**1.45**	1.11

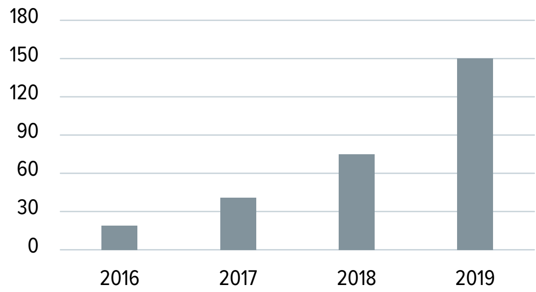
REVENUES

NOK million



EBITDA

NOK million



HIGHLIGHTS 2019

- **Revenues** amounted to NOK 668 million for 2019, representing a 52 per cent growth since 2018
- **Solid operational performance** and revenue growth in all business segments
- **EBITDA** for the group ended at NOK 150 million, a margin of 22 per cent
- **Successful listing** of the NORBIT ASA on Oslo Børs in June 2019

READY FOR A NEW CHAPTER

LETTER FROM THE CEO

2019 was an eventful year for NORBIT. We delivered another year with strong and profitable growth, and successfully broadened our product offering to new carefully selected niches, in line with our strategy. All our business segments have solid operational performance and contribute positively to our development, proving our robust and diversified business model. Also, our listing on Oslo Børs marked a new chapter of our 25-year history, preparing ourselves to explore more going forward.

In NORBIT, we always search for new opportunities and our core purpose is to explore more. This is reflected in all our activities from exploring customer needs and commercial opportunities, where we can bring new tailored technology, products and solutions to make life easier for our customers.

Our business is structured to address our key markets, with segment Oceans targeting the maritime markets and segment Intelligent Traffic Systems (ITS) targeting the automotive and transport industry. In addition, our segment called Product, Innovation and Realization (PIR) delivers R&D projects and contract manufacturing for our customers which are regarded as strategically important to ensure our leading-edge technology development expertise and world-class manufacturing services in the group. I am truly pleased to see that all our operating units are delivering solid results. This has been made possible by our highly skilled and committed colleagues that work hard every day. The whole organisation has truly lived up to our core values: We deliver, safe under pressure and refinement of talents.

PROFITABLE GROWTH

Once again, we have proven our ability to realise profitable growth. Segment Oceans has been an important contributor after another strong year with all-time high revenues and we also strongly believe in the untapped potential for the tailored technology in the Oceans domain going forward. This goes for both broadening our offering, in particular based on our sonar technology, and for the opportunities that exist in expanding to new sub-markets. We therefore allocate a significant part of our R&D investments into the Oceans segment, and at the same time, we are strengthening our sales and marketing organisation towards selected niches.

In our ITS segment, we announced long-term contracts with international blue-chip clients for the next generation connectivity devices for trucks and modules for digital tachographs. High-volume deliveries on these contracts, from production lines with a high degree of robotisation, contributed to a significant step-up in both revenue and profitability for the segment for 2019.

25 YEARS OF INNOVATIONS

NORBIT is founded on market-driven innovation over 25 years. We give our employees a high degree of freedom with regards to making decisions on how to perform his or her work. And with freedom comes responsibility – but also creativity and innovation.

We strongly believe in refinement of talents. This is also why we support several student groups, both in our hometown Trondheim, but we also support a nautical science programme at the UCL in the UK.

Our strategy is to provide tailored technology to carefully selected niches. When selecting what niches to enter, we look for market-driven needs with existing or potential customers. We would like it to be a niche with proper scalability, but not too high scalability, and we would like it to be demanding to develop the needed technology to address the needs revealed. We believe that these strategic elements both allows us to get sound margins and helps us to remain competitive in the selected niches over time.

– NORBIT has clear ambitions for the future. We have a well-defined strategy and the financial strength needed to succeed.

LISTING ON OSLO STOCK EXCHANGE

Thursday 20 June 2019 marked the start of a new chapter for NORBIT, when we had the pleasure of ringing the bell at the Oslo Børs. Many compare an IPO to a marathon because it requires preparation and persistence. For us the listing day was the starting-line, not the finish-line.

With the support from our new shareholders, we successfully raised capital supporting an increased ambition level for further growth and development. At the same time, it was rewarding to see that half of our workforce bought shares, including the board and executive management team, demonstrating their faith in our ability to create value going forward.

READY FOR A NEW CHAPTER

NORBIT has clear ambitions for the future. We have a well-defined strategy and the financial strength needed to succeed. Our organisation has the domain expertise needed allowing us to spot attractive niches we can enter. This combined with a leading-edge R&D team and world-class manufacturing capabilities, makes us well-positioned to explore more.

These days, we also have to note that the world is facing tremendous challenges related to the COVID-19 virus, that are spreading at an exponential growth rate around the world. We are monitoring the situation carefully and initiating actions ongoing, to protect our employees, our society, our operations, our customers and all other stakeholders that might be affected. We encourage all our NORBIT colleagues to find support in two of our core values; Safe under pressure and We deliver.

Lastly, I would like to thank our shareholders, who have put their trust in NORBIT. We will work hard every day to prove that we are worthy of the support we have been given.

Per Jørgen Weisethaunet,
CEO of NORBIT ASA

OCEANS

The Oceans segment delivers tailored technology and solutions to the global maritime markets. NORBIT's sonar solutions, the main growth driver for the segment the last years, are based on a highly integrated and compact sonars with LIDAR and GPS for surface and subsea and subsea imaging and mapping. In addition, Oceans offers solutions for environmental monitoring and some tailored products for aquaculture as well as for the defence sector.

SUBSEA

NORBIT Subsea specialises in ultra-compact wideband multibeam sonars for subsea and surface platforms. Subsea designs and develops wideband multibeam sonars for hydrographic applications, forward-looking applications, as well as advanced subsea solutions such as leakage detection. NORBIT Subsea's technologies are based on the latest in analog and digital signal processing, and the products provide wide coverage monitoring combined with high sensitivity and accuracy.

APTOMAR

NORBIT Aptomar is a leading provider of integrated monitoring for the marine sector, delivering sensors, control systems and remote operations through professional mariners in the Aptomar Global Maritime Control Centre. The monitoring solutions are used by customers within offshore production and exploration, ports and harbours, as well as remote sensing for civilian and military vessels.

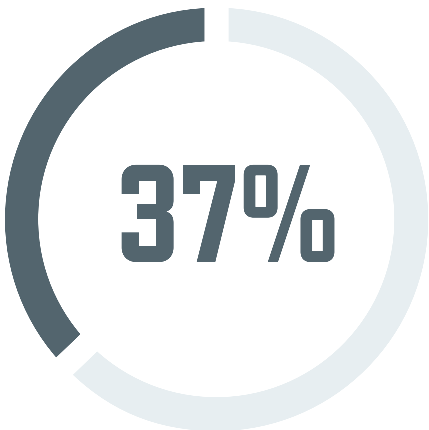
AQUA

NORBIT Aqua provides tailored products for the aquaculture industry.

DEFENCE

NORBIT Defence combines a selection of products from across the NORBIT group, each having its own strong pedigree and capabilities within defence and security. By leveraging on the group's skills in data fusion and display, NORBIT can provide high performance, integrated solutions, on very competitive terms.

OCEANS – SHARE OF TOTAL GROUP REVENUE



OCEANS – KEY FIGURES

Amounts in NOK million	2019	2018
Revenues	249.0	189.9
EBITDA	64.1	54.0
EBITDA margin (%)	26%	28%
EBIT	50.6	38.9
EBIT margin (%)	20%	20%

ITS

The Intelligent Traffic Systems (ITS) segment offers tailored connectivity solutions based on short range communication technology to intelligent traffic systems and truck applications. ITS has a leading position as an independent supplier for dedicated solutions to industrial blue-chip customers within both automotive and satellite-based tolling.

DSRC SOLUTIONS FOR SATELLITE-BASED TRUCK TOLLING

NORBIT offers solutions for connectivity devices for satellite-based truck tolling, i.e. tailored dedicated short-range communication (DSRC) with integrated GPS and GSM antennas.

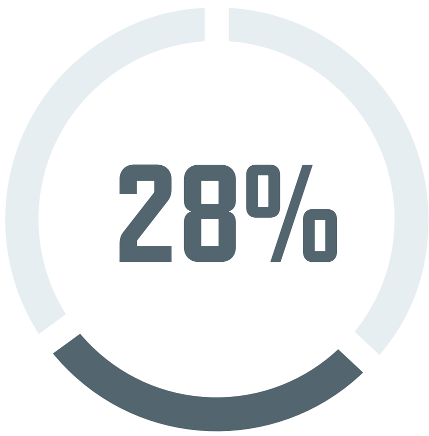
CONNECTIVITY DEVICES FOR SMART TACHOGRAPH

NORBIT offers solutions for DSRC devices specifically tailored for integration with a new generation of smart tachographs. The DSRC devices enables wireless remote enforcement of driving and resting hours by use of DSRC based communication with smart tachographs from the roadside or from vehicle mounted mobile DSRC readers.

STANDARD TOLL TAG

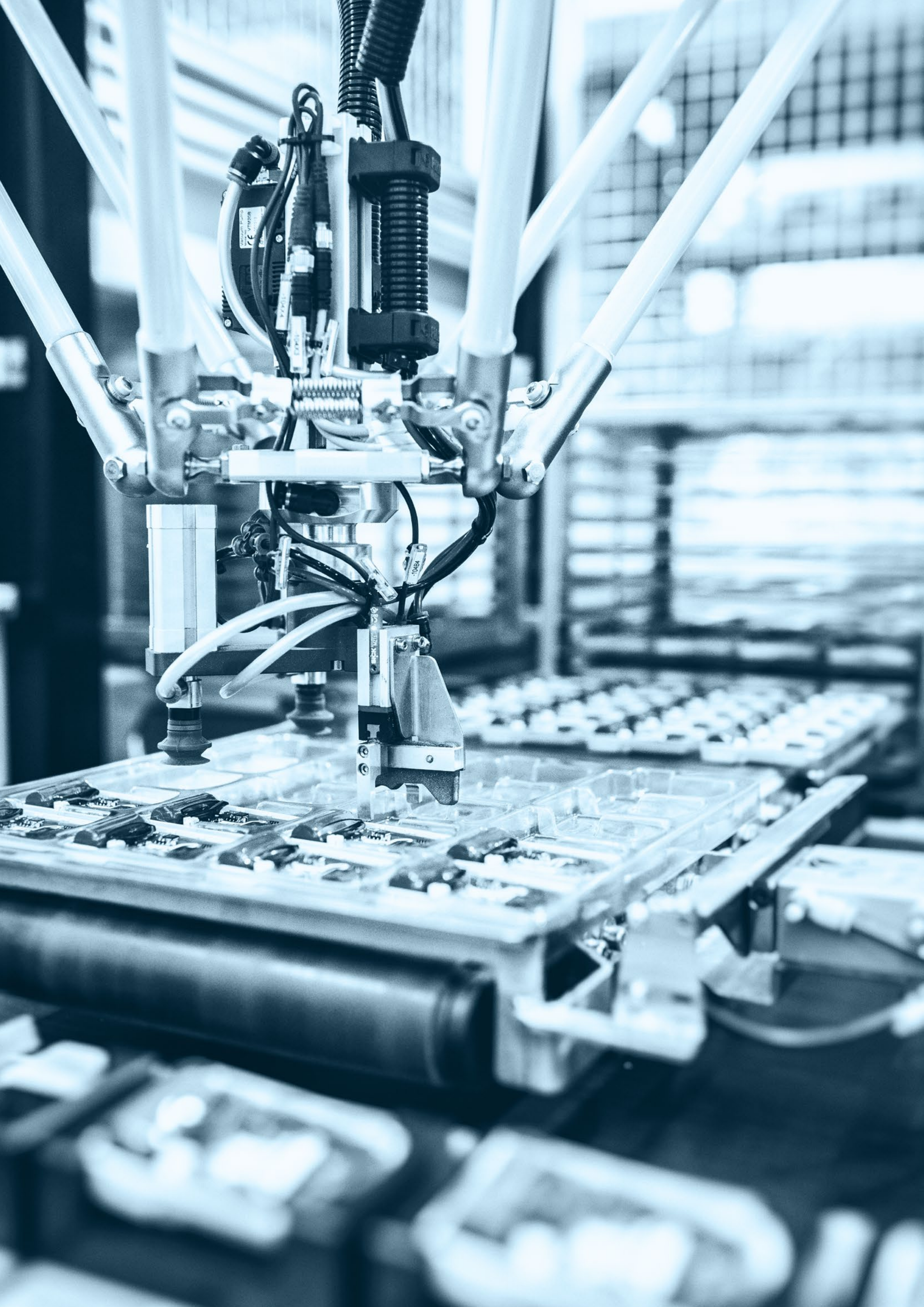
NORBIT offers standard DSRC based toll tags and roadside units. The group's customers for the standard electronic toll tags are primarily toll operators, both public and private entities.

ITS – SHARE OF TOTAL GROUP REVENUE



ITS – KEY FIGURES

Amounts in NOK million	2019	2018
Revenues	186.3	39.5
EBITDA	83.1	9.6
EBITDA margin (%)	45%	24%
EBIT	69.9	3.6
EBIT margin (%)	38%	9%



PIR

Product Innovation and Realization (PIR) segment offers special R&D projects, contract manufacturing services and a range of tailored products to key long-term industrial customers. This activity is an important enabler for the group. The contract manufacturing for external customers gives a continued benchmark of the group's manufacturing capabilities, securing leading-edge processes and routines for the whole group.

The special R&D projects brings challenges needed to refine and grow new generations of NORBIT engineers. The segment has deep knowledge and experience in all aspects of technology- and product design, as well as industrialisation.

R&D

NORBITs Original Design Manufacturing (ODM) is responsible for R&D and total customer product management in the group, and the division has developed a range of tailored products based on NORBIT Intellectual Property, which are sold to long-term key customers under either the customer's brand or dual branding.

MANUFACTURING

NORBIT has to main facilities, both located in Norway. Each facility has highly specialised processes. The Røros facility is optimised for high volume robotised manufacturing, including automotive products. The Selbu facility is leading in high complexity manufacturing for medium-to-small volumes. The facility has vast experience of manufacturing for many different industries, including medical, industrial, defence, maritime and subsea.

PIR – SHARE OF TOTAL GROUP REVENUE

PIR – KEY FIGURES

Amounts in NOK million	2019	2018
Revenues	259.9	221.1
EBITDA	22.6	20.0
EBITDA margin (%)	9%	9%
EBIT	4.4	6.3
EBIT margin (%)	2%	3%

EXECUTIVE MANAGEMENT

The executive management of the NORBIT group consists of six executives. An overview of the managers' competence and background is available from the company's website www.norbit.com.

1. **STEIN MARTIN BEYER**
   Chief operating officer (COO)
   Employed with the company since 2012
   Number of NORBIT shares at 13 March 2020: 295 147

2. **STIAN LØNVIK**
   Chief financial officer (CFO)
   Employed with the company since 2013
   Number of NORBIT shares at 13 March 2020: 174 389

3. **STEFFEN KIRKNES**
   Founder (not part of executive management)
   Number of NORBIT shares controlled at 13 March 2020:
   14 389 444

4. **PER JØRGEN WEISETHAUNET**
   Chief executive officer (CEO)
   Employed with the company since 2001
   Number of NORBIT shares at 13 March 2020: 6 820 695

5. **PETER TSCHULIK**
   Business unit director ITS
   Employed with the company since 2015
   Number of NORBIT shares at 13 March 2020: 170 100

6. **PETER KOLDGAARD ERIKSEN**
   Business unit director Oceans
   Employed with the company since 2012
   Number of NORBIT shares at 13 March 2020: 712 900

7. **ARILD SØRAUNET**
   Chief technical officer (CTO)
   Employed with the company since 2002
   Number of NORBIT shares at 13 March 2020: 721 989


BØRSEN
OSLO BØRS
1819 - 2019
JUBILEUM
OSLO BØRS
1819 - 2019
JUBILEUM
2
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BOARD OF DIRECTORS

According to NORBIT's article of association, the board of directors shall consist of a minimum of three and a maximum of seven board members elected by the general meeting. The general meeting elects the chair of the board and the deputy chair of the board.

As of 31 December 2019, NORBIT's board comprise five members, of which all were elected for a period of two years at the company's extraordinary general meeting on 3 May 2019. NORBIT's board is composed such that it is able to act independently of any special interests. All the board members are deemed to be independent of senior executives, material business associates and the company's largest shareholders.

An overview of the board members competence and background is available from the company's website www.norbit.com.

FINN HAUGAN (1953)

Chairperson

Chairperson since:
May 2019

Chairperson of the remuneration committee

Number of NORBIT shares:
65 789

BENTE AVNUNG LANDSNES (1957)

Deputy chairperson

Deputy chairperson since:
May 2019

Member of the audit committee

Number of NORBIT shares:
39 473

TOM SOLBERG (1962)
Board member

Board member since:
May 2009

Member of the
remuneration committee

Number of NORBIT shares:
65 789

TROND TUVSTEIN (1972)
Board member

Board member since:
May 2019

Chairperson of the
audit committee

Number of NORBIT shares:
32 894

MARIT COLLIN (1960)
Board member

Board member since:
May 2019

Member of the
remuneration committee

Number of NORBIT shares:
16 447

CORPORATE GOVERNANCE IN NORBIT ASA

NORBIT aims to maintain a high standard of corporate governance. Good corporate governance strengthens the confidence in the company and contributes to long-term value creation by regulating the division of roles and responsibilities between shareholders, the board of directors and executive management.

Corporate governance at NORBIT shall be based on the following main principles:

- All shareholders shall be treated equally
- NORBIT shall maintain open, relevant and reliable communication with its stakeholders, including its shareholders, governmental bodies and the public about the company's activities
- NORBIT's board of directors shall be autonomous and independent of the company's management
- The majority of the members of the board shall be independent of major shareholders
- NORBIT shall have a clear division of roles and responsibilities between shareholders, the board and management

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Compliance and regulations

The board of directors (the board) of NORBIT ASA (the company) has the overall responsibility for ensuring that the company has a high standard of corporate governance. The board has prepared a corporate governance policy document addressing the framework of guidelines and principles regulating the interaction between the shareholders, the board and the Chief Executive Officer (the CEO). The policy is based on the Norwegian Code of Practice (the Code) for Corporate Governance issued by the Norwegian Corporate Governance Board. The objective of the Code is that companies listed on regulated markets in Norway will practice corporate governance that regulates the division of roles between shareholders, the board of directors and executive management more comprehensively than is required by legislation. The board and executive management perform an annual assessment of its principles for corporate governance.

NORBIT ASA is a Norwegian public limited company listed on the Oslo Børs (Oslo Stock Exchange). The company is subject to section 3-3b of the Norwegian Accounting Act, which requires the company to disclose certain corporate governance related information annually. In addition, Oslo Stock Exchange's Continuing Obligations requires listed companies to publish an annual statement of its principles and practices with respect to corporate governance, covering every section of the latest version of the Code. The Continuing Obligations also sets out an overview of information required to be included in the statement. The Norwegian Accounting Act is available at www.lovdata.no (in Norwegian), while the Continuing Obligations is available at www.oslobors.no.

NORBIT complies with the current code of practice, issued on 17 October 2018. The Code is available at www.nues.no. Application of the Code is based on the 'comply or explain' principle, which means that the company must provide an explanation if it has chosen an alternative approach to specific recommendations.

NORBIT provides an annual statement of its adherence to corporate governance in its annual report, and this information is also available from www.norbit.com. This statement describes how NORBIT has conducted itself with respect to the Code in 2019.

Deviations from the Code: None

2. BUSINESS ACTIVITY

NORBIT is a global provider of tailored technology solutions to carefully selected niches. The company's business purpose is set out in its Articles of Association as:

"The company is the parent company of an internationally focused technology group which provides custom-made high-technology products in selected niche markets. This is done through acquisition, management and trading in shares, partnership interests and other securities."

