

Q2 AND 1H | 2020

NORBIT ASA
13 AUGUST 2020



SECOND QUARTER AND FIRST HALF YEAR RESULTS 2020

HIGHLIGHTS

- Revenues amounted to NOK 155.2 million for the second quarter and NOK 306.7 million for the first half year of 2020, down 9 and 6 per cent respectively from the corresponding periods of 2019
- EBITDA was NOK 29.5 million for the quarter, representing a margin of 19 per cent, and NOK 45.5 million for the first six months, a margin of 15 per cent
- COVID-19 impacted demand for products