The board has defined clear objectives for the company, to ensure value creation for the shareholders. This includes the following long-term financial targets:

- 3-year revenue CAGR of more than 25 per cent from 2017
- A long-term ambition of an EBITDA margin of more than 20 per cent
- Ambition to invest approximately 5 per cent of annual revenue to R&D

Purpose and values

Engaging in the activities described in the Articles of Association, the company has defined its core purpose as: **"Explore More".**

The following corporate vision has been basis for annual board review:

"NORBIT is to be recognised as world class, enabling people to explore more."

NORBIT gives each employee considerable scope in making decisions regarding his or her work. This implies a large degree of freedom, but it also places substantial responsibility on the employees. The company's core values assure customer focus and in that matter function as general guidelines in the daily work.

The company has formulated the following core values as guidelines for the company's business operations:

- We deliver!
- Safe under pressure
- Refinement of talents

Ethical guidelines

NORBIT will maintain high ethical standards in its business concept and relations with customers, suppliers and employees. The following ethical guidelines will be practiced in the company and apply to all employees:

1. *Personal conduct:*

All employees and representatives of the company shall behave with respect and integrity towards business relations and partners, customers and colleagues. The executive management team has a particular responsibility to promote openness, loyalty and respect.

2. *Conflict of Interests:*

The company's employees or representatives shall avoid situations in which a conflict between their own personal and/or financial interests and the company's interests may occur.

3. *Confidential Information:*

Employees or representatives of the company possessing confidential information related to the company shall conduct themselves and safeguard such information with great care and loyalty and comply with any and all signed confidentiality statements.

4. *Influence:*

The company's employees and representatives shall neither directly nor indirectly offer, promise, request, demand or accept illegal or unjust gifts of money or any other remuneration in order to achieve a commercial benefit.

5. *Competition:*

The company supports fair and open competition. The company's employees and representatives shall never take part in any activities that may constitute a breach of competition legislation.

UN Global Compact

NORBIT has recently applied for membership in the UN Global Compact, the world's largest sustainability initiative. Through participation, the company confirms that it supports the Ten Principles of the UN Global Compact on human rights, labour, environment and anti-corruption.

NORBIT is committed to making the UN Global Compact and its principles part of the company's strategy, culture and day-to-day operations, and to engage in collaborative projects advancing the broader development goals of the UN. As part of this commitment, NORBIT has committed to reporting on practical actions that the company has taken (or plans to undertake) to implement the UN Global Compact principles, as well as a measurement of outcomes of these actions.

Deviations from the Code: None

3. EQUITY AND DIVIDENDS

The board is committed to maintain a satisfactory capital structure for the company according to the company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The board will continuously assess the company's capital requirements related to the company's strategy and risk profile.

Equity

As at 31 December 2019, the company's equity totalled NOK 443.6 million, which corresponds to an equity ratio of 73.9 per cent. The board considers NORBIT's capital structure to be appropriate to the company's objectives, strategy and risk profile.

Dividends

The board of NORBIT has established a dividend policy. Long term, the policy is to pay out between 30 and 50 per cent of the company's ordinary net profit after tax as dividends. When deciding on the annual dividend, the board will consider the company's financial position, investment plans as well as the needed financial flexibility for strategic growth.

The company further intends for any new material investments to be subject to separate funding through equity, debt or otherwise.

Based on the financial results for 2019, the board proposes a dividend of NOK 0.6 per share, in line with the company's dividend policy. The board considers NORBIT's financial capacity for further growth to be strong.

Board authorisations

Authorisations to the board to increase the share capital or to buy own shares will normally not be given for periods longer than until the next annual general meeting (AGM) of the company.

At the company's extraordinary general meeting 3 May 2019, the board was granted three authorisations by the general meeting to increase the company's share capital. In line with the Norwegian code of practice, each of the authorisations was considered separately.

The first authorisation was related to the listing of the company's shares on Oslo Børs and allowed the board to increase the company's share capital by up to NOK 1.5 million. The authorisation was only valid until 31 December 2019.

The second authorisation allowed the board to increase the company's share capital by up to NOK 600 000, through one or more share issues. The authorisation may be used to finance the company's investments or to finance mergers and/or acquisitions. The authorisation is valid until the next annual general meeting that will be held on 4 May 2020.

The third authorisation allowed the board to increase the company's share capital by up to NOK 150 000 through one or more share issues. The authorisation may be used to issues shares to the NORBIT group's employees, related to option- and incentive programmes.

It follows from the purpose of the authorisations that the board may need to waive existing shareholders' preference rights, which is permitted under the terms of the authorisations concerned.

Deviations from the Code: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

In the event of capital increases based on authorisations issued by the general meeting, where the existing shareholders' rights will be waived, the reason for this will be provided in a public announcement in connection with the capital increase.

Any transactions, agreements or arrangements between the company and its shareholders, members of the board, members of the executive management team or close associates of any such parties may only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall comply with the procedures set out in the Norwegian Public Limited Liability Companies Act.

The board shall arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or

arrangement in question is considered to be immaterial. Board members and members of the executive management team shall immediately notify the board if they have any material direct or indirect interest in any transaction entered into by the company.

Prétor Advokat, a Norwegian law firm, in which the board member Tom Solberg is a partner, renders legal services to the company. The services provided are mainly undertaken by Tom Solberg. The service fee to Prétor is disclosed in the notes to the financial statements.

NORBIT was listed on the Oslo Børs in June 2019. As per 31 December 2019, NORBIT does not own any own shares.

NORBIT's financial statements provide further information about transactions with related parties.

Deviations from the Code: None

5. SHARES AND NEGOTIABILITY

NORBIT has only one class of shares and all shares have equal rights. Each share has a face value of NOK 0.10 and carries one vote.

The company emphasise equal treatment of its shareholders and the shares are freely transferable.

Deviations from the Code: None

6. GENERAL MEETINGS

NORBIT's highest decision-making body is the general meeting of shareholders. All shareholders have the right to participate in the general meetings of the company.

Pursuant to article 8 of the company's articles of associations, shareholders who wish to participate in a general meeting, shall notify the company of this within a deadline which is set out in the notice of the general meeting, and which cannot expire earlier than five days prior to the meeting. The cut-off for confirmation of attendance shall be set as short as practically possible. The board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy.

Shareholders may send notification of their attendance, using the form provided, by post or email to the company's account manager DNB, or via the company's website, www.norbit.com.

The full notice for general meetings shall be sent to the shareholders no later than 21 days prior to the meeting. The board will ensure that the notice includes information about resolutions and that supporting information is sufficiently detailed to allow shareholders to form a view on all matters to be considered at the meeting. Notices shall provide information on procedures that shareholders shall observe in order to participate in and vote at the general meeting. The notice should also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting. The form for the appointment of a proxy should also be designed to make voting on each individual matter possible.

In accordance with article 8 of the company's articles of association, documents relating to matters to be addressed at a general meeting of shareholders may be made available on NORBIT's website. The same applies to documents which by law must be included in or attached to the invitation to attend the general meeting. If the documents are made available in this way, the statutory requirement with respect to distribution to shareholders is not applicable. A shareholder may nevertheless ask to be sent documents relating to matters to be discussed at a general meeting by post.

The annual general meeting (AGM) is held each year no later than six months after expiry of the preceding financial year. The 2020 AGM will be held on 4 May 2020 at the company's head office in Trondheim, Norway. The board and the company's auditor shall be present at general meetings.

Deviations from the Code: None

7. NOMINATION COMMITTEE

Article 7 of the company's articles of association stipulates the company shall have a nomination committee which is elected by the general meeting.

The nomination committee presents proposals to the general meeting regarding (i) election of the chair of the board, board members and any deputy members of the board, and (ii) election of members of the nomination committee. The nomination committee also presents to the general meeting proposals for remuneration to the board and to the nomination committee.

The members of the nomination committee should be selected to consider the interests of shareholders in general. The majority of the nomination committee must be independent of the board and the executive management team. Members of the executive management team must not be members of the nomination committee.

Instructions to the nomination committee was approved by the company's extraordinary general meeting on 3 May 2019. At the same meeting, the general meeting voted to postpone the election of a nomination committee until the company's first general meeting as a listed company. Therefore, as at 31 December 2019, NORBIT had not established a nomination committee. The board will propose members to the nomination committee to be elected by the company's annual general meeting to be held on 4 May 2020.

Deviations from the Code: NORBIT was listed at the Oslo Børs in June 2019. The company will establish a nomination committee during 2020.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

According to article 5 of the NORBIT's articles of associations, the board of directors shall consist of a minimum of three and a maximum of seven board members elected by the general meeting. The general meeting elects the chair of the board and the deputy chair of the board.

As of 31 December 2019, NORBIT's board comprise five members, of which all were elected for a period of two years at the company's extraordinary general meeting on 3 May 2019. Two of the members are women. The Public Limited Companies Act states that there should be at least three women on the board of directors when the board has between six and eight members.

In appointing members to the board, it is emphasised that the board shall have the requisite competency to independently evaluate the cases presented by the executive management team as well as the company's operation. It is also considered important that the board can function well as a body of colleagues. Board members shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Board members shall be encouraged to own shares in the company.

An overview of the board members' competence and background is available from the company's website www.norbit.com. As of 31 December 2019, all the board members held shares in NORBIT.

Independence of the board

NORBIT's board is composed such that it is able to act independently of any special interests. All the board members of NORBIT are deemed to be independent of senior executives, material business associates and the company's largest shareholders, although, as mentioned under section 4, board member Tom Solberg also performs legal services for the company.

Deviations from the Code: None

9. THE WORK OF THE BOARD OF DIRECTORS

The board shall ensure that the company has proper management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the board and the executive management team. The CEO is responsible for the executive management of the company.

Instructions to the board of directors and the CEO were approved by the board on 16 May 2019.

The board has the overall responsibility for the management of the company and the supervision of its day-to-day management and business activities. The board shall prepare an annual plan for its work with special emphasis on goals, strategy and implementation. The board's primary responsibility shall be (i) participating in the development and approval of the company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the executive management team. The board is also responsible for ensuring that the operation of the company is compliant with the company's values and ethical guidelines. The chairperson of the board is responsible for ensuring that the board's work is performed in an effective and correct manner.

All members of the board shall regularly receive information about the company's operational and financial development. The company's strategies shall regularly be subject to review and evaluation by the board.

The regulations governing the board's working practices includes guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality and inform the board of any possible conflict of interest.

The board meets as often as necessary to perform its duties. The board held a total of 15 meetings in 2019. 12 meetings were held following election of the new board on 3 May 2019, of which the attendance rate was 98 per cent.

The board shall prepare an annual evaluation of its work.

Sub-committees of the board

Audit committee

Pursuant to the Norwegian Public Limited Liability Companies Act and the listing rules of the Oslo Stock Exchange, the company shall have an audit committee. The audit committee is appointed by the board.

The committee's main tasks are to prepare the board's follow-up of the financial reporting process, monitor the group's internal control and risk management systems, and maintain an ongoing dialogue with the auditor. The audit committee held three meetings in 2019, two of them related to the interim results for the second half and the third quarter of the year. The attendance rate was 100 per cent.

As of 31 December 2019, the audit committee comprised the following:

- Trond Tuvstein, Chairperson
- Bente Avnung Landsnes

Remuneration committee

The company shall have a remuneration committee appointed by the board. The remuneration committee shall evaluate and propose the compensation of NORBIT's CEO and other members of the executive management team and provide general compensation related advice to the board.

The board approved instructions to the remuneration committee on 16 May 2019.

As of 31 December 2019, the remuneration committee comprised the following:

- Finn Haugan, Chariperson
- Tom Solberg
- Marit Collin

Deviations from the Code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board shall ensure that NORBIT has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The internal control and the systems shall also encompass the company's corporate values and ethical guidelines.

The objective of the risk management and internal control is to be to manage exposure to risks in order to ensure successful conduct of the company's business and to support the quality of its financial reporting.

The board shall carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

The board shall provide an account in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting.

Internal control of financial reporting is achieved through day-to-day follow-up by management, and supervision by the company's audit committee.

Deviations from the Code: None

11. BOARD REMUNERATION

The general meeting shall determine the board's remuneration annually. Remuneration of board members shall be reasonable and based on the board's responsibilities, work, time invested and the complexity of the enterprise. The remuneration to the board members shall not be performance-related nor include share option elements.

The board shall be informed if individual board members perform tasks for the company other than exercising their role as board members. Work in sub-committees may be compensated in addition to the remuneration received for board membership.

As mentioned above, board member Tom Solberg performs legal services for the company. Details about the fees paid are disclosed in the notes to the financial statements.

NORBIT will establish a nomination committee during 2020, and the nomination will present proposals for remuneration to the board to the general meeting.

At the company's extraordinary general meeting on 3 May 2019, the general meeting approved the board's remuneration until the company's AGM in 2020. The company's financial statements provide information regarding the board's remuneration.

Deviations from the Code: None

12. Remuneration of executive management

Pursuant to Section 6-16a of the Public Limited Companies Act, the board prepares a statement relating to the determination of salaries and other benefits payable to senior executives. This statement will, in line with the said statutory provision, be laid before the company's annual general meeting each year.

The company's senior executive remuneration policy is based primarily on the principle that executive pay should be competitive and motivating, in order to attract and retain key personnel with the necessary competence.

The statement refers to the fact that the board of directors shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the statement. The CEO will normally propose the remuneration to senior executives in consultation with members of the remuneration committee.

As NORBIT's shares was listed at the Oslo Børs in June 2019, the statement included in NORBIT's annual report for 2019 is the company's first statement on remuneration.

The board's statement is included in the 2019 annual report and further details relating to the salary and benefits payable to the CEO and other senior executives is available in notes to the financial statements.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATION

Investor relations

Communication with shareholders, investors and analysts is a high priority for NORBIT. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing a sound foundation for a valuation of the company. All market players shall have access to the same information, and all information is published in English. All notices sent to the stock exchange are made available on the company's website and at www.newsweb.no.

NORBIT's ambition is to comply with the Oslo Børs Code of Practice for IR ("the IR Code"), including recommendations on the reporting of information to investors on the company's websites, last updated on 1 July 2019. The company has, in line with the IR Code, also adopted an IR Policy. The CEO and CFO are responsible for communications with shareholders in the period between general meetings.

Financial information

The company holds investor presentations in association with the publication of its quarterly results. These presentations are open to all and provide an overview of the group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and company's own future prospects. These presentations are also made available on the company's website.

Quiet period

NORBIT will minimise its contacts with analysts, investors and journalists in the 30 days period prior to publication of its results. During this period, the company will minimise meetings with investors, analysts, media or other parties about the group's results and future outlook. This is to ensure that all interested parties in the market are treated equally.

Deviations from the Code: None

14. TAKE-OVER SITUATIONS

In a take-over process, should it occur, the board and the executive management team each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities. The board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the board shall ensure that:

a) the board will not seek to hinder or obstruct any takeover bid for the company's operations or shares unless there are particular reasons for doing so;

b) the board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;

c) the board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and

the board shall be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This could include obtaining a valuation and fairness opinion from an independent expert. On this basis, the board shall draw up a statement containing a well-grounded evaluation of the bid and make a recommendation as to whether or not the shareholders should accept the bid. The evaluation shall specify how, for example, a take-over would affect long-term value creation of NORBIT.

Deviations from the Code: None

15. AUDITOR

The auditor is appointed by the AGM and is independent of NORBIT ASA. Each year the board shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met.

Each year, the auditor shall draw up a plan for the execution of their auditing activities, and the plan shall be made known to the board of directors and the audit committee. The board should specifically consider if the auditor to a satisfactory degree also carries out a control function and the auditor shall meet with the audit committee annually to review and evaluate the company's internal control activities.

The auditor shall be present at board meetings where the annual accounts are on the agenda. Whenever necessary, the board shall meet with the auditor to review the auditor's view on the company's accounting principles, risk areas, internal control routines, etc.

The auditor may only be used as a financial advisor to the company provided that such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the company. Only the company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

At the annual general meeting the board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other specific assignments. The board shall arrange for the auditor to attend all general meetings.

Deviations from the Code: None

BOARD OF DIRECTORS' REPORT

In 2019, NORBIT had another year with strong profitable growth. The group recorded revenues of NOK 668 million, representing a 52 per cent growth and an EBITDA margin of 22 per cent. All business units delivered solid operational performance and revenue growth. New products, increased volumes and a high utilisation secured strong results. Significant shareholder value was created, and the board proposes a dividend of NOK 0.60 per share, in line with the dividend policy.

OVERVIEW OF THE BUSINESS

The board of directors' report for the NORBIT group ("NORBIT" or "the group") comprises NORBIT ASA ("the parent company") and all subsidiaries and associated companies. The parent company, NORBIT ASA, is a Norwegian public limited liability company.

Business and location

NORBIT is a global provider of tailored technology solutions to carefully selected niches. The group is headquartered in Trondheim, Norway, with in-house integrated manufacturing facilities at two locations in Norway; Selbu and Røros. NORBIT has sales and R&D offices located in Europe, North America, South America and Asia.

The business is organised in three business units: Oceans, Intelligent Traffic Systems (ITS) and Product Innovation and Realization (PIR).

The Oceans segment delivers tailored technology solutions to the global maritime markets and the ITS segment offers tailored connectivity solutions based on short range communication technology to intelligent traffic systems and truck applications. The PIR segment offers R&D services and contract manufacturing services to key customers. In addition, the segment sells products based on proprietary technology.

A further description of each business unit is presented under the section "Segment information".

Core purpose, vision and values

NORBIT has defined its core purpose to be "Explore More".

NORBIT's vision is: To be recognised as world class, enabling people to explore more. This is reflected in all the group's activities. From exploring customers' needs and commercial opportunities where NORBIT can bring new tailored technology, to always exploring how to improve performance in all aspects.

The group has strong core values, deeply rooted in the organisation, securing customer focus and acting as important guidelines in the daily work:

- We deliver!
- Safe under pressure
- Refinement of talents

Strategic platform

NORBIT has a clear strategy for continued growth, which implies the following goals and priorities for each of its three segments:

Oceans has an ambition to grow through a broadening of its product offering and expanding to new market niches, capitalising on its established global distribution network. In addition, NORBIT seeks to expand its distribution network by increasing the number of Tier 1 partners in its existing areas to strengthen its market presence and by targeting new selected regions.

Intelligent Traffic Systems (ITS) will maintain its leading position as an independent supplier for dedicated short-range communication solutions to industrial blue-chip customers within both automotive and satellite-based tolling. The segment will grow through new opportunities by utilising its intellectual property rights, strong customer relations and core domain knowledge.

Product Innovation and Realisation (PIR) includes the group's innovation capabilities. As part of this, special R&D projects for external customers are regarded as strategically important to ensure long-term leading-edge technology development expertise in the group. In addition, PIR will maintain its focus on delivering world-class manufacturing services to key long-term external customers, to also secure leading-edge manufacturing capabilities.

Markets and customers

NORBIT's key markets are the maritime markets, targeted by the Oceans segment, the automotive industry, targeted by the applications from the ITS segment as well as the contract manufacturing from the PIR segment and other market players from the transport sector, targeted by the ITS segment. In addition, the PIR segment offers solutions to various long-term key customers from different sectors.

Segment Oceans' offering is primarily serving selected parts of the global sonar market. The segment has a highly diversified customer base world-wide with the two largest customers in 2019 accounting for only approximately 8 per cent of revenues. NORBIT has established a global indirect sales and distribution network for the Oceans segment, supported by regional offices covering a wide range of customers in various industries. The segment has generally a low revenue visibility of 2 to 4 weeks, due to the short time from NORBIT receives the customer order until delivery. In addition, explained by a relatively high average unit price, quarterly revenues for segment Oceans will fluctuate between the quarters.

In the Intelligent traffic systems (ITS) segment, NORBIT offers systems and service solutions where its core competences in design and manufacturing are used to produce low power wireless secure communications devices tailored for special enforcement applications for traffic related challenges.

For the ITS segment, NORBIT has had a particular focus on the sub-market segments for devices based on dedicated short-range communication (DSRC). The markets for NORBIT's DSRC solutions for global navigation satellite systems (GNSS) based tolling devices and DSRC devices for smart tachographs are both considered relatively dependent on the size of the market for trucks. This is partially due to the intensified EU-initiated focus on utilisation of smart tachographs, distance-based tolling and the EU priority to connect all tolling in Europe and enable vehicles to only need one OBU (On-Board Unit) that connect to any European electronic tolling system. EU regulations related to smart tachographs was implemented from 15 June 2019. From this date all new trucks registered in the EU must have a smart tachograph installed in the vehicle.

NORBIT has a leading position in these sub-market segments, demonstrated by long-term contracts with large international corporations, and the group aims to further capitalise on its technology advantage, domain knowledge and customer relations going forward. Unlike the Oceans segments, ITS has few and large customers, with medium to long-term visibility.

NORBIT's PIR segment mainly has long-term relationships to selected key customers both for its contract manufacturing and sale of products based on proprietary technology.

The group's different product offering across its segments provides NORBIT with a robust and diversified customer base, making NORBIT well positioned to meet various market scenarios.

IMPORTANT EVENTS

Events in 2019

Successful IPO

On 21 June, NORBIT ASA was listed on the Oslo Børs (the Oslo Stock Exchange). In the company's initial public offering (IPO), the shares were priced at NOK 19.00 per share, generating net proceeds of NOK 233.2. Following the completion of the IPO, NORBIT ASA has a total of 56 786 918 shares issued and outstanding.

Agreements

In March 2019, NORBIT announced an important agreement with the German industry giant Continental Automotive for intelligent digital tachographs, with initial volume deliveries in the first quarter of 2019. The intelligent digital tachograph became mandatory for all newly registered trucks from mid of 2019, following a new EU directive.

In April, NORBIT announced another important frame agreement with the German company Toll Collect for units for satellite-based toll collection using DSRC technology (Dedicated Short-Range Communication), with initial volume deliveries in the first quarter of 2019. The units, that have both GPS and GPRS antennas integrated, enables significant installation cost reduction.


STOP

In July, NORBIT announced a contract award from an undisclosed customer in the maritime markets. The award was one of the group's first deliveries to the aquaculture sector and another result on how NORBIT works to capitalise on – and expand its domain knowledge in selected niches.

In September, a key automotive customer gave notice about a significant increase in volume deliveries, with an expected annual revenue impact for the PIR segment from 2020.

Acquisition

In January, NORBIT acquired the mobile payment specialist AblePay from a group of venture investors. One of AblePay's key products is a SIM/SAM card with embedded BLE called AblePay BlueCard. This product has been delivered to a range of payment terminal providers in high volumes enabling smooth mobile/app-based payment over the BlueTooth interface.

Organisation and capacity

During the second quarter of 2019, segment Oceans opened its first sales office in China, targeting this strategically important market. In addition, Oceans strengthened its business development and sales capabilities to prepare for further growth into new sub-markets.

NORBIT's facility in Røros has a high degree of robotisation, enabling high productivity and efficiency. During the year, the group projected an expansion the facility and in the third quarter, NORBIT received approvals from the local authorities to commence the expansion. The group expects the expansion, which also includes new manufacturing equipment, to be completed during the summer of 2020, with production commencing in the second half of 2020.

Events in 2020

New agreement

In January 2020, NORBIT announced that NORBIT Aptomar, part of segment Oceans, had agreed with an undisclosed international customer within the energy market about delivery of a system for vessel traffic monitoring and early warning asset protection, called SeaCOP eVTS. The award was strategically important to the group, as it proves the business model, both with regards to broadening the application area of existing products and solutions, as well as benefiting on the sales and distribution platform when entering new markets. The SeaCOP eVTS system combines remote sensing technologies like radar, infrared cameras and sonars, with state-of-the-art data fusion and artificial intelligence. The purpose is to give the user a situational awareness, information and tools to increase efficiency and reduce cost, at the same time ensuring the safety and integrity of people, the environment and marine assets.

FINANCIAL REVIEW

All amounts in brackets are comparative figures for 2018 unless otherwise specifically stated.

The following financial review is based on the consolidated financial statements of NORBIT ASA and its subsidiaries. The statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

In the view of the board, the income statement, the statements of comprehensive income, changes in equity and cash flow, the balance sheet and the accompanying notes provide satisfactory information about the operations, financial results and position of the group and the parent company at 31 December 2019.

Consolidated statement of income

Consolidated operating revenues for 2019 amounted to NOK 668.2 million (NOK 438.4 million). The segments Oceans and Intelligent Traffic Systems (ITS) are the main contributors to the growth for the year. Segment Oceans has delivered a steady growth of 31 per cent, while ITS has ramped up deliveries of new products on long-term contracts during the year. Also, the segment Product innovation & realization (PIR) has delivered a solid growth for the year with an 18 per cent increase in revenues.

Total operating expenses includes raw materials and change in inventories, employee benefit expenses, depreciation and amortisation expenses and other operating expenses. The total operating expenses amounted to NOK 565.3 million for the year (NOK 400.3 million). This includes a reduction of the total expenses by a one-off bargain purchase gain of NOK 10.9 million from the acquisition of AblePay in the first quarter of 2019 and one-off expenses of NOK 19.5 million related to settlement and termination of a synthetic option scheme and other employee benefits in the second quarter of 2019.

Operating profit was NOK 102.9 million for 2019 (NOK 38.0 million). Operating profit before depreciation and amortisation (EBITDA) amounted to NOK 149.7 million (NOK 74.8 million). For the full year of 2019, the group had items affecting comparability of a total of NOK -8.6 million, thus the EBITDA adjusted for items affecting comparability came in at NOK 158.3 million for the full year, representing a margin of 24 per cent. The group did not have items affecting comparability in 2018. The items include the one-off bargain purchase gain of NOK

10.9 million and the one-off employee expenses of NOK 19.5 million mentioned above.

Net financial items amounted to a expense of NOK 7.5 million for the full year (income of NOK 16.9 million), and includes one-off expenses related to the IPO of NOK 4.3 million for the second and third quarter of 2019 and a financial income of NOK 26.0 million related to sale of shares in the associated company Kvikna ehf. in 2018.

NORBIT recorded a profit before taxes of NOK 95.4 million (NOK 55.0 million). Tax expenses came to NOK 18.2 million for 2019 (NOK 7.0 million). Profit for 2019 therefore ended at NOK 77.3 million (NOK 48 million). The group does not have taxes payable due to losses carried forward from previous acquisitions.

Consolidated statement of financial position

NORBIT had total assets of NOK 600.0 million at 31 December 2019, an increase from NOK 470.5 million at the end of 2018.

Total non-current assets amounted to NOK 242.6 million at 31 December 2019, up from NOK 210.4 million one year before, whereas the largest items include intangible assets of NOK 135.3 million, property, plant and equipment of NOK 78.7 million and a deferred tax asset of NOK 25.6 million.

Invested R&D during 2019 was NOK 59.0 million (NOK 38.2 million), of which the acquisition of AblePay accounted for NOK 7.9 million. Adjusted for this effect, R&D investments to revenues was 7.6 per cent of revenues for 2019 (8.7 per cent).

Inventories increased during 2019 to meet the increased demand for NORBIT's products. The group keeps extra inventory of electronic components to maintain flexibility and to avoid unnecessary fluctuations in deliveries caused by volatile supply. As of 31 December, inventories amounted to NOK 167.8 million, compared to NOK 122.9 million at the end of 2018.

Trade receivables was NOK 149.9 million at 31 December 2019, up from NOK 102.0 million at the end of 2018. The increase can be explained by the higher activity and revenues for the group. A large share of the customers is in the automotive industry requiring long credit terms. Despite the increase, the group assess the credit risk to be low.

Bank deposits amounted to NOK 21.7 million as of 31 December 2019, up from NOK 9.1 million at the end of 2018.

NORBIT has a strong equity position, with total equity amounting to NOK 443.6 million at the end of 2019, representing an equity ratio of 73.9 per cent. At year-end 2018, the equity was NOK 157.9 million, with an equity ratio of 33.6 per cent.

Total comprehensive income increased the equity by NOK 78.6 million in 2019. The net proceeds from the share issue increased the equity by NOK 236.9 million. Prior to the IPO, NORBIT acquired shares from minority shareholders in NORBIT EMS and NORBIT ITS, reducing the equity by NOK 23.7 million, and paid a dividend in the first quarter of NOK 6.0 million.

The group repaid both short- and long-term liabilities to the bank during the 2019 and at the end of the year the group had undrawn short-term facilities of NOK 130 million and long-term facilities of NOK 150.0 million. Total liabilities were NOK 156.4 million at the end of 2019, compared to NOK 312.6 million at the end of 2018, where the reduction is mainly attributable to the repayment of bank loans.

Consolidated statement of cash flows

Operating activities generated a cash flow of NOK 41.2 million for 2019 (NOK 15.9 million), including a net increase in working capital of NOK 90.1 million (increase of NOK 49.6 million). The increase is mainly explained by higher profit for the period and higher increase in working capital following the higher activity of the group. The group also has higher depreciation and amortisation for 2019.

Cash flow used for investment activities was NOK 81.9 million for the year (NOK 46.2 million). The investments mainly consist of NOK 23.4 million related to payments for property, plant and equipment and NOK 59.0 million related to capitalisation of R&D expenses.

Financing activities generated a cash flow of NOK 53.3 million (NOK 24.6 million). This includes proceeds from the equity issue related to the IPO and listing at the Oslo Stock Exchange in June, generating net proceeds of NOK 233.2 million, as well as reduction of long-term debt of NOK 83.6 million and reduction of overdraft facility by NOK 71.1 million.

SEGMENT INFORMATION

NORBIT is organised in three operating segments: Oceans, Intelligent Traffic Systems (ITS) and Product Innovation and Realization (PIR)

Oceans

Oceans encompasses all NORBIT's knowledge and competence targeting the global maritime markets, including proprietary technology and solutions. The business unit offers ultra-compact sonars for a range of special applications including seabed mapping and hydrography and has also developed proprietary solutions and software for maritime and environmental monitoring. NORBIT Oceans is continuously working to expand its offering to selected niches.

Revenues for the Oceans segment amounted to NOK 249.0 million (NOK 189.9 million), representing an increase of 31 per cent. The segment's growth is attributable to increased sale of sonar solutions, as well as other products. The segment has succeeded in introducing its products and solutions into new market segments.

Operating expenses for segment Oceans, including employee expenses and other operating expenses, amounted to NOK 73.2 million for 2019 (NOK 66.7 million), an increase of 10 per cent compared to a revenue growth of 31 per cent for the same period, demonstrating an effective sales model through the global indirect distribution network.

EBITDA for the Oceans segment was NOK 64.1 million for 2019 (NOK 54.0 million), representing a margin of 26 per cent (28 per cent).

The Oceans segment has a continuous focus on expanding its product offering and tailoring its solutions to new sub-markets. The above-mentioned award to Aptomar, is a result of the segment's continuous development of tailored technology to new application areas in selected niches. In addition, the contract awarded in July 2019, from an undisclosed customer in the maritime markets, included deliveries to the strategically important aquaculture sector, thus another result on how NORBIT works to capitalise – and expand on its domain knowledge in selected niches.

Intelligent Traffic Systems (ITS)

Intelligent Traffic Systems (ITS) is a leading provider of tailored connectivity solutions based on short range communication technology to intelligent traffic systems and truck applications.

Revenues for ITS amounted to NOK 186.3 million for 2019 (NOK 39.5 million). The growth is driven by deliveries of new products on long-term contracts with large international companies, as well as an increase in demand for existing satellite tolling products.

Operating expenses for segment ITS amounted to NOK 38.1 million for the full year of 2019 (NOK 15.0 million). The increase is mainly explained by higher activity in the segment.

For the full year of 2019, EBITDA for ITS totalled NOK 83.1 million (NOK 9.6 million), representing an EBITDA margin 45 per cent (24 per cent). The margin is expected to fluctuate between the quarters and is mainly affected by the product mix and volumes sold.

Product Innovation and Realization (PIR)

The Product Innovation and Realization segment (PIR) was formed in May 2019, when gathering previous divisions for manufacturing services and sales of original design manufacturing into one business unit. The segment offers R&D services and contract manufacturing services to long-term key clients. In addition, the segment sells products based on proprietary technology, including special instrumentation based on radar, radio frequency and embedded signal processing technology.

NORBIT has manufacturing facilities in Røros and Selbu in Norway. The facility in Røros has a high degree of robotisation, enabling high productivity and efficiency. PIR's revenues are dependent on allocation of the production capacity between internal segments and contract manufacturing for external customers.

Revenues for PIR amounted to NOK 259.9 million for 2019 (NOK 221.1 million), representing an increase of 18 per cent mainly explained by higher sales of contract manufacturing.

Operating expenses for the PIR segment amounted to NOK 106.2 million for 2019 (NOK 83.9 million), whereas the increase is a result of higher manufacturing activity, more personnel, as well as higher other operating expenses following the high activity level.

The PIR segment recorded an EBITDA for the year of NOK 22.6 million (NOK 20.0 million), representing a margin of 9 per cent (9 per cent). As for the other business segments, the margin fluctuates between quarters depending on the product mix sold but is expected to smoothen out over the year.

RESEARCH AND DEVELOPMENT

Investments into research and development (R&D) has been an important part of NORBIT's strategy to develop new and innovative technological solutions and is expected to remain an important part of the group's strategy going forward. NORBIT has a long-term ambition to invest approximately 5 per cent of its annual revenue in R&D to secure long-term growth. For 2019, the group invested a total of NOK 59.0 million in R&D, of which the acquisition of AblePay in the first quarter accounted for NOK 7.9 million. Adjusted for this acquisition, the 2019 investments represent 7.6 per cent of the revenues for the year. For 2018, R&D investments amounted to NOK 38.2 million, representing 8.7 per cent of revenues for 2018.

In 2019, a significant part of NORBIT's investments in R&D was allocated to broadening the product offering in segment Oceans. The group expects the percentage to come down following an expected growth in revenues. However, NORBIT expects R&D investments for 2020 to be at approximately 8 to 10 per cent of revenues.

RISKS AND RISK MANAGEMENT

The NORBIT group is subject to a number of risks, including operational and financial risks. The management and the board are working to expand the structure of the group's risk management process.

Market risk

The activities of the group are international, with delivery of high-technology products, systems and solutions with related services, primarily to customers in the maritime markets and the automotive and transport markets. Market risk can therefore vary somewhat within these different segments and markets. Further, the group has exposure to a wide range of industries through its engineering and manufacturing services and covers amongst other various industrial customers.

Financial risks

NORBIT is exposed to several financial risks. Note 11 to the financial statements explains the group's exposure to financial risks and how these could affect the group's future financial performance.

Interest rate risk

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk.

Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

Foreign exchange

The group's main foreign exchange risk arises from contracts with customer denominated in foreign currencies and purchase of products and services in foreign exchange as a part of fulfilling contracts with customers.

Fluctuations in exchange rates can lead to increased or decreased profit margin in contracts with customers compared to the initial project calculus. The group is a net seller of EUR and a net buyer of USD.

The group's hedging practice over the last few years has been to hedge in the range of 30-50 per cent of expected net positions in EUR and USD on a rolling quarterly basis.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group is mainly exposed to credit risk related to trade receivables and other current receivables.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected losses are calculated through an individual assessment each receivable's credit risk. The assessment is carried out by senior staff in the group's finance department.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The group's strategy for managing liquidity risk is to have sufficient liquidity at all times in order to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the group's reputation. For unutilised credit facilities see note 6.

GOING CONCERN

The annual financial statements for 2019 have been prepared on the assumption that NORBIT is a going concern pursuant to section 3-3a of the Norwegian Accounting Act. With reference to the group's results and financial position, as well as forecasts for the years ahead, the conditions required for continuation as a going concern are hereby confirmed to exist. In the opinion of the board of directors, the group's financial position is good.

PARENT COMPANY RESULTS AND ALLOCATION OF NET PROFIT

The financial statements of the parent company are prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

The parent company had a profit before taxes of NOK 79.6 million (a profit of NOK 64.9 million). After a tax expense of NOK 17.2 million, the company recorded a net profit of NOK 62.4 million (net profit of NOK 58.4 million).

The board proposes the following allocation of the net profit of NOK 62.4 million for the parent company:

Dividend	NOK 34.1 million
Transferred to other equity	NOK 28.3 million

Following an evaluation, the board has concluded that the group will have an equity and liquidity after paying the proposed dividend, which is acceptable in relation to the risks and scope of its activities.

CORPORATE GOVERNANCE

Good corporate governance provides the foundation for long-term value creation, to the benefit of shareholders, employees and other stakeholders. The board of directors of NORBIT has established a set of governance principles in order to ensure a clear division of roles between the board of directors, the executive management and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance.

NORBIT is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 7 on the continuing obligations of stock exchange listed companies. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 17 October 2018, may be found at www.nues.no.

The annual statement on corporate governance for 2019 has been approved by the board and can be found in a separate section of this annual report.

CORPORATE SOCIAL RESPONSIBILITY

NORBIT is subject to corporate responsibility reporting requirements under section 3-3c of the Norwegian Accounting Act.

The group aims to create value for customers, shareholders, employees and the society at large; first and foremost, by producing a variety of specialised products and solutions that support the customers' sustainability strategies.

NORBIT's license to operate rests on confidence from its key stakeholders. All employees are therefore required to comply with the group's ethical guidelines to ensure maintenance of high ethical standards in its business concept and relations with customers, suppliers and employees. The ethical guidelines apply to all employees and include, among others, guidelines on personal conduct, conflicts of Interests, anti-corruption and fair competition.

The group does not have operations that require special discharge permits or cleaning measures. Waste is sorted according to the requirements applicable at the various locations.

NORBIT is characterised by continuous growth and development. As part of the group's efforts to further develop and improve its operations, a corporate responsibility project will be completed in 2020 in order to identify the most relevant environmental and social responsibility matters and stakeholders, as well as develop goals and strategies to ensure that corporate responsibility is integrated in NORBIT's business strategies, operations and stakeholder relations.

EMPLOYEES AND ORGANISATION

NORBIT's main asset is the knowledge and skills of its employees.

In 2019, the NORBIT group had an average work force of 246 full time equivalents (FTEs), compared to an average of 179 in 2018. The headquarter is in Trondheim, Norway, with manufacturing facilities in Selbu and Røros, Norway, and operations in Sweden, Germany, Poland, Austria, Hungary, Italy, UK, Iceland, Singapore, Brazil, China and US.

Employee share purchase programme

In 2014 NORBIT launched a shared-based payment program to incentivise the group's leading employees. The program had a duration of five years and was settled and terminated prior to the initial public offering in the second quarter of 2019. Currently, the group does not have a share purchase or option programme.

As part of NORBIT ASA's preparations for the listing at Oslo Børs in June 2019, all NORBIT employees and the members of the board of directors were invited to buy shares in the company in a separate employee offering. The shares in the employee offering were priced 20 per cent below the price in the regular offering to reflect the negative value of a two-year lock-up clause in the employee offering.

Changes to the executive management and board of directors

Prior to the listing of NORBIT's shares on Oslo Børs, a new board of directors was elected on the group's extraordinary general meeting on 3 May 2019. The new board consist of Finn Haugan as the chairperson, Bente Avnung Landsnes as the deputy chairperson, Trond Tuvstein, Martin Collin and Tom Solberg. Mr Solberg was elected to the board on 21 May 2009 and re-elected in May 2019. All members were elected for a period of two years. The Articles of Association provide that the board of directors shall consist of a minimum of three and a maximum of seven board members elected by NORBIT ASA's shareholders.

There were no changes in the management team during 2019. On 3 February 2020, NORBIT announced that the CFO, Stian Lønvik, had given notice to NORBIT that he will resign from his position. Lønvik has a 6-month termination period hence he will remain in position until end July 2020. NORBIT has started the search for his replacement.

HEALTH, SAFETY AND WORKING ENVIRONMENT

Working environment, sickness absence, incidents and injuries

NORBIT gives each employee considerable scope in making decisions regarding his or her work. This implies a large degree of freedom, but it also places substantial responsibility on the employees. The working environment in the group is perceived as very good.

During the second half of 2019, NORBIT completed an employee survey at the group's facility at Røros. The response rate was at 92 per cent and the feedback from the employees was very positive.

The group only had 2.6 per cent absence due to illness in 2019, also supporting the good working environment, compared to 3.8 per cent in 2018. No significant injuries or accidents have been recorded through the year.

Equal opportunities

Of the total 246 FTE's in the group, 70 are women, giving a female percentage of the workforce of 28.5 per cent. The board of directors of consists of five members, of which two are women, while six out of six members of the management team are men. The group is committed to promoting equality and equal treatment at all stages of the organisation and other relationships.

SHARE AND SHAREHOLDER MATTERS

On 20 June 2019, NORBIT ASAs shares were listed at the Oslo Børs (Oslo Stock Exchange) at a price of NOK 19 per share. The shares are traded under the symbol NORBIT. Prior to the listing, the company completed an initial public offering, including the issuance of 13 357 418 new shares, raising gross proceeds of approximately NOK 250 million.

From the listing and until the end of 2019, the share traded between NOK 18.10 and NOK 24.00 per share, with a closing price of NOK 20.00 at 30 December 2019.

On 6 December 2019, the company announced that it had entered into a market making agreement with Pareto Securities, with a purpose to enhance the liquidity of the trading of the company's shares. The first day of market making was on 9 December 2019.

As of 31 December2019, the company had a total of 1 207 shareholders, of which the 20 largest shareholders held 82.78 per cent of the total outstanding shares. The company has a total of 56 786 918 issued and outstanding shares.

NORBIT has one share class and all shares have equal rights in the company. The shares are registered in the Norwegian Central Securities Depository (VPS). The company's registrar is DNB Markets. The shares carry the securities number ISIN NO 001 0734338.

NORBIT's annual general meeting for 2020 is planned to be held at the company's headquarter in Trondheim on 4 May 2020.

Dividends

NORBIT's dividend policy is to pay out annual dividends between 30 and 50 per cent of the group's ordinary net profit after tax. When deciding on the annual dividend, the board of directors will consider the group's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.

For 2019, the board of directors proposes a dividend of NOK 0.60 per share, in line with the company's dividend policy and based on the assessments of the company's financial position, investment plans as well as the financial flexibility needed to provide for sustainable growth. The board considers NORBIT's financial capacity for further growth to be strong.

The proposed dividend will be considered at NORBIT's annual general meeting on 4 May 2020.

For 2018, NORBIT paid dividends in the aggregate amount of NOK 6.0 million prior to the listing of the company's shares at the Oslo Børs in June 2019, while a total of NOK 16.0 million was paid in dividends for 2017.

OUTLOOK

2019 was a good financial and operational year for NORBIT. All three business units delivered profitable growth and the group also made significant investments both in development of new products and solutions and in strengthening of the organisation, in particular within business development and sales for segment Oceans.

NORBIT strongly believes in the untapped potential for the core sonar technology of the Oceans segment and the opportunities that exist in expanding the product offering to new sub-markets. Therefore, the group has strengthened its business development- and sales capacities for applications to environmental monitoring, surveillance and defence in this segment. A significant part of NORBIT's investments in R&D for 2019 was allocated to broadening the product offering in segment Oceans and the board and management expect that this will continue for 2020 and that R&D investments will be approximately 8 to 10 per cent of revenues. The quarterly revenues are still expected to fluctuate, and the profit margin for the segment will vary based on the product mix sold in each quarter.

For the ITS segment, the long-term outlook is attractive for NORBIT. NORBIT has a very strong position as an independent supplier for dedicated short-range communication solutions to industrial blue-chip clients within both automotive and satellite-based tolling. The interest in road pricing and distance-based taxation, is intensifying. In the short-term outlook NORBIT expects somewhat lower visibility in customer orders from the European Automotive Industry, resulting from a reported decline in the demand for heavy trucks in 2020.

NORBIT's long-term financial targets include a 3-year revenue CAGR of more than 25 per cent starting from 2017, and an ambition of an EBITDA margin of more than 20 per cent. In addition, the group has launched its ambition to invest approximately 5 per cent of its annual revenue to R&D to secure long-term growth. The targets remain unchanged.

During the first quarter of 2020, the COVID-19 virus has spread at an exponential growth rate in most parts of the world, representing a significant risk for reduced income in many industries. As the magnitude and consequences of the COVID-19 virus is still very uncertain, the potential consequences for NORBIT's operations are also hard to predict. NORBIT's board and executive management are closely monitoring the situation and implementing measures as required.

The board wishes to express its gratitude to all the NORBIT employees, including the executive management, for their dedicated efforts, contributing to NORBIT's strong growth and successful development.

Trondheim, Norway, 16 March 2020
The board of directors and CEO
NORBIT ASA

Finn Haugan
Chair of the board

Bente Avnung Landsnes
Deputy chair of the board

Tom Solberg
Board member

Trond Tuvstein
Board member

Marit Collin
Board member

Per Jørgen Weisethaunet
Chief executive officer

FINANCIAL STATEMENTS 2019

NORBIT GROUP

NORBIT ASA

CONSOLIDATED STATEMENT OF INCOME

Amounts in NOK thousand	*Note*	2019	2018
Revenues	*2, 23*	668 176	438 369
Other gains	*13*	10 865	
Raw materials and change in inventories	*8c*	304 495	209 540
Employee benefit expenses	*4, 8d, 18, 18, 19*	161 650	110 856
Depreciation and amortisation expenses	*7, 8a*	46 836	36 714
Other operating expenses	*4*	63 147	43 210
Operating profit		**102 913**	**38 048**
Share of profit of associates	*4*	1 470	26 261
Financial income	*4*	2 962	15 059
Financial expenses	*4*	11 914	24 381
Net financial items		(8 952)	(9 322)
Profit before tax		**95 432**	**54 987**
Income tax expense	*5*	(18 158)	(7 036)
Profit for the period		**77 274**	**47 951**
Attributable to:			
Owners of the company		77 263	47 636
Non-controlling interests	*14*	10	314
		77 274	47 951
Earnings per share			
Basic (NOK per share)	*20*	1.45	1.11
Diluted (NOK per share)	*20*	1.45	1.11

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in NOK thousand	*Note*	2019	2018
Profit for the period		77 274	47 951
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(112)	603
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	*14*	1 385	
Other comprehensive income for the period, net of tax		1 273	603
Total comprehensive income for the period		**78 547**	**48 554**
Total comprehensive income for the period is attributable to:			
Owners of the company		78 536	48 239
Non-controlling interests		10	314
		78 547	48 554

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in NOK thousand	*Note*	31.12.2019	31.12.2018
ASSETS			
Land and property, plant and equipment	*7*	78 653	70 963
Intangible assets	*8a*	135 318	104 279
Deferred tax asset	*8b*	25 623	33 130
Investments accounted for using the equity method	*14*	2 872	1 402
Shares in other companies	*6*	100	626
Total non-current assets		242 567	210 400
Inventories	*8c*	167 801	122 890
Trade receivables	*6*	149 877	101 976
Other receivables and prepayments		18 086	26 120
Bank deposits	*6*	21 680	9 091
Total current assets		357 443	260 077
Total assets		**600 010**	**470 477**
LIABILITIES			
Borrowings	*11*	15 843	84 827
Lease liabilities	*22*	3 954	5 863
Other liabilities		341	155
Total non-current liabilities		20 138	90 845
Trade payables	*6*	89 161	75 591
Other payables	*6*	39 262	52 757
Borrowings	*11*	3 429	85 152
Lease liabilities	*7, 22*	4 441	7 004
Derivative financial instruments	*11*		1 213
Total current liabilities		136 294	221 717
Total liabilities		**156 431**	**312 562**
Share capital	*9*	5 679	434
Share premium	*9*	275 433	43 820
Retained earnings	*9*	161 923	103 939
Non-controlling interests	*14*	544	9 722
Total equity		**443 579**	**157 915**
Total equity and liabilities		**600 010**	**470 477**

Trondheim, Norway, 16 March 2020
The board of directors and CEO
NORBIT ASA

Finn Haugan
Chair of the board

Bente Avnung Landsnes
Deputy chair of the board

Tom Solberg
Board member

Trond Tuvstein
Board member

Marit Collin
Board member

Per Jørgen Weisethaunet
Chief executive officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners					
Amounts in NOK thousand	*Note*	Share capital and premium	Other equity	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2018		410	33 344	71 700	105 454	9 408	114 862
Profit for the period				47 636	47 636	314	47 951
Other comprehensive income				603	603		603
Total comprehensive income for the period		-	-	**48 239**	**48 239**	**314**	**48 554**
Transaction with owners in their capacity as owners:							
Contribution of equity, net of transaction costs and tax		24	10 476		10 500		10 500
Dividends paid	*12*			(16 000)	(16 000)		(16 000)
Total transactions with owners		**24**	**10 476**	**(16 000)**	**(5 500)**	-	**(5 500)**
Balance at 31 December 2018		**434**	**43 820**	**103 939**	**148 193**	**9 722**	**157 915**

		Attributable to owners					
Amounts in NOK thousand	*Note*	Share capital	Share premium	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019		434	43 820	103 939	148 193	9 722	157 915
Profit for the period				77 263	77 263	10	77 274
Other comprehensive income				1 273	1 273		1 273
Total comprehensive income for the period		-	-	**78 536**	**78 536**	**10**	**78 547**
Transaction with owners in their capacity as owners:							
Contribution of equity, net of transaction costs and tax	*1, 9*	5 244	231 613		236 857		236 857
Transaction with non-controlling interest	*14*			(14 552)	(14 552)	(9 189)	(23 742)
Dividends paid	*12*			(6 000)	(6 000)		(6 000)
Total transactions with owners		**5 244**	**231 613**	**(20 552)**	**216 305**	**(9 189)**	**207 115**
Balance at 31 December 2019		**5 679**	**275 433**	**161 923**	**443 034**	**544**	**443 579**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in NOK thousand	Note	2019	2018
Profit for the period		77 274	47 951
Adjustments for:			
Income tax expense recognised in profit or loss		18 158	7 036
Share of profit of associates		(1 470)	(287)
Investment income recognised in profit or loss	*3, 13*	(10 865)	(25 974)
Depreciation and amortisation	*7, 8a*	46 836	36 714
Movements in working capital:			
(Increase)/decrease in trade receivables		(47 901)	(46 004)
(Increase)/decrease in inventories		(44 910)	(41 866)
Increase/(decrease) in trade payables		13 570	30 044
Increase/(decrease) in accruals		(9 472)	8 329
(Decrease)/increase in other liabilities			(87)
Net cash generated by operating activities		**41 219**	**15 855**
Cash flows from investing activities:			
Payments to acquire financial assets			(26)
Proceeds on sale of financial assets			29 389
Payments for property, plant and equipment	*7*	(23 352)	(37 294)
Payments for intangible assets		(58 957)	(38 226)
Net cash inflow on acquisition of subsidiaries		422	
Net cash (used in)/generated by investing activities		**(81 887)**	**(46 157)**
Cash flows from financing activities:			
Proceeds from issue of equity instruments of the company	*1, 9*	250 000	10 500
Payment for services related to issue of equity instruments	*1, 9*	(16 850)	
Transactions with non-controlling interests	*14*	(19 254)	
Proceeds from borrowings		106 306	34 651
Repayment of borrowings	*1*	(182 896)	(14 928)
Repayment of borrowings through leases	*22*	(6 966)	(6 656)
Net change in overdraft facility	*1*	(71 082)	17 014
Dividends paid	*12*	(6 000)	(16 000)
Net cash (used in)/generated by financing activities		**53 257**	**24 581**
Net increase in bank deposits		12 589	(5 720)
Bank deposits at the beginning of the period		9 091	14 811
Bank deposits at the end of the period		**21 680**	**9 091**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

LISTING ON OSLO STOCK EXCHANGE
NORBIT group AS was converted to NORBIT ASA and made a successful IPO and was listed on Oslo Stock Exchange in June 2019. Total equity contribution was NOK 250 000 thousand. Total expenses related to the raise of capital and the listing was NOK 21 180 thousand, of which NOK 16 850 thousand was recorded as a reduction of the equity contribution, and NOK 4 330 thousand was recorded as other financial expenses.

SETTLEMENT OF SHARE-BASED PAYMENT PROGRAM
In 2014 NORBIT launched a share-based payment program to incentivise the group's leading employees. The options being granted in this program are synthetic, meaning that they give a right to payment in cash equivalent to the amount real purchase options would have given, but there are no new shares being issued. The program had a duration of five years from the agreement was signed, the options were settled in Q2 when the company was listed.Effect on employee benefit expenses was NOK 19 464 thousand related to the termination of the program and other employee benefits.

BUSINESS COMBINATIONS
100 per cent of the share capital in Ablepay AS was acquired in the beginning of 2019. Ablepay was acquired for the company's own developed technology and the possible synergies the acquisition has with other companies within the group. Please refer note 13 for more information.

TRANSACTIONS WITH NON-CONTROLLING INTEREST
The company acquired shares from non-controlling interest in NORBIT EMS AS and NORBIT ITS AS totalling NOK 23 742 thousand, leading to a reduction of Non-controlling interest of NOK 9 189 thousand and Retained earnings of NOK 14 552 thousand.

NEW CREDIT FACILITY IMPLEMENTED
A new credit and guarantee facility provided by DNB was implemented early 2019. The company has made a repayment of long term debt to DNB after the listing. The company has an undrawn long term facility of NOK 150 million and an undrawn short term facility of NOK 130 million as of end of 2019.

NOTE 02 SEGMENT INFORMATION

DESCRIPTION OF SEGMENTS AND PRINCIPAL ACTIVITIES
NORBIT ASA is organised in three operating segments; Oceans, Intelligent Traffic Systems (ITS) and Product, Innovation & Realization (PIR).

The Oceans segment delivers tailored technology solutions to the global maritime markets, the ITS segment offers tailored connectivity solutions based on short range communication technology to intelligent traffic systems, while the PIR segment enables in house multidisciplinary R&D and manufacturing.

Oceans encompasses all NORBIT's knowledge and competence targeting the global maritime markets, including proprietary technology and solutions. The company offers ultra-compact sonars for a range of special applications including seabed mapping and hydrography. The company has further developed proprietary solutions and software for maritime and environmental monitoring. NORBIT is continuously working on expanding its offering in selected niches within the Oceans segment.

Intelligent Traffic Systems (ITS) is a leading provider of tailored connectivity solutions based on short range communication technology to intelligent traffic systems and truck applications.

The Product Innovation and Realization segment (PIR) offers R&D services and contract manufacturing services to long-term key clients. In addition, the segment sells products based on proprietary technology, including special instrumentation based on radar, radio frequency and embedded signal processing technology. NORBIT has manufacturing facilities in Røros and Selbu in Norway. The facility in Røros has a high degree of robotisation, enabling high productivity and efficiency. PIR's revenues are dependent on allocation of the production capacity between internal segments and contract manufacturing for external customers.

PROFIT BEFORE TAX FOR DIFFERENT SEGMENTS

	2019				
Amounts in NOK thousand	Oceans	ITS	PIR	Group/ eliminations	Total
Revenues	248 959	186 276	259 901	(26 961)	668 176
Raw materials and change in inventories	111 645	65 123	131 151	(3 424)	304 495
Operating expenses	73 213	38 072	106 199	(3 552)	213 932
EBITDA	**64 102**	**83 081**	**22 551**	**(19 985)**	149 749
EBITDA margin	26%	45%	9%		22%
Depreciation	2 106	1 540	13 399	1 872	18 917
Amortisation and impairment	11 435	11 687	4 797		27 919
EBIT	50 561	69 855	4 355	(21 857)	102 913
Total financial items (not allocated)					(7 482)
Profit before tax					**95 432**
Taxes (not allocated)					(18 158)
Profit after tax					**77 274**
Timing of revenues					
At point in time	234 777	186 276	254 403		
Over time	14 182		5 498		
Total	**248 959**	**186 276**	**259 901**		

	2018				
Amounts in NOK thousand	Oceans	ITS	PIR	Group/ eliminations	Total
Revenues	189 943	39 466	221 084	(12 124)	438 369
Raw materials and change in inventories	69 292	14 881	117 129	8 238	209 540
Operating expenses	66 653	14 957	83 936	(11 479)	154 067
EBITDA	**53 998**	**9 628**	**20 019**	**(8 883)**	**74 762**
EBITDA margin	28%	24%	9%		17%
Depreciation	2 401	744	10 747	1 814	15 706
Amortisation and impairment	12 730	5 322	2 955		21 007
EBIT	38 867	3 562	6 317	(10 697)	38 048
Total financial items (not allocated)					16 939
Profit before tax					**54 987**
Taxes (not allocated)					(7 036)
Profit after tax					47 951
Timing of revenues					
At point in time	165 302	39 466	205 360		
Over time	24 641		15 724		
Total	189 943	39 466	221 084		

NOTE 03 MATERIAL PROFIT OR LOSS ITEMS AND ITEMS IN OTHER COMPREHENSIVE INCOME

INCOME ON INVESTMENTS
Financial income in 2018 was significantly influenced by the group's partial sale of the associated company Kvikna Ehf. NORBIT reduced it's holding in Kvikna Ehf. from 33.34 to 5.78 per cent and realised a profit of NOK 25 974 thousand from the sale of shares.

CHANGES IN THE FAIR VALUE OF EQUITY INVESTMENTS AT FAIR VALUE THROUGH OCI
In 2019 NORBIT sold the remaining shares in Kvikna Ehf. This is presented as changes in the fair value of equity investments at fair value through other comprehensive income. The sale resulted in a income of NOK 1 385 thousand.

OTHER GAINS AND LOSSES
NORBIT acquired 100 per cent of the shares in Ablepay in the beginning of 2019. The price of the shares in the company was significantly lower than the value of the assets. As a result of this NOK 10 865 thousand was recorded as other gain in the statement of profit and loss. Refer to note 13 for more details.

LISTING ON OSLO STOCK EXCHANGE
NORBIT group AS was converted to NORBIT ASA and made a sucsessful IPO and was listed on Oslo Stock Exchange in June 2019. Total equity contribution was NOK 250 000 thousand. Total expenses related to the raise of capital and the listing was NOK 21 180 thousand, of which NOK 16 850 thousand was recorded as a reduction of the equity contribution, and NOK 4 330 thousand was recorded as other financial expenses.

SETTLEMENT OF SHARE-BASED PAYMENT PROGRAM
In 2014 NORBIT launched a share-based payment program to incentivise the group's leading employees. The options being granted in this program are synthetic, meaning that they give a right to payment in cash equivalent to the amount real purchase options would have given, but there are no new shares being issued. The program had a duration of five years from the agreement was signed, the options were settled in 2019 when the company was listed.

Effect on employee benefit expenses was NOK 19 464 thousand related to the termination of the program and other employee benefits.

NOTE 04 OTHER INCOME AND EXPENSE ITEMS

GOVERNMENT GRANTS
The group has received government grants of a total of NOK 5 461 thousand in 2019 (NOK 7 644 thousand in 2018).
The grants are accounted as reduction of payroll, other operating expenses or intangible assets.

SPECIFICATIONS OF OTHER OPERATING EXPENSES

Amounts in NOK thousand	2019	2018
External services	31 990	24 066
Travel expenses	5 177	4 137
Freight	3 588	2 154
Office supplies	4 171	3 562
Marketing	5 938	5 108
Guarantee, service and support	6 523	2 874
Other operating expenses	5 760	1 309
Total	**63 147**	**43 210**

SHARE OF PROFIT OF ASSOCIATES AND FINANCE INCOME AND COSTS

Share of profit of associates:

Amounts in NOK thousand	2019	2018
Kilmore	664	287
Kvikna Consulting	807	25 974
Share of profit of associates	**1 471**	**26 261**

Financial income and expenses

Amounts in NOK thousand	2019	2018
Financial income		
Financial exchange gain (net)	1 382	1 640
Other financial income	1 580	13 419
Financial income	**2 962**	**15 059**
Financial expenses		
Interest expenses	6 112	9 252
IPO related expenses	4 330	
Other financial expenses	1 472	15 129
Financial expenses	**11 914**	**24 381**
Net financial items	**(8 952)**	**(9 322)**

AUDITOR'S REMUNERATION

Amounts in NOK thousand	2019	2018
Audit fee	805	616
Tax fee	20	20
Other audit related services	446	80
Auditor's remuneration in other operating expenses	**1 271**	**716**
Other IPO related services classified as finance cost *	857	
Other IPO related services charged directly to equity	857	
Total auditor's remuneration	**2 985**	**716**

** Audit of IFRS accounts for 2018 and review of Q1 2019 in connection with the IPO is included.*

PAYROLL EXPENSES

Amounts in NOK thousand	2019	2018
Salaries	135 350	97 385
Pension costs	8 191	4 236
Payroll tax	14 511	13 140
Capitalised payroll expenses as development asset	(18 669)	(12 051)
Synthetical share-based payment expenses and other bonuses	16 744	1 154
Other payroll expenses	5 523	6 993
Total payroll expenses	**161 650**	**110 856**
Average number of FTEs	246	176

NOTE 05 INCOME TAX EXPENSE

Amounts in NOK thousand	2019	2018
Current tax		
Current tax on profits for the year *	339	
Adjustments for current tax of prior periods		
Total current tax expense	**339**	**-**
Deferred income tax		
Decrease/(increase) in deferred tax asset	17 819	7 036
Total deferred tax expense/(benefit)	**17 819**	**7 036**
Total income tax expense	**18 158**	**7 036**

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

Amounts in NOK thousand	2019	2018
Profit before income tax expense	95 432	54 987
Tax at the rate of 22 per cent	20 995	12 647
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Income from associated companies	(323)	(5 777)
Change in tax rate		1 625
Change in unrecognised tax asset		
Tax result other permanent differences	(2 514)	(1 459)
Subtotal	**18 158**	**7 036**

AMOUNTS RECOGNISED DIRECTLY IN EQUITY

Amounts in NOK thousand	2019	2018
Deferred tax: Tax on transaction costs	(3 707)	
Total	**(3 707)**	**-**

** Current tax relates to foreign subsidiary and is classified as current liabilities in the balance sheet*

NOTE 06 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

MEASUREMENT BASES FOR FINANCIAL INSTRUMENTS

Financial assets

Amounts in NOK thousand	2019	2018
Financial assets at fair value		
Kvikna Ehf.		526
Tangen Næringsbygg AS	100	100
Total shares in other companies (through OCI)	**100**	**626**
Financial assets at amortised cost		
Trade receivables	149 877	101 976
Other receivables and prepayments	18 086	26 120
Bank deposits	21 680	9 091
Total	**189 643**	**137 187**

Financial liabilities

Amounts in NOK thousand	2019	2018
Liabilities at amortised cost		
Trade payables	89 161	75 591
Borrowings	19 273	169 978
Lease liabilities	8 395	12 867
Derivatives		1 213
Other payables	34 853	25 380
Total	**151 681**	**285 029**

TRADE RECEIVABLES

Amounts in NOK thousand	2019	2018
Current assets		
Trade receivables	150 916	102 616
Loss allowance	(1 039)	(640)
Total	**149 877**	**101 976**

Calculation of the loss allowance on trade receivables
NORBIT's operational approach to assessing receivables is based on an individual and specific assessment of each customer / receivable. This assessment is carried out by the relevant operating segment.

For trade receivable that are more than 60 days past due date, a scenario analysis is performed. The scenario analysis includes scenarios for (i) the client's bankruptcy, (ii) the client executes debt negotiations and (iii) the customer pays the claim in full.

Furthermore, the scenario analysis contains assumptions for expected losses in each scenario and the probability that each scenario will occur. Based on these assumptions, an expected loss in trade receivables is calculated.

Ageing of account receivables

Amounts in NOK thousand	2019
Not due	103 944
1-30 days past due date	20 348
31-60 days past due date	4 176
60+ days past due date	22 448
Total	**150 916**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

CASH AND CASH EQUIVALENTS

Amounts in NOK thousand	2019	2018
Bank deposits payable on demand	15 445	4 326
Bank deposits restricted to tax payments	6 235	4 765
Total	**21 680**	**9 091**

Restricted cash
Restricted cash was NOK 6 235 thousand (NOK 4 765 thousand in 2018) for the group.
Restricted cash is related to tax deductions that are paid in on an ongoing basis on behalf of employees.

TRADE AND OTHER PAYABLES

Current liabilities

Amounts in NOK thousand	2019	2018
Trade payables	89 161	75 591
Overdraft		72 403
Borrowings	3 429	12 749
Lease liabilities	4 441	7 004
Payroll tax and other statutory liabilities	8 025	11 587
Holiday pay accrual	15 293	12 060
Accrued interest	313	90
Prepayments from customers	4 647	18 017
Accrued liability under synthetical options program		3 802
Debt to former non-controlling interest	4 487	
Warranty accrual	1 092	1 249
Accrued salaries and board member fees	1 738	208
Other payables and accruals	3 668	5 745
Derivatives		1 213
Total	**136 294**	**221 717**

Trade payables are unsecured and are usually paid within 30 days of recognition.
The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

BORROWINGS

	2019		
Amounts in NOK thousand	Current	Non-current	Total
Secured			
Bank overdrafts	1 320		1 320
Bank loans	2 109	15 843	17 953
Lease liabilities	4 441	3 954	8 395
Total secured borrowings	**7 871**	**19 797**	**27 668**

	2018		
Amounts in NOK thousand	Current	Non-current	Total
Secured			
Bank overdrafts	72 403		72 403
Bank loans *	12 749	84 826	97 575
Lease liabilities	7 004	5 863	12 867
Total secured borrowings	**92 156**	**90 689**	**182 846**

** Of which next year's down-payment totals 10 366*

Bank overdraft facility (short-term)
The group has by the end of 2019 an undrawn short term facility of NOK 130 000 thousand. The short term facility is priced at 1M NIBOR + 1,4 per cent margin p.a.

Bank loan facility (long-term)
The group has by the end of 2019 an undrawn loan facility of NOK 150 000 thousand. The loan facility is priced at 3M NIBOR + 1,8 per cent margin p.a. Refer to note 12 for details on covenants related to the credit facilities.

Lease liabilities
The group has a portfolio of 17 leases (2018: 20) which mainly consist of lease of office premises and production equipment in the PIR operating segment. The lease agreements have remaining durations in the range of 1 to 55 months. Extension options in the lease agreements have been assessed and reflected in the IFRS 16 calculations if use of the option is reasonably certain. Refer to Note 22 for further details on the lease portfolio.

NOTE 07 LAND AND PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK thousand	Land and properties	Machinery, fixtures and fittings	**Total**
Cost at 1 January 2018	37 456	156 340	**193 796**
Accumulated depreciation	14 452	126 749	**141 201**
Net book amount 1 January 2018	**23 005**	**29 591**	**52 596**
Additions *	1 119	32 992	**34 111**
Disposals		37	**37**
Depreciation charge	1 992	13 714	**15 707**
Net book amount 31 December 2018	**22 131**	**48 832**	**70 963**
Cost at 1 January 2019	38 575	189 295	**227 870**
Accumulated depreciation	16 444	140 464	**156 907**
Net book amount 1 January 2019	**22 131**	**48 832**	**70 963**
Additions **	5 140	21 467	**26 607**
Depreciation charge	2 026	16 891	**18 917**
Net book amount 31 December 2019 ***	**25 245**	**53 408**	**78 653**
Useful life	25 years	3-7 years	
Depreciation method	Linear	Linear	

** Of which NOK 1 847 thousand relates to additions through new IFRS 16 lease agreements*
*** Of which NOK 3 255 thousand relates to additions through new IFRS 16 lease agreements*
**** Of which NOK 170 thousands relates to land*

LEASED ASSETS
Machinery, fixtures and fittings includes the following amounts where the group is a lessee:

Amounts in NOK thousand	2019	2018
Leased equipment		
Cost	32 934	28 489
Accumulated depreciation	24 727	15 790
Net book amount	**8 207**	12 699

Leased assets are office rent, production machinery and other office inventories. See note 22 for lease liabilities.

Non-current assets pledget as security
It is referred to note 21.

Impairment loss and compensation
There are no impairment losses in 2019 and 2018. It is referred to note 23 for accounting policies relevant to property, plant and equipment.

Change in depreciation period
There are no changes to the depreciation period for the fixed assets.

NOTE 08 (A) INTANGIBLE ASSETS

Amounts in NOK thousand	Capitalised development costs
Cost at 1 January 2018	170 182
Accumulated amortisation	72 810
Accumulated impairment	12 303
Net book amount 1 January 2018	**85 069**
Additions	40 217
Amortisation charge	21 007
Net book amount 31 December 2018	**104 279**
Cost at 1 January 2019	210 399
Accumulated amortisation	93 817
Accumulated impairment	12 303
Net book amount 1 January 2019	**104 279**
Additions *	58 957
Amortisation charge	27 919
Net book amount 31 December 2019	**135 318**
Useful life	3-5 years

Net book amount as of 31 December 2019 includes NOK 1 930 thousand of intangible assets with indefinite useful life.

* *In 2019 the group aquired Ablepay AS; this included additions in R&D of NOK 7 942 thousand. All other additions in R&D in 2019 and 2018 was developed internally by the group.*

In 2019, further development was made on own technology and own products within the market segments Intelligent Traffic Systems, Product Innovation & Realization and Oceans. In ITS the development projects primarely are related to next generation connectivity devices for GNSS tolling for trucks and DSRC-modules for digital tachographs. The majority of the projects was completed in Q1-2019 and sale commenced during the quarter. In Oceans the development is mainly related to next generation of both hardware and new software of the sonar.

(i) Amortisation methods and useful lives
The group amortises the capitalised development cost using the straight-line method over 3-5 years. Useful life is considered for each product and the amortisation period is equal to useful life of the developed product. See note 23 or the other accounting policies relevant to intangible assets.

(ii) Non-current assets pledget as security
It is referred to note 21.

(iii) Impairment
At the end of each reporting period, the group assess whether there are indications that any intangible asset has been impaired. If such indications are present, an estimate of the recoverable amount of the asset is calculated. Regardless of whether there is an indication of impairment, intangible assets with indefinite useful lives or intangible assets that are not yet available for use at the balance sheet date, are tested every year.

To assess whether indications of impairment exist, a simplified analysis of future cash flows from intangible assets similar to the requirements under IAS 36.39 is prepared. In this analysis estimated contribution per product is applied, ie. sales value less direct material cost and direct personnel costs. Both external documentation, budgets and forecasts are used in preparing the simplified cash flow analysis. It is also considered to what extent previous estimates of future cash flows have been met.

Future cash flows are calculated at the present value using a discount rate specific to the relevant asset. This rate is calculated based on the rate implicit in the current market transactions for similar assets or based on the weighted average cost of capital of a listed company that has a single asset (or portfolio of assets) that, in terms of potential performance and risk, corresponds to the relevant asset being tested for impairment.

No indication of impairment was identified in 2019 or in 2018. It is referred to note 23 for accounting policies relevant to intangible assets.

(iiii) Change in depreciation period
There are no changes to the depreciation period for the intangible assets.

NOTE 08 (B) DEFERRED TAX BALANCES

DEFERRED TAX ASSETS

Amounts in NOK thousand	2019	2018
The balance comprises temporary differencs attributable to:		
Tax losses	(14 763)	(21 071)
Intangible and fixed assets	(10 135)	(11 581)
Inventories	(674)	(944)
Other current assets	(122)	(26)
Other non-current liabilities	776	916
Other current liabilities	(527)	(225)
Provisions	(177)	(199)
Total deferred tax assets	**(25 623)**	**(33 130)**

Amounts in NOK thousand	Tax losses	Intangible and fixed assets	Inventories	Other	**Total**
Movements					
At 1 January 2018	**(29 314)**	**(10 253)**	**(829)**	**395**	**(40 001)**
(Charged)/credited					
-to profit or loss	8 408	(1 328)	(115)	71	7 036
-directly to equity	(165)				(165)
-to other comprehensive income					
At 31 December 2018	**(21 071)**	**(11 581)**	**(944)**	**466**	**(33 130)**
At 1 January 2019	**(21 071)**	**(11 581)**	**(944)**	**466**	**(33 130)**
(Charged)/credited					
- to profit or loss	16 193	1 446	270	(405)	17 504
-directly to equity	(3 707)				(3 707)
Acquisition of subsidiary	(6 178)			(112)	(6 290)
At 31 December 2019	**(14 763)**	**(10 135)**	**(674)**	**(51)**	**(25 623)**

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses. The group has assessed the probability of obtaining the necessary taxable profits based on budgets and forecasts. These analysis indicate that the group will be in a tax payable position within approximately 1-3 years.

NOTE 08 (C) INVENTORIES

Amounts in NOK thousand	2019	2018
Current assets		
Raw materials and stores	121 216	84 410
Work in progress	16 932	19 944
Finished goods - at cost	29 653	18 537
Book value	**167 801**	**122 890**
Inventory held at cost	170 865	127 183
Obsolescence raw materials	(3 064)	(4 293)
Book value	**167 801**	**122 890**

All inventories are valuated at the lower of cost and net realisable value.

Amounts in NOK thousand	2019	2018
Spesification of raw materials and consumables used		
Purchase of goods	346 202	251 237
Freight, customs etc.	3 203	1 690
Change of inventories	(44 910)	(41 866)
Total	**304 495**	**209 540**

NOTE 08 (D) PENSION

DEFINED CONTRIBUTION PLANS
The group has pension plans secured through collective agreements in insurance companies. The arrangement satisfies the requirements of the Act on Mandatory Occupational Pensions. The group has pension plans with defined contribution plans. The defined contribution plan means that the company has not incurred any future obligation. After the annual grant is paid the company has fulfilled its obligation in accordance with the arrangement.

AFP – EARLY RETIREMENT ARRANGEMENT
AFP is an early retirement arrangement organised by Norwegian employers, The Norwegian Confederation of Trade Unions (LO) and the Norwegian state. The AFP plan is providing additional lifelong pensions. The employees are given a choice of retirement age, with lower pension at earlier retirement. The Norwegian Accounting Standards Board has issued a statement concluding that the AFP plan is a multi-employer defined benefit plan. The AFP plan exposes the participating entities to actuarial risk associated with employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating entities. Sufficient information is not available to use defined benefit accounting and the AFP plan is accounted for as a defined contribution plan.

The AFP plan applies to the PIR operating segment only.

Refer to note 4 for further details on pensions

NOTE 09 EQUITY

SHARE CAPITAL AND SHARE PREMIUM
The share capital in NORBIT ASA at 31 December 2019 consists of one share class with a total of 56 786 918 shares with a face value of NOK 0,1 with a total share capital of NOK 5 678 692. Refer to note 18 for a spesification of the 20 largest shareholders.

	2019 Number of shares	2018 Number of shares*
Ordinary shares		
Fully paid	56 786 918	43 429 500
Total number of shares	**56 786 918**	**43 429 500**

** Number of shares reflecting the number after a 1:100 split that took place in May 2019.*

Movements in ordinary shares:

Amounts in NOK thousand	Number of shares	Per value	Share permium	Total
Opening balance 1 January 2018	**410 482**	**410**	**33 344**	**33 754**
Ordinary issue	23 813	24	10 476	10 500
Balance 31 December 2018	**434 295**	**434**	**43 820**	**44 254**
Split 1:100	43 429 500			
Ordinary issue	13 357 418	5 244	244 756	(250 000)
Less: Transaction costs arising on share issues			(13 143)	(13 143)
Balance 31 December 2019	**56 786 918**	**5 679**	**275 433**	**281 112**

RETAINED EARNINGS

Movements in retained earnings were as follows:

Amounts in NOK thousand	2019	2018
Balance 1 January	**103 939**	**71 700**
Net profit for the period	77 263	47 636
Items of other comprehensive income recognised directly in retained earnings	1 273	603
Transaction with non-controlling interest	(14 552)	
Dividends	(6 000)	(16 000)
Balance 31 December	**161 923**	**103 939**

NOTE 10 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

SIGNIFICANT ESTIMATES AND JUDGEMENTS
The areas involving significant estimates or judgements are:

- Assessment of economic life and amortisation plans of intangible assets
- Impairment of intangible assets
- Purchase price allocation and assesment of bargain gain in relation to the acquisition of NORBIT Ablepay AS
- Estimated fair value of synthetical options under IFRS 2 (only applicable to 2018)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

NOTE 11 FINANCIAL RISK MANAGEMENT

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

Market risk – interest rate
The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk.

Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

The following table shows the group's sensitivity to potential changes in interest rates. The calculation takes into account all interest-bearing financial instruments. The calculation in the table shows the effect based on interest-bearing financial instruments at the balance sheet date.

Amounts in NOK thousand	Impact on pre-tax profit 2019	Impact on pre-tax profit 2018
Interest rates - increase by 100 basis points *	(675)	(820)
Interest rates - decrease by 100 basis points *	675	820

** Ceteris paribus*

Market risk – foreign exchange
The group's main foreign exchange risk arises from contracts with customer denominated foreign currencies and purchase of products and services in foreign exchange as a part of fulfilling contracts with customers.

Fluctuations in exchange rates can lead to increased or decreased profit margin in contracts with customers compared to the initial project calculus. The group is a net seller og EUR and a net buyer of USD.

The group's hedging practice over the last few years has been to hedge in the range of 30–50 per cent of expected net positions in EUR and USD on a rolling quarterly basis.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group is mainly exposed to credit risk related to trade receivables and other current receivables.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The group's strategy for managing liquidity risk is to have sufficient liquidity at all times in order to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the group's reputation. For unutilised credit facilities see note 6.

DERIVATIVES
The group has the following derivative financial instruments:

	31.12.2019		31.12.2018	
Amounts in NOK thousand	EUR Amount base	USD Amount base	EUR Amount base	USD Amount base
Foreign currency forwards (sale)			12 600	
Average FX rate in contract	N/A		9.9489	

Classification of derivatives
Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. The group's accounting policy for its cash flow hedges is set out in note 25(p).

Further information about the derivatives used by the group is provided in note 12 below.

Fair value measurements
Fair value measurements of foreign currency contracts are based on Marked to Market reports from leading Norwegian currency traders, primarily major Norwegian banks.

Amounts in NOK thousand	**2019**	2018
Fair value measurements recognised in profit or loss	**1 213**	(1 398)

MARKET RISK
Foreign exchange risk
The group's exposure to foreign currency risk at the end of the reporting period was as follows:

Amounts in NOK thousand	31.12.2019	31.12.2018
Trade receivables	103 582	77 303
Trade payables	58 746	55 325

Instruments used by the group
The group operates internationally and is exposed to foreign exchange risk, primarily EUR and USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The risk is measured through a forecast of probable foreign exchange revenues and expenditures. The risk is hedged with the objective of minimising the volatility of the group's cash flow caused by exchange rate fluctuations The group treasury's risk management policy is to hedge between 30% and 50% of forecast net inflow/outflow of foreign currency up to one quarter in advance, subject to a review of the cost of implementing each hedge. However, the group's use of derivatives to reduce the foreign exchange risk exposure do not meet the hedge accounting criteria. Hence, the derivative transactions are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

CREDIT RISK

Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Impairment of financial assets

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held deposits at call of NOK 280 million (2018: NOK 18 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the group in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

Amounts in NOK thousand	2019	2018
Floating rate		
Expiring within one year (bank overdraft and bill facility)	3 429	85 152
Expiring beyond one year (bank loans)	15 843	84 827
Total	**19 272**	**169 979**

Maturities of financial liabilities

The table below provides an overview of the maturity profile of all financial liabilities. For bank loans the stated amount of book value is included estimated interest payments. Other items are stated at booked amounts. In cases where the counterparty may claim earlier redemption, the amount is placed in the earliest period the payment may be required from the counterparty.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES AT 31 DECEMBER 2019

Amounts in NOK thousand	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
Non-derivatives					
Trade payables	89 161			89 161	89 161
Borrowings	4 132	11 080	7 815	23 027	20 592
Lease liabilities	4 441	4 271		8 713	8 395
Other payables	8 025			8 025	8 025
Total	**105 759**	**15 017**	**7 815**	**128 925**	**126 172**

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES AT 31 DECEMBER 2018

Amounts in NOK thousand	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
Non-derivatives					
Trade payables	75 591			75 591	75 591
Borrowings	91 043	61 924	42 311	195 278	169 979
Lease liabilities	7 007	5 863		12 870	12 867
Other payables	13 022			13 022	13 022
Total	**186 663**	**67 787**	**42 311**	**296 761**	**271 459**
Derivatives					
Foreign currency forwards	1 213			1 213	1 213
Total	**1 213**	**-**	**-**	**1 213**	**1 213**

Amounts in NOK thousand	Borrowings	Lease liabilities	Total
01.01.2018	**132 197**	**17 676**	**149 873**
Cash changes			
- net changes in loans	37 781	(6 656)	31 125
- interest and fee payments	(9 951)	(636)	(10 587)
Non-cash changes			
- accrued interest and fee	9 952	636	10 588
- new leasing liabilitites		1 847	1 847
31.12.2018	**169 979**	**12 867**	**182 846**
01.01.2019	**169 979**	**12 867**	**182 846**
Cash changes			
- net changes in loans	(150 707)	(6 966)	(157 673)
- interest and fee payments	(6 919)	(400)	(7 320)
Non-cash changes			
- accrued interest and fee	6 919	400	7 320
- new leasing liabilitites		2 494	2 494
31.12.2019	**19 272**	**8 395**	**27 667**

NOTE 12 CAPITAL MANAGEMENT

RISK MANAGEMENT

The group's objectives when managing capital are to:

- safeguard it's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.
- maintain compliance with covenants from financial institutions
- In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.
- The group monitors capital on the basis of the following gearing ratios:
- Carrying value of total equity as per cent of carrying value of total assets
- Net interest bearing debt (NIBD) over EBITDA

EQUITY RATIOS 31 DECEMBER

Amounts in NOK thousand	2019	2018
Total equity	443 579	157 915
Total assets	600 010	470 477
Equity ratio	**74%**	**34%**

NIBD RATIOS 31 DECEMBER

Amounts in NOK thousand	2019	2018
NIBD	(2 407)	160 888
EBITDA	149 749	74 762
NIBD to EBITDA ratio	**(0.02)**	**2.15**

Loan covenants

Under the terms of the major borrowing facilities with DNB, the group is required to comply with the following financial covenants:

- Carrying value of total equity as per cent of carrying value of total assets > 30 per cent. To be reported on a quarterly basis.
- NIBD over EBITDA < 4. To be reported by 30 June and 31 December.

The group has complied with these covenants throughout the reporting period.

DIVIDENDS

NORBIT's dividend policy is to pay out annual dividends between 30 and 50 per cent of the group's ordinary net profit after tax. When deciding on the annual dividend, the board of directors will consider the group's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.

Amounts in NOK thousand	2019	2018
Ordinary shares		
Final dividend for the year ended 31 December 2017		6 000
Additional dividends paid during 2018		10 000
Final dividend for the year ended 31 December 2018	6 000	
Total dividends paid	**6 000**	**16 000**

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the board of directors have recommended the payment for the year ended 2019 (2018). The aggregate amount of the proposed dividend expected to be paid during May 2020 out of retained earings at 31 December 2019, but not recognised as liability at year end, is	34 072	16 000
Dividends per share *	0.60	**0.37**

Of the NOK 16 million paid during 2018, NOK 10 million is attributable to a proxy given to the board on the 2017 annual shareholder's meeting. The NOK 10 million in additonal dividend was paid in June 2018.

** 2018 dividend per share reflects share split 1:100 in May 2019.*

NOTE 13 BUSINESS COMBINATION

SUMMARY OF ACQUISITION

100 per cent of the share capital in Ablepay AS was acquired in the beginning of 2019. Ablepay was acquired for the company's own developed technology and the possible synergies the acquisition has with other companies within the group. Ablepay was founded in 2009 and the technology has been developed in close collaboration with SINTEF. NORBIT Ablepay is reported as a part of the PIR operating segment

Details of the purchase consideration, the net assets required and goodwill are as follows:

Purchase price allocation:

Amounts in NOK thousand	
Cash paid (NOK 100 thousand) + earn out (NOK 600 thousand)	700
Net assets acquired	11 565
Bargain gain	(10 865)

The price of the shares in the company was significantly lower than the value of the assets. The previous owners were not willing to invest more into the company and the industrial fit to NORBIT was clear due to the production and development of the fact that products can be further developed and produced in close collaboration with resources within the PIR-segment and the exsisting emloyees of Ablepay. NORBIT has after the acquisition done a valuation of the exsisting technology in the company and the valuation resulted in a gain of NOK 10 865 thousand recognised as other gain and losses in the consolidated financial statement for 2019.

NORBIT Ablepay obtained revenues of NOK 4 348 thousand and an EBITDA of NOK 493 thousand in 2019. These revenues are to a significant extent based on the technology acquired through the acquisition of NORBIT Ablepay. The employees in NORBIT Ablepay are also selling R&D services to other segments in the group which is expected to give future cashflow.

There where no aquisitions in 2018.

NOTE 14 INTERESTS IN OTHER ENTITIES

NON-CONTROLLING INTERESTS (NCI)
Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Shares owned by NCI

	31.12.2019	31.12.2018
NORBIT ITS AS	0.00%	6.00%
NORBIT EMS AS	0.05%	9.73%

SUMMARISED BALANCE SHEET

	NORBIT ITS AS		NORBIT EMS AS	
Amounts in NOK thousand	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Current assets	29 412	34 196	183 502	122 578
Current liabilities	70 513	64 043	130 876	89 238
Current net assets	**(41 101)**	**(29 846)**	**52 626**	**33 340**
Non-current assets	81 817	69 759	46 700	46 509
Non-current liabilities	5 063	6 188	10 040	12 696
Non-current net assets	**76 755**	**63 572**	**36 660**	**33 812**
Net assets	**35 654**	**33 725**	**89 286**	**67 153**
Accumulated NCI NORBIT ITS AS and NORBIT EMS AS		2 024	44	7 199
NORBIT GmbH (Germany)			500	500
Total NCI		**2 024**	**544**	**7 699**

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	NORBIT ITS AS		NORBIT EMS AS	
Amounts in NOK thousand	2019	2018	2019	2018
Revenue	186 276	39 466	350 836	222 195
Profit for the period	30 019	1 512	22 134	3 088
Total comprehensive income	**30 019**	**1 512**	**22 134**	**3 088**
Profit allocated to NCI		91	10	224

TRANSACTIONS WITH NON-CONTROLLING INTERESTS
During 2019 the group has aqcuired additional shares in both NORBIT ITS AS and NORBIT EMS AS, reducing the remaining NCI to 0% and 0,05% respectively. These transactions imply a combined reduction in bank deposits of NOK 19 254 thousand, increase in debt of NOK 4 487 thousand, a reduction in NCI of NOK 9 189 thousand and a reduction in equity attributable to owners of NOK 14 552 thousand. There were no transactions with non-controlling interests in 2018.

INTERESTS IN ASSOCIATES AND JOINT VENTURES
Set out below are the associates and joint ventures of the group as at 31 December 2019 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The proportion of ownership interest is the same as the proportion of voting rights held.

				Quoted fair value		Carrying amount	
Name of entity	Place of business	% of ownership interest 2019/2018	Measurement method	2019	2018	2019	2018
Associate							
Kilmore Marine Ltd.	Aberdeen	35%/35%	Equity method	n.a	n.a	2 065	1 402
Kvikna Consulting Ehf.	Reykavik	33.33%/0%	Equity method	n.a	n.a	807	
Total equity accounted investments						**2 872**	**1 402**

NOTE 15 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The group had no material contingent liabilities or contingent assets at 31 December 2019 or at 31 December 2018.

NOTE 16 COMMITMENTS

CAPITAL COMMITMENTS
The group had no material capital commitments at 31 December 2019 or at 31 December 2018.

NOTE 17 EVENTS OCCURING AFTER THE REPORTING PERIOD

There has been no significant events after the reporting period.

NOTE 18 RELATED PARTY TRANSACTIONS

SHAREHOLDERS

The shareholders in NORBIT ASA were as follows as of 31 December 2019:

Shareholder	Number of shares	Pecentage
VHF Invest AS	8 686 495	15.30%
Petors AS	6 645 695	11.70%
Draupnir Invest AS	5 702 949	10.04%
Eidco A/S	3 651 439	6.43%
Handelsbanken Nordiska Smabolag	3 348 135	5.90%
Esmar AS	2 912 895	5.13%
Taiga Fund Management AS (through Morgan Stanley & Co. Int. Plc.)	2 745 187	4.83%
Arctic Funds PLC	2 688 653	4.73%
Dan Sten Olsson and family (through Skandinaviska Enskilda Banken S.A.)	2 391 000	4.21%
Citibank, N.A.	1 200 000	2.11%
Danske Invest Norge Vekst	1 050 000	1.85%
Arctic Funds PLC	871 516	1.53%
Racce AS	738 546	1.30%
Danske Bank A/S	726 476	1.28%
Usegi AS	721 989	1.27%
T.D. Veen AS	715 000	1.26%
Carnegie Investment Bank AB	627 216	1.10%
Regents Of The University Of Michigan	565 950	1.00%
The Northern Trust Comp, London Branch	517 341	0.91%
Taaleri Nordic Value Equity Fund	500 000	0.88%
Total 20 largest	**47 006 482**	**82.78%**
Other	9 780 436	17.22%
Total outstanding shares	**56 786 918**	**100.00%**

Shares held by Board of directors and Executive management as of December 2019 were as follows:

Name	Number of shares	Percentage
Board of Directors		
Finn Haugan	65 789	0.12%
Bente Avnung Landsnes	39 473	0.07%
Tom Solberg (through Mariteam AS)	65 789	0.12%
Trond Tuvstein (through TTU Invest AS)	32 894	0.06%
Marit Collin (through Collin AS)	16 447	0.03%
Total shares held by Board of Directors	**220 392**	**0.39%**
Executive Management		
Per Jørgen Weisethaunet (through Petors AS)	6 645 695	11.70%
Stian Lønvik (ownership through Loen Holding AS)	174 389	0.31%
Peter K. Eriksen (through Danske Bank A/S)	712 900	1.26%
Stein M. Beyer	295 147	0.52%
Peter Tschulik	170 100	0.30%
Arild Søraunet (ownership through Usegi AS)	721 989	1.27%
Total shares held by Executive Management	**8 720 220**	**15.36%**

SUBSIDIARIES
All transactions and outstanding balances among subsidiaries are eliminated in the financial statement for the group.

KEY MANAGEMENT PERSONNEL COMPENSATION

2019

Amounts in NOK thousand	Salary	Bonus and share-based payment	Pension costs	Other remuneration
Per Jørgen Weisethaunet (Group CEO)	2 195	6 294	107	24
Stian Lønvik (Group CFO)	1 647	2 826	102	21
Business Unit Directors (BUD):				
Peter K. Eriksen (BUD Oceans)	2 557	2 201	76	
Stein M. Beyer (BUD PIR and Group COO)	1 848	1 540	116	32
Peter Tschulik (BUD ITS)	1 537		24	
Arild Søraunet (BUD ODM and Group CTO)	1 171	3 080	103	12
Total	**10 955**	**15 941**	**528**	**89**

2018

Amounts in NOK thousand	Salary	Bonus and share-based payment	Pension costs	Other remuneration
Per Jørgen Weisethaunet (Group CEO)	2 186		84	10
Stian Lønvik (Group CFO)	1 372		80	9
Business Unit Directors (BUD):				
Peter K. Eriksen (BUD Oceans)	2 206			10
Stein M. Beyer (BUD PIR)	1 669		70	25
Peter Tschulik (BUD ITS)	1 308			9
Arild Søraunet (BUD ODM and Group CTO)	1 169		81	5
Total	**9 910**		**315**	**68**

The personnel compensation tables do not include fair value adjustment related to synthetic options that have not been exercised.

Board of directors compensation

2019

Amounts in NOK thousand	Remuneration
Finn Haugan	292
Bente Avnung Landsnes	190
Tom Solberg	88
Trond Tuvstein	117
Marit Collin	88

2018

Amounts in NOK thousand	Remuneration
Per Jørgen Weisethaunet	75
Steffen Kirknes	60
Per Arne Eide	60
Tom Solberg	60
Odd Gulbrandsen	60
Frode Iglebæk	60
Carl Fredrik Eide	60

TRANSACTIONS WITH MANAGEMENT AND BOARD MEMBERS

During 2019 the group has purchased legal services of NOK 1 430 thousand from Prétor Advokat AS, in which board member Tom Solberg is one of the partners. There was no other significant related party transactions between the company and the parties in the management or the board in 2019 or 2018, except from the remunerations listed in this note.

TRANSACTIONS WITH OTHER RELATED PARTIES

Amounts in NOK thousand	2019	2018
Accounts payable to asscociates	1 016	1 345

Kilmore Marine Ltd. acts as NORBIT Oceans' distributor in UK and Middle East. NORBIT ASA owns 35 per cent of the shares in the company, please refer to note 14c.

Kvikna Consulting Ehf. delivers software services to all operating segments. NORBIT ASA owns 33.33 per cent of the shares in the company, please refer to note 14c.

NOTE 19 SHARE-BASED PAYMENTS

In 2014 NORBIT launched a shared-based payment program to incentivise the group's leading employees. The options granted in this program were synthetic, meaning that they gave the employee a right to payment in cash of an amount equivalent to the profit from a similar share options program.

The program had a duration of five years but was terminated when the IPO was approved by the board of directors. The IPO was considered a trigger event giving the members of the program the right to receive a payment under the program based on the number of synthetic options the employees held and the difference between the exercise price in the program and the IPO share price of NOK 19 per share. The termination of the program implied a total payment to the employees of NOK 19 525 thousand excluding payroll tax, and an expense of NOK 15 200 thousand excluding payroll tax.

VALUATION OF OPTIONS OUTSTANDING AS OF 31.12.18 AND OPTION COSTS 2018

Program	Number of shares	Total option value *(NOK thousand)*	Total option cost *(NOK thousand)*
Options awarded in 2014	5 806	2 280	
Options awarded in 2015	5 443	2 044	
Total	**11 249**	**4 325**	**1 154**

NOTE 20 EARNINGS PER SHARE

Amounts in NOK	2019	2018
Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company	1.45	1.11
Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	1.45	1.11

RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

Amounts in NOK thousand	2019	2018
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company:		
Used in calculation basic earnings per share	77 263	47 636
Used in calculating diluted earnings per share	77 263	47 636

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

Number	2019	2018
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	53 447 564	42 834 175

BASIC EARNINGS PER SHARE
Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period.

DILUTED EARNINGS PER SHARE
Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year plus the number of ordinary shares that would be issued without consideration due to potential ordinary shares.

NOTE 21 ASSETS PLEDGED AS SECURITY

SECURED BORROWINGS

Amounts in NOK thousand	2019	2018
Long term borrowings	15 843	110 442
Short term borrowings	3 429	59 536
Lease liabilities	8 395	12 867
Total secured debt	**27 668**	**182 846**

THE CARRYING AMOUNTS OF ASSETS PLEDGED AS SECURITY FOR CURRENT AND NON-CURRENT BORROWINGS ARE:

Amounts in NOK thousand	2019	2018
Current		
Receivables	126 022	87 075
Inventories	165 595	121 449
Total current assets pledged as security	**291 617**	**208 523**
Non-current		
Property, plant and equipment	65 904	57 587
Leases		
Property plant and equipment (booked in balance sheet)*	8 207	12 699
Total non-current assets pledged as security	74 111	70 286
Total assets pledged as security	**365 728**	**278 810**

* *Legal ownership to PP&E classified as finance lease remains with the lessor. Hence, the lessor can reclaim the assets if the leasing liabilities are defaulted by the group. However, legal pledges in these assets have not been issued.*

NOTE 22 LEASES

Assumptions made

NORBIT was a first-time adopter of IFRS for the financial year ended 31 December 2018. NORBIT chose to do an early adoption of IFRS 16 to avoid a significant restating in the financial year ended 31 December 2018.

NORBIT adopted the new rules retrospectively as of 1 January 2017 as permitted under IFRS 16. The adoption of IFRS 16 required changes in the group's accounting policies and affected the recognition, measurement, and presentation of certain amounts recognised in the statement of profit, loss and the balance sheet.

NORBIT has chosen to present the right-of-use assets as part of property, plant and equipment, and the lease liabilities as separate line items the balance sheet. NORBIT group does not have any right-of-use assets that would meet the definition of investment property.

The group has a portfolio of 17 leases (2018: 20) which mainly consist of lease of office premises and production equipment in the PIR operating segment. The lease agreements have a duration in the range of 1 to 55 months. Extension options in the lease agreements have been assessed and reflected in the IFRS 16 calculations if use of the option is reasonably certain.

There are only explicitly identifiable interest rates in three of the agreements. For all other agreements, an estimated marginal borrowing cost ("EMBC") has been used. For contracts that existed on the date of transition to IFRS, EMBC as of 01.01.17 was used. EMBC as of 01.01.17 has been estimated on the basis of the marginal cost of drawing on the group's overdraft facility in Sparebank1 SMN ("SMN") and is calculated to 4.1 per cent p.a.

For agreements entered into in 2017 and 2018, EMBC has been calculated as the sum of NIBOR 3M at the time of the agreement and the credit margin according to the loan agreement with SMN. For agreements entered into in 2019, EMBC has been calculated as the sum of NIBOR 1M at the time of the agreement and the credit margin according to the loan agreement with DNB.

KEY FIGURES RELATED TO THE LEASE PORTFOLIO

2019

	Machinery and vehicles	Office rent	Total
Carrying amount as of 31 December *	1 251	6 956	8 207
Lease liability as of 31 December	(1 120)	(7 275)	(8 395)
Depreciations	2 613	4 374	6 987
New lease agreements	874	2 382	3 255
Lease payments	2 552	4 414	6 966

2018

	Machinery and vehicles	Office rent	Total
Carrying amount as of 31 December *	3 751	8 948	12 699
Lease liability as of 31 December	(3 559)	(9 308)	(12 867)
Depreciations	2 803	4 104	6 907
New lease agreements	212	1 635	1 847
Lease payments	2 657	3 999	6 656

* *Both lease categories are included in the "Machinery, fixtures and fittings" category in note 7*

NOTE 23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most important accounting principles applied in the preparation of the annual financial statements are described below. These principles are applied in the same way for all periods presented, unless otherwise indicated in the description.

BASIC PRINCIPLES
The consolidated financial statements of NORBIT ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretation Committee (IFRIC), as adopted by the EU, as well as additional Norwegian reporting requirements pursuant to the Norwegian Accounting Act. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on the basis of the historical cost principle, with the following modifications:

- Fair value of foreign currency derivatives (IFRS 9)
- Fair value of share-based payments (IFRS 2), see note 21.

The preparation of accounts in accordance with IFRS requires the use of estimates. Furthermore, the application of the company's accounting policies requires management to exercise judgments. Estimates and subjective judgements are based on past experience and other factors that are considered appropriate. Actual results may deviate from these estimates.

The consolidated financial statements have been prepared on the assumption of the business being a going concern.

CONSOLIDATION PRINCIPLES
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for purchases of subsidiaries that constitute a business. The consideration given is measured at the fair values of the assets transferred, the equity instruments that have been issued, liabilities assumed on the transfer of control and direct costs relating to the actual purchase. The cost of acquisition also includes the fair value of all assets or liabilities that are the result of an agreement on contingent consideration.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The costs associated with the business combination are expensed when they are incurred.

If the aggregate of the consideration transferred, the carrying amount of non-controlling interests and the fair value on the acquisition date of any previously held ownership interests exceeds the fair value of the acquired entity's identifiable net assets, the difference is capitalised as goodwill. If the aggregate is less than the company's net assets, the difference is immediately recognised in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

ASSOCIATES
Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any receivables considered to be part of the net investment, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

FOREIGN CURRENCY TRANSLATIONS
Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian kroner (NOK), which is NORBIT ASA's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies
The results and financial position of foreign operations that have a func-

tional currency different from the presentation currency are translated into the presentation currency as follows:

- Balance sheet items are translated at the closing rate at the date of that balance sheet
- Statement of profit or loss are translated at average exchange rates
- All resulting exchange differences are recognised in other comprehensive income

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are disclosed in note 7. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

INTANGIBLE ASSETS
Development
Development expenditure are capitalised to the extent that a future economic benefit related to development can be identified of an identifiable intangible asset and the expenses can be measured reliably. Otherwise, such expenses are recognised as an expense as incurred. Capitalised development are depreciated over the expected useful lives, see note 8a.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

FINANCIAL INSTRUMENTS
A financial instrument is defined as being any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity. From 1 January 2017, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

IMPAIRMENT OF FINANCIAL ASSETS
From 1 January 2017, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

CASH AND CASH EQUIVALENTS
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

TRADE RECEIVABLES
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables measured at fair value upon initial recognition, and thereafter at amortised cost. Interest is ignored if it is insignificant.

INVENTORIES
Inventories are stated at the lower of cost and net realisable value. Costs are assigned by FIFO-method (first in - first out). Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

TRADE AND OTHER BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

EMPLOYEE BENEFITS

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Pension

The group has a defined contribution plan. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

AFP – early retirement arrangement

The PIR operating segment is part of AFP. The AFP plan is providing additional lifelong pensions. The employees are given a choice of retirement age, with lower pension at earlier retirement. The Norwegian Accounting Standards Board has issued a statement concluding that the AFP plan is a multi-employer defined benefit plan. The AFP plan exposes the participating entities to actuarial risk associated with employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating entities. Sufficient information is not available to use defined benefit accounting and the AFP plan is accounted for as a defined contribution plan.

LEASES

The group's leasing agreements consists of primarely of buildings, cars, machinery used in the operating activities and office machines. Some of the building leases have extension options and this has been taken into account.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option.

Lease payments for the first twelve month following the balance sheet date is classified as current liabilities. The amount is discounted to net present value unless the disounting effect is immaterial.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

TAX

The tax expense consists of tax payable and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

REVENUES

IFRS 15 Revenue from Contracts with Customers

The group has used IFRS 15 from 1 January 2017.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The majority of revenue for the group relates to sale of goods where the control is transferred to the customer at a point in time, depending on the contracted delivery terms. There is only one performance obligation in each contract and no variable consideration.
For the revenue that is recognised over time, the group is using cost incurred compared to total expected cost (cost to cost) as a measure of progress. The contracts usually consist of only one performance obligation and there are no significant variable components in the transaction price.

(i) Sale of goods

The group manufactures and sells a range of electronic equipment in the industrial market, i.e. not to the consumer market. Sales are recognised when control of the products has transferred, being when the products are delivered to customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.
A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Sale of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual cost spent relative to the total expected costs.

Some contracts include multiple deliverables, such as the sale of hardware and related installation services. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(iii) Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

STATEMENT OF CASH FLOWS

The group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within operating cash flows. Dividends paid to shareholders and non-controlling interests are presented under financing activities.

STATEMENT OF INCOME – NORBIT ASA

Amounts in NOK thousand	*Note*	2019	2018
Other income	*1, 5*	18 074	20 100
Total operating income		18 074	20 100
Operating expenses			
Cost of goods sold			4 515
Wages, salaries and social security expenses	*12*	34 486	13 930
Ordinary depreciation	*2, 3*	339	246
Other operating expenses		15 194	8 487
Total operating expenses		**50 020**	**27 178**
Operating profit/loss		**(31 946)**	**(7 077)**
EBITDA		(31 607)	(6 832)
Finance income and expenses			
Financial income - investment in subsidiaries		113 112	73 417
Interest income from group companies		126	177
Other interest income		3 103	2 319
Other financial income		2 369	1 929
Other interest expenses		2 207	5 237
Other financial expenses		5 004	616
Total/net financial items		**111 498**	**71 989**
Earnings before taxes		**79 552**	**64 912**
Tax on ordinary result	*11*	17 158	6 555
Earnings after tax		**62 394**	**58 357**
Appropriation of profit/(loss)			
Dividends		34 072	6 000
Other equity		28 322	52 357
Total appropriations		**62 394**	**58 357**

STATEMENT OF FINANCIAL POSITION – NORBIT ASA

Amounts in NOK thousand	*Note*	31.12.2019	31.12.2018
ASSETS			
Intangible assets			
Research and development	*2*	164	
Deferred tax asset	*11*	62	17
Total intangible assets		**226**	**17**
Tangible assets			
Fixtures and fittings, tools, office machinery and equipment	*3*	1 141	372
Total tangible assets		**1 141**	**372**
Financial fixed assets			
Investments in subsidiaries	*4*	236 465	166 235
Loans to group companies	*7*	3 171	3 468
Investments in associated companies and joint ventures	*4*	1 140	1 140
Investments in shares			344
Total financial fixed assets		**240 776**	**171 188**
Total fixed assets		**242 143**	**171 578**
Trade receivables		4 225	6 996
Receivables on group companies	*7*	314 972	154 382
Other short term receivables		2 045	2 026
Total receivables		**321 242**	**163 404**
Cash and bank deposits	*14*	11 187	492
Total current assets		**332 429**	**163 896**
Total assets		**574 572**	**335 474**

Amounts in NOK thousand	*Note*	31.12.2019	31.12.2018
EQUITY			
Paid-in equity			
Share capital	*9*	5 679	434
Share premium	*9*	275 433	43 820
Total paid-in equity		**281 111**	**44 254**
Other equity	*9*	124 211	95 889
Total retained earnings		**124 211**	**95 889**
Total equity		**405 322**	**140 143**
Liabilities to financial institutions			81 034
Total long term liabilities		-	**81 034**
Short term liabilities			
Liabilities to financial institutions			71 001
Trade creditors		1 494	1 958
Public duties payable		722	843
Dividends		34 072	6 000
Short term debt to group companies	*7*	125 302	29 628
Other short term liabilities		7 660	4 867
Total short term liabilities		**169 249**	**114 297**
Total liabilities		**169 249**	**195 331**
Total equity and liabilities		**574 572**	**335 474**

Trondheim, Norway, 16 March 2020
The board of directors and CEO
NORBIT ASA

Finn Haugan
Chair of the board

Bente Avnung Landsnes
Deputy chair of the board

Tom Solberg
Board member

Trond Tuvstein
Board member

Marit Collin
Board member

Per Jørgen Weisethaunet
Chief executive officer

CASH FLOW STATMENT – NORBIT ASA

Amounts in NOK thousand	*Note*	2019	2018
Cash flow from operations			
Profit before income taxes		79 552	64 912
Gain/loss from sale of fixed assets		(1 567)	(28 483)
Depreciation	*1,2*	339	246
Change in trade debtors		2 771	(200)
Change in trade creditors		(464)	(841)
Change in other provisions		6 660	3 638
Net cash flow from operations		**87 290**	**39 272**
Cash flow from investments			
Proceeds from sale of shares and investments in other companies		1 567	29 389
Purchase of fixed assets	*2*	(1 108)	(136)
Purchase of intangible assets	*1*	(164)	
Purchase of shares and investments in other companies		(87 388)	(29 337)
Payment of group receivables (long/short term)		(160 293)	(58 001)
Net cash flow from investments		**(247 385)**	**(58 085)**
Cash flow from financing			
Net change in bank overdraft		(71 001)	18 594
Proceeds from borrowings from group companies		95 675	
Repayment of debt to group companies (short/long term)			(1 091)
Proceeds from borrowing of other debt (short/long term)			6 932
New equity received		233 150	10 500
Repayment of loans (short/long term)		(81 034)	
Payment of dividend		(6 000)	(16 000)
Net cash flow from financing		**170 790**	**18 936**
Net change in cash and cash equivalents		**10 695**	**122**
Cash and cash equivalents at the beginning of the period	*11*	492	370
Cash and cash equivalents at the end of the period		**11 187**	**492**
Cash and cash equivalents comprise of:			
Bank deposits		11 187	492
In addition, the company has an undrawn credit facility of		130 000	18 999

NOTES TO THE FINANCIAL STATEMENTS – NORBIT ASA

NOTE 01 ACCOUNTING PRINCIPLES

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

USE OF ESTIMATES
The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

SHARES IN SUBSIDIARY AND ASSOCIATED COMPANY
Subsidiaries are companies where the parent company has control, and thus has a controlling influence on the entity's financial and operational strategy, normally by owning more than half of the voting capital. Investments with 20-50% ownership of voting capital and significant influence are defined as associated companies.

Accounting principles for shares in subsidiaries and associated companies
The cost method is used as a principle for investments in subsidiaries and associated companies in the company accounts. The cost price is increased when funds are raised through capital increase or when group contributions are made to subsidiaries. Dividends received are initially recognised as income. Distributions that exceed the share of earned equity after the acquisition are recognised as a reduction of acquisition cost. Dividends / group contributions from subsidiaries are recognised in the same year as the subsidiary allocates the amount. Dividends from other companies are recognised as financial income when the dividend is adopted.

REVENUES
Revenue from the sale of goods and services is valued at the fair value of the consideration, net after deduction of value added tax, returns, discounts and other discounts. The sale of goods is recognised in the income statement when a unit within the group has delivered its products to the customer and there are no unmet obligations that can affect the customer's acceptance of the delivery. Delivery is not made until the products have been shipped to the agreed location and the risk of loss and obsolescence is transferred to the customer. Historical figures are used as a basis for estimating and accounting for provisions for quantum discounts and commodities at the time of sale. Provisions for expected warranty work are recognised as costs and provisions for liabilities.

Services are recognised as income over time as the serveces are rendered.

CLASSIFICATION OF BALANCE SHEET ITEMS
Assets intended for permanent ownership or use are classified as fixed assets. Assets associated with the product cycle are classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year. Analogous criteria are used for debt. However, first-year repayments on long-term receivables and long-term debt are not classified as current assets and current liabilities.

ACQUISITION COSTS
Acquisition cost includes the purchase price of the asset, less bonuses, discounts and the like, plus purchase expenses (freight, customs, non-refundable government fees and any other direct purchase expenses). For foreign currency purchases, the asset is capitalised at the exchange rate at the time of the transaction, but at the forward rate using the forward contract.

For property, plant and equipment and intangible assets, the acquisition cost also includes direct expenses to prepare the asset for use, such as the cost of testing the asset.

Interest on the production of fixed assets is expensed.

INTANGIBLE ASSETS AND GOODWILL
Goodwill has arisen in connection with the acquisition of a subsidiary. Goodwill is amortised over its expected life, badwill is recognised in accordance with the same principle.

Development expenses are capitalised to the extent that a future economic benefit associated with the development of an identifiable intangible asset can be identified and the expenses can be reliably measured. Otherwise, such expenses are expensed as incurred. Capitalised development is depreciated on a straight-line basis over its economic life.

FIXED ASSETS
Land is not depreciated. Other tangible fixed assets are capitalised and amortised on a straight-line basis for residual value over the expected useful life of the assets. When the depreciation plan is changed, the effect is distributed over the remaining depreciation period (the "breakpoint method"). Maintenance of fixed assets is expensed under operating costs on an ongoing basis. Costs and improvements are added to the cost of the asset and depreciated in line with the asset. The difference between maintenance and cost / improvement is calculated in relation to the condition of the asset at the time of acquisition.

Leased (leased) assets are capitalised as operating assets if the lease is considered to be financial.

OTHER LONG-TERM EQUITY INVESTMENTS
The cost method is used as a principle for investments in other shares, etc. Dividends are initially recognised as financial income when the dividend has been approved. If the dividends significantly exceed the share of earned equity after the acquisition, the excess will be reduced to the cost price.

WRITE-DOWN OF FIXED ASSETS
When an indication that the carrying amount of a fixed asset is higher than its fair value occurs, an impairment test is performed. The test is conducted for the lowest level of fixed assets with independent cash flows. If the carrying amount is higher than both the sales value and the recoverable amount (present value for continued use / ownership), write-down is made to the higher of the sales value and the recoverable amount. Previous write-

downs, with the exception of the write-down of goodwill, are reversed if the conditions for the write-down no longer exist.

INVENTORIES
Items are valued at the lower of cost (according to the FIFO principle) and fair value. For raw materials, replacement cost is used as an approximation of fair value. For finished goods and goods in production, the acquisition cost consists of product design costs, material consumption, direct wages, and other direct and indirect production costs (based on normal capacity). Fair value is the estimated selling price less necessary costs for completion and sales. Only variable costs are considered necessary to sell finished goods, while fixed manufacturing costs are also included as necessary for goods that have not been finished.

CONSTRUCTION CONTRACTS
Work in progress related to long-term fixed-price contracts is assessed according to the current settlement method. The degree of completion is calculated as accrued costs as a percentage of the expected total cost. The total cost is reassessed on an ongoing basis. For projects that are assumed to result in losses, the entire estimated loss is expensed immediately.

RECEIVABLES
Accounts receivable are recognised in the balance sheet after deduction for provisions for expected losses. Provisions for losses are made on the basis of an individual assessment of the receivables and an additional provision to cover other foreseeable losses. Significant financial problems of the customer, the likelihood that the customer will go bankrupt or undergo financial restructuring, and deferrals and deficiencies in payments are considered as indicators that accounts receivable must be written down.

Other receivables, both current and non-current receivables, are recognised at the lower of par value and fair value. Fair value is the present value of expected future payments. However, no discount is made when the effect of discounting is immaterial to the financial statements. Provisions for losses are assessed in the same way as for accounts receivable.

INVESTMENTS IN LISTED SHARES
The market value principle is used for short-term investments in listed shares. The value in the balance sheet corresponds to the market value of the investments per share. 31.12. Dividends received, and realised and unrealised gains / losses, are recognised in the income statement as financial items.

HEDGE ACCOUNTING OF FORWARD EXCHANGE CONTRACTS
Unrealised gains and losses on forward exchange contracts are not recognised. Unrealised gains or losses are disclosed in the note.

FOREIGN CURRENCY
Receivables and liabilities in foreign currency are assessed at the exchange rate at the end of the financial year. Exchange gains and losses related to sales of goods and purchases in foreign currency are recognised as sales revenue and cost of goods.

LIABILITIES
Liabilities, with the exception of some provisions for liabilities, are recognised in the balance sheet at the nominal amount of the liability.

WARRANTIES
Warranty work and claims related to completed sales are assessed at the estimated cost of such work. The estimate is calculated on the basis of historical figures for warranty work, but corrected for expected deviations due to, for example, changes in quality assurance routines and changes in product range. The provision is recognised under "Other current liabilities" and the change in the provision is expensed.

PENSIONS
The company's pension schemes are financed through payments to insurance companies.

In the case of defined contribution plans, the company pays deposits to an insurance company. The company has no further payment obligation after the deposits have been paid. Deposits are accounted for as labor costs. Any prepaid deposits are capitalised as an asset (pension funds) to the extent that the deposit can be refunded or reduce future payments.

TAXES
The tax expense in the income statement includes both the tax payable for the period and the change in deferred tax. Deferred tax is calculated on the basis of the temporary differences that exist between accounting and tax values, as well as any tax loss carryforwards at the end of the financial year. Tax-increasing and tax-reducing temporary differences that reverse or can reverse in the same period are offset. The recognition of deferred tax assets on net tax-reducing differences that are not offset and loss carryforwards is justified on the basis of expected future earnings. Deferred tax and tax assets that can be recognised in the balance sheet are entered net in the balance sheet.

Tax reduction on group contribution provided, and tax on received group contribution, which is recognised as a reduction of the capitalised amount on investment in subsidiaries, is recognised directly against tax in the balance sheet (against tax payable if the group contribution has an effect on tax payable and against deferred tax if the group contribution has an impact on deferred tax). tax). Deferred tax is recognised at nominal amount.

CASH FLOW STATEMENT
The cash flow statement is prepared according to the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term liquid investments, which can immediately and with insignificant exchange rate risk be converted into known cash amounts and with remaining maturity less than three months from the date of purchase.

NOTE 02 INTANGIBLE ASSETS

Amounts in NOK thousand	Patents	Total
Purchase cost pr. 01.01.		
Additions	164	164
Purchase cost pr. 31.12.	164	164
Net book value pr. 31.12.	**164**	**164**
Estimated useful life	Indefinite	
Depreciation plan	N/A	

NOTE 03 FIXED ASSETS

Amounts in NOK thousand	Machinery, fixtures and fittings	Total
Purchase cost pr. 01.01.	1 361	1 361
Additions	1 108	1 108
Purchase cost pr. 31.12.	2 469	2 469
Accumulated depreciation 31.12.	1 328	1 328
Net book value pr. 31.12.	**1 141**	**1 141**
Depreciation in the year	339	339
Estimated useful life	3-5 years	
Depreciation plan	Lineær	

NOTE 04 SUBSIDIARIES AND ASSOCIATED COMPANIES

Parent company
Investments in subsidiaries and affiliates are accounted for using the cost method.

Amounts in NOK thousand	Business office	Ownership/ voting right	Equity last year (100%)	Profit/(loss) last year (100%)	Book value
Subsidiary					
NORBIT Subsea AS	Trondheim	100.00%	62 022	31 869	84 899
NORBIT ITS AS	Trondheim	100.00%	35 654	30 019	48 203
NORBIT EMS AS	Selbu/Røros	100.00%	89 286	22 134	63 145
NORBIT ODM AS	Trondheim	99.95%	15 285	1 806	31 303
NORBIT Aptomar AS	Trondheim	100.00%	29 733	44	412
Fenrits AS	Trondheim	100.00%	821		1 356
NORBIT Sourcing AS	Gjøvik	100.00%	(681)	297	972
NORBIT AblePay AS	Trondheim	100.00%	9 714	(1 900)	700
NORBIT NV AS	Trondheim	100.00%	272		576
NORBIT Kabelpartner AS	Trondheim	100.00%	5 699	4 258	3 532
NORBIT Germany GmbH	Hamburg	50.00%	1 000		502
NORBIT GmbH	Wien	100.00%	(283)	(93)	423
NORBIT s.r.l	Lanciano	100.00%	99	24	126
NORBIT Hungary Kft.	Budapest	100.00%	1 482	742	122
NORBIT Sweden AB	Gøteborg	100.00%			78
NORBIT Singapore Ltd.	Singapore	100.00%	(14)	104	70
NORBIT Poland Sp. z.o.o.	Gdansk/Sopot	100.00%	538	2 120	47
NORBIT US Ltd.	Santa Barbara	100.00%	(1 342)	292	0
Book value 31.12.					**236 465**
Associated companies					
Kilmore Marine Ltd.	Aberdeen	35.00%	1 932	821	1 114
Kvikna Consulting Ehf.	Reykjavik				26
Book value 31.12.					**1 140**

NOTE 05 OPERATING REVENUES

All revenue is generated in Norway and consists of license revenue and fees for services to group companies.

NOTE 06 RECEIVABLES AND LIABILITIES

Amounts in NOK thousand	2019	2018
Receivables with maturity later than one year		
Loans to companies in the same group	3 171	468
Long-term debt with maturity later than 5 years		15 659
Debt secured by mortgage		
Long-term debt		81 034
Short-term debt		71 001
Total	-	**152 035**
Book value of pledged assets		
Fixed assets	339	372
Receivables	319 197	6 996
Shares		166 235
Total	**319 536**	**173 603**

	2019		2018	
Amounts in NOK thousand	Associated companies	Subsidiaries*	Associated companies	Subsidiaries *
Guarantees etc.				
Surety commitment		1 500		1 500

** NORBIT Sourcing AS*

NOTE 07 BALANCE WITH GROUP COMPANIES, ETC.

	Trade debtors		Other debtors	
Amounts in NOK thousand	2019	2018	2019	2018
Group companies	4 225	6 996	314 972	154 382

	Trade creditors		Other short-term liabilities	
Amounts in NOK thousand	2019	2018	2019	2018
Group companies		1 294	125 302	29 628

In 2019, the company has received group contributions as follows:

Amounts in NOK thousand	With tax effect	Without tax effect
Subsidiary		
NORBIT ITS AS	36 014	
NORBIT ODM AS	3 531	
NORBIT Subsea AS	42 450	
NORBIT Kabelpartner AS	5 562	
NORBIT EMS AS	25 556	
NORBIT Aptomar AS		60 000
Total	**113 113**	**60 000**

In 2019, the company has given group contributions to subsidiaries as follows:

Amounts in NOK thousand	With tax effect	Without tax effect
Subsidiary		
NORBIT Subsea AS		35 000
NORBIT Kabelpartner AS		3 000
NORBIT EMS AS		19 934
NORBIT Aptomar AS	61 343	
Total	**61 343**	**57 934**

NOTE 08 FORWARD CONTRACTS

The company has no forward exchange contracts or other financial instruments at the end of the financial year.

NOTE 09 EQUITY

Change in equity for the year

Amounts in NOK thousand	Share capital	Share premium	Other equity	Total
Equity 01.01.	434	43 820	95 889	140 143
Capital Increase	5 244	231 613		236 857
Profit for the year			62 394	62 394
Dividends			(34 072)	(34 072)
Equity 31.12	**5 679**	**275 433**	**124 211**	**405 322**

NOTE 10 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The parent company's share capital consists of 56 786 918 shares with a par value of NOK 0.1

Shareholder overview 31.12.

	Relation to management	No of shares	Ownership
VHF Invest AS		8 686 495	15.30%
Petors AS	100% owned by CEO Per Jørgen Weisethaunet	6 645 695	11.70%
Draupnir Invest AS		5 702 949	10.04%
Eidco A/S		3 651 439	6.43%
Handelsbanken Nordiska Smabolag		3 348 135	5.90%
Esmar AS		2 912 895	5.13%
Morgan Stanley & Co. Int. Plc.		2 745 187	4.83%
Arctic Funds PLC		2 688 653	4.73%
Skandinaviska Enskilda Banken S.A.		2 391 000	4.21%
Citibank, N.A.		1 200 000	2.11%
Danske Invest Norge Vekst		1 050 000	1.85%
Arctic Funds PLC		871 516	1.53%
Racce AS		738 546	1.30%
Danske Bank A/S	Of which 712 900 shares controlled by BUD Peter K. Eriksen	726 476	1.28%
Usegi AS	100% owned by BUD Arild Søraunet	721 989	1.27%
T.D. Veen AS		715 000	1.26%
Carnegie Investment Bank AB		627 216	1.10%
Regents Of The University Of Michigan		565 950	1.0%
The Northern Trust Comp, London Branch		517 341	0.9%
Taaleri Nordic Value Equity Fund		500 000	0.9%
Total number of shares		**47 006 482**	**82.8%**

NOTE 11 TAXES

Calculation of deferred tax/deferred tax benefit

Amounts in NOK thousand	2019	2018
Temporary differences		
Tangible	(282)	(79)
Net temporary differences	(282)	(79)
Net temporary differences	**(282)**	**(79)**
Tax loss carryforward	(62)	(17)
Basis for deferred tax	**(62)**	**(17)**
Basis for income tax expense, changes in deferred tax and tax payable		
Profit/(loss) before taxes	79 552	64 912
Permanent differences	(1 563)	(36 415)
Basis for the tax expense for the year	77 989	28 497
Change in temporary differences	(16 646)	52
Basis for payable taxes in the income statement	61 343	28 549
+/- Group contributions received/given	(61 343)	(28 549)
Taxable income (basis for payable taxes in the balance sheet)	-	-
Components of the income tax expense		
Payable tax on this year's profit/(loss)	13 495	6 566
Total payable tax	13 495	6 566
Change in deferred tax	3 662	(11)
Tax expense	**17 158**	**6 555**
Payable taxes in the balance sheet		
Payable tax in the tax charge	13 495	6 566
Tax effect of group contribution	(13 495)	(6 566)
Payable tax in the balance sheet	-	-
Reconciliation of the tax expense		
Tax expense based on current year tax rate	17 501	14 930
Tax effect of permanent differences	(4 051)	
Tax effect of change in tax rates		(8 375)
Other differences *	3 707	1
Tax expense	**17 158**	**6 555**

** In 2019 other differences relate to tax effect of IPO expenses charged directly to equity.*

NOTE 12 PAYROLL EXPENSES, NUMBER OF EMPLOYEES, REMUNERATIONS, LOANS TO EMPLOYEES, ETC.

Payroll expenses

Amounts in NOK thousand	2019	2018
Salaries/wages	29 303	11 625
Payroll tax	3 963	1 213
Pension expenses	690	395
Other remuneration	531	696
Total	**34 487**	**13 930**
The number of FTEs in the accounting year has been	7	5

Remuneration to executives

	2019		2018	
Amounts in NOK thousand	CEO	Board	CEO	Board
Salaries	2 195		2 111	
Share-based payments and bonuses	6 294			
Board fees		773	75	360
Pension expenses	107		81	
Other remuneration	24		25	
Total	**8 620**	**773**	**2 293**	**435**

Expensed audit fee

Amounts in NOK thousand	2019	2018
Statutory audit (incl. technical assistance with financial statements)	187	135
Other assurance services	228	
Tax advisory fee (incl. technical assistance with tax return)		10
Other assistance (to be specified)		112
Other IPO related services classified as finance expenses	857	
Other IPO related services charged directly to equity	857	
Total audit fees	**2 129**	**257**

NOTE 13 PENSIONS

The company has pension plans with defined contribution plans. The defined contribution plan means that the enterprise has not assumed any future obligation. At the time of the annual grant, the enterprise has fulfilled its obligation under the arrangement.

NOTE 14 RESTRICTED BANK DEPOSITS, DRAWING RIGHTS

Restriced bank deposits

Amounts in NOK thousand	2019	2018
Tax withholdings	738	492

NOTE 15 TRANSACTIONS WITH RELATED PARTIES

Balances with group companies are specified in note 9.
Interest to / from group companies is shown by separate lines in the income statement.

Related-party transactions:

Amounts in NOK thousand	2019	2018
a) **Sales of goods and services**		
Revenue from services to group companies	18 074	20 100

b) During 2019 NORBIT ASA has purchased legal services of NOK 945 thousand from Prétor Advokat AS, in which board member Tom Solberg is one of the partners.

STATEMENT BY THE BOARD OF DIRECTORS AND CEO

WE CONFIRM, TO THE BEST OF OUR KNOWLEDGE, THAT

- The group financial statements for the period from 1 January to 31 December 2019 have been prepared in accordance with IFRS, as adopted by the EU
- The financial statements of NORBIT ASA for the period from 1 January to 31 December 2019 have been prepared in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- The financial statements give a true and fair view of the group and the company's consolidated assets, liabilities, financial position and results of operations
- The report of the Board of directors provides a true and fair view of the development and performance of the business and the position of the group and the company, together with a description of the key risks and uncertainty factors that the group and the company is facing

Trondheim, Norway, 16 March 2020
The board of directors and CEO
NORBIT ASA

Finn Haugan *Chair of the board*	Bente Avnung Landsnes *Deputy chair of the board*	Tom Solberg *Board member*
Trond Tuvstein *Board member*	Marit Collin *Board member*	Per Jørgen Weisethaunet *Chief executive officer*

AUDITOR'S REPORT

To the General Meeting of NORBIT ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NORBIT ASA, which comprise:

- The financial statements of the parent company NORBIT ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of NORBIT ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - NORBIT ASA

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Value of intangible assets	
Intangible assets mainly consist of self-developed software and hardware used in own products. The value represents approximately 22,5 % of the total assets, with a book value of NOK 135 318 thousand as of 31.12.2019. The year-end result reflects depreciation of NOK 27 919 thousand spread over the three segments as described in the note 2. No impairments have been recognized in 2019 as the management analysis of the values concluded that there were no impairment indicators present per the balance sheet date. The value of these assets depends on future income. We focused on this area due to the significance of the amount and the valuation that depends on discretionary assumptions around the projections for future income and costs and discount rate used. A more detailed description of the methodology management used to identify impairment indicators is described in note 8 (a).	We obtained and understood management's documentation of whether any impairment indicators related to the intangible assets were present. The documentation shows that management's evaluation is done per group of intangible assets. Furthermore, the main assumptions made by management to identify possible impairment indicators are documented. Our assessment suggests that management's model is based on the recognized valuation methodology. We also assessed the logical structure and tested mathematical accuracy of the model without finding material deviations. We challenged management's use of assumptions for projections of future income and costs by comparing these against company's historic results and approved budgets. To form an opinion about accuracy of the budgets we compared historical year-end results with previous years' budgets. To evaluate assumptions about future income and costs we analyzed whether the budgets were based on historical income and considered whether the growth assumptions were reasonable. We found that the assumptions were aligned with historical results and in line with budgets, and that there was a reasonable alignment between the historical year-end results and respective budgets. The discount rate used is assessed against empirical data and expectations about the future return, relevant risk premium and gearing ratio. We concluded that the used discount rate is reasonable. We read the relevant notes and found the information and explanations provided consistent and sufficient.

Independent Auditor's Report - NORBIT ASA

Valuation of the inventory

The groups inventory represents approximately 28 % of the total asset value, with a book value of NOK 167 801 thousand. For a description of the inventory's composition and provision for obsolescence, refer to note 8 (c). Inventory consists of raw materials, work in progress and finished goods and it is valued at the lower of cost and fair value. We focused on this area due to the significance of the amount and because fair value is based on management judgement.	We observed the company's routines for physical inventory count including performing sample-based test counts and testing of the company's internal control related to rolling inventory counts. These activities enabled us to determine quantity and existence of the inventory. To form an opinion about the valuation of raw materials, we checked a sample book values against invoices. To form an opinion about the valuation of work in progress and finished goods, we considered the method used to compute the value. Furthermore, we tested the input data in the calculations against incoming invoices and hourly rates used. Our testing did not detect significant deviations. We reviewed and evaluated managements' method for identification and calculation of obsolescence. The method is partially based on experience and partially on models where inventory turnover is a key component. We challenged management by discussing the total size of the booked obsolescence with them. Through our presence at the inventory count we checked whether damaged goods were identified, assessed and valued. Furthermore, we tested the provision for obsolescence by checking booked value against the specification of identified obsolete goods including the overviews of goods with low turnover. We also performed an analysis of the level of obsolescence provision compared to previous years. Our work did not detect significant deviations. We read the relevant notes and found the information and explanations provided consistent and sufficient.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

Independent Auditor's Report - NORBIT ASA

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to

Independent Auditor's Report - NORBIT ASA

events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 16 March 2020
PricewaterhouseCoopers AS

Kjetil Smørdal
State Authorised Public Accountant

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Not defined by IFRS

EBITDA

Earnings before interest, tax, depreciation and amortization. EBITDA is a key performance indicator that the company considers relevant for understanding the generation of profit before investments in fixed assets.

EBITDA margin

EBITDA as a percentage of net sales. The EBITDA margin is a key performance indicator that the company considers relevant for understanding the profitability of the business and for making comparisons with other companies.

EBIT

Earnings before interest and tax. EBIT is a key performance indicator that the company considers relevant, as it facilitates comparisons of profitability over time independent of corporate tax rates and financing structures. Depreciations are included, however, which is a measure of resource consumption necessary for generating the result.

EBIT margin

EBIT as a percentage of net sales. The EBIT margin is a key performance indicator that the company considers relevant for understanding the profitability of the business and for making comparisons with other companies.

Items affecting comparability

Items affecting comparability includes costs related to the planned IPO, transaction costs related to acquired entities, including release of negative goodwill from acquisitions, severance costs and other normalisations such as divestment of real estate, closing of facilities, unscheduled raw material production stops and other.

Adjusted (adj.) EBITDA

Normalised earnings before interest, tax, depreciation and amortization (i.e. items affecting comparability and deviations are added back). Adjusted EBITDA is a key performance indicator that the company considers relevant for understanding earnings adjusted for items that affect comparability.

Adjusted (adj.) EBITDA margin (%)

EBITDA before items affecting comparability as a percentage of net sales. The adjusted EBITDA margin is a key performance indicator that the company considers relevant for understanding the profitability of the business and for making comparisons with other companies.

Operating cash flow

Earnings before interest and tax, adjusted for items not affecting cash flow and changes in operating capital. Operating cash flow is a key performance indicator that shows the contributions of the business to the cash flow for financing of investments and acquisitions.

Equity ratio

Total equity in relation to total assets. The equity ratio is a key performance indicator that the company considers relevant for assessing its financial leverage.

STATEMENT ON REMUNERATION TO EXECUTIVE MANAGEMENT

INTRODUCTION

Pursuant to section 6-16a of the Public Limited Companies Act, the board of directors ("the board") of NORBIT ASA ("NORBIT" or "the group") has issued the following statement containing guidelines for the determination of salary and other benefits payable to the group's CEO and other senior executives (collectively termed "senior executives") for the 2020 financial year. The statement was approved by the board of directors of NORBIT ASA on 16 March 2020.

In accordance with the provisions of sections 6-16a and 5-6(3), the guidelines will be submitted to NORBIT ASA's annual general meeting (AGM) on 4 May 2020 for a consultative vote, with the exception of clause 3 "Share-based incentive schemes", which will be submitted to the AGM for approval. The guidelines in clause 3 "Share-based incentive schemes" are binding on the board. The remaining guidelines are not binding, although any deviations from the guidelines must be decided by the board. In the event of any such decision, the reason for deviating from the guidelines must be noted in the board meeting's minutes.

DECISION-MAKING AUTHORITY

The board determines the salary and other benefits payable to the CEO. The CEO determines the salary and other benefits payable to other senior executives. The board shall exercise general oversight of the remuneration paid to other senior executives and may issue more specific guidelines for the remuneration of other senior executives in addition to those presented below. If the CEO wishes to offer remuneration to senior executives that exceeds such more specific guidelines, a proposal therefore shall be submitted to the board for approval.

GUIDELINES FOR REMUNERATION IN THE 2020 FINANCIAL YEAR

NORBIT's senior executive remuneration policy is based on the following main principles:

- Executive salaries shall be competitive
- Executive salaries shall be based on current market standards, the group and individual performance

On the basis of these main principles, the board has drawn up the following remuneration structure for the company's senior executives.

1. Basic salary

Basic salary is the main element in the executive's compensation package. Basic salary shall correspond to the going rate in the market and shall reflect the individual position's duties and level of responsibility. The basic salary is evaluated annually.

Managers shall not receive any additional compensation for serving as board members of subsidiaries in the group. For the avoidance of doubt, travel and other out-of-pocket expenses in connection with such duty is refunded per normal expense refund practices.

2. Benefits in kind

Senior executives will normally be given benefits in kind in line with common market practice, such as mobile phone, laptop, broadband, newspapers, company car or car allowance, and parking. There are no specific restrictions on what other benefits may be agreed upon.

3. Bonus

NORBIT does currently not have a bonus scheme for its executive managers, with the exception of a performance bonus agreement with one manager, agreed prior to the listing of the company's shares in 2019. The agreement expires following the second quarter of 2020 and the variable salary under this agreement is limited to a maximum of USD 150 000 for the period of 12 months following the listing of the company's shares at the Oslo Børs, representing a maximum of 52 per cent of the individual executive's basic salary.

The CEO of NORBIT could in special situations grant an annual bonus to selected senior executives linked to measurable performance-based criteria. An annual bonus grant should normally be limited to a maximum of 60 per cent of the annual basic salary. The CEO will normally propose the remuneration to senior executives in consultation with members of the remuneration committee.

4. Share-based incentive schemes

The board of directors of NORBIT has prepared a proposed share-based incentive scheme for senior executives in the group. Details about the proposed programme will be included in the notice to the group's annual general meeting, to be held on 4 May 2020, for approval.

5. Pension schemes

Members of executive management participate in the group's general pension scheme. The scheme is a defined contribution plan and lies within the framework stipulated in the Mandatory Occupational Pensions Act. The NORBIT group has pension plans secured through collective agreements in insurance companies. The defined contribution plan means that the company has not incurred any future obligation. After the annual grant is paid the company has fulfilled its obligation in accordance with the arrangement.

Pension schemes for senior executives outside Norway must be viewed in connection with the individual manager's overall salary and employment conditions and should be comparable to the overall compensation package offered to executives in Norway. Local rules governing pension entitlement, social security entitlement and taxation are taken into account when designing individual pension plans.

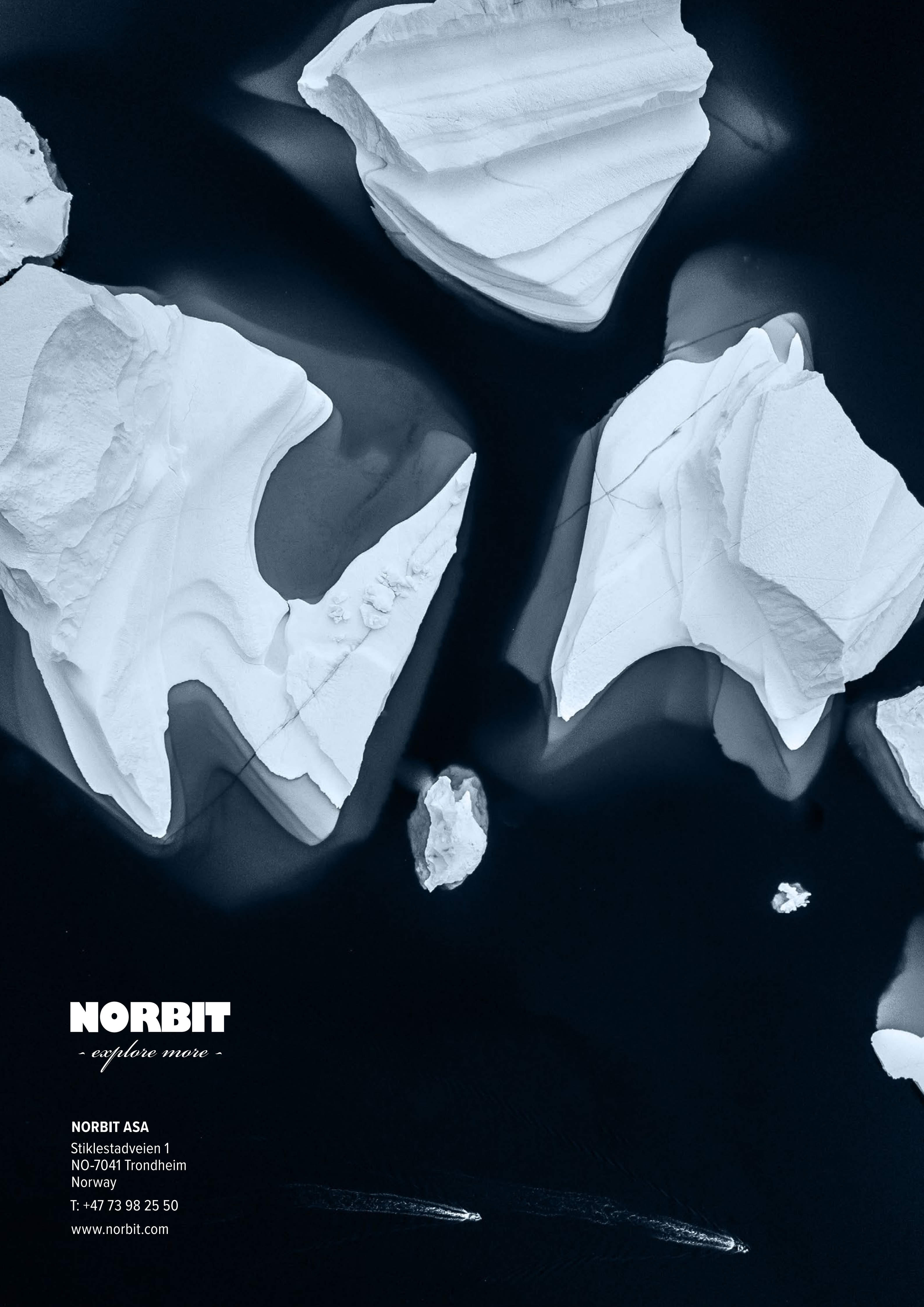
6. Notice and severance pay

In principle, senior executives must serve a 6-month period of notice. The members of the executive management will not be entitled to any benefits upon termination of office, with the exception of the CEO of the company. In the event that the board of directors should decide that it is in NORBIT's best interest that the employment with the CEO is terminated with immediate effect, the CEO shall be entitled to a severance payment equivalent to 24 months' salary.

REMUNERATION POLICY FOR THE 2019 FINANCIAL YEAR

NORBIT ASA was listed at the Oslo Børs in June 2019. Therefore, the company had not established a remuneration policy for the 2019 financial year. In 2014, NORBIT launched a share-based payment programme to incentivise the group's leading employees. The options granted in this programme were synthetic, meaning that they gave the employee a right to payment in cash of an amount equivalent to the profit from a similar share options programme. The program had a duration of five years but was terminated when the IPO of the company was approved by the board of directors in May 2019.

YOUR NOTES



NORBIT
- explore more -

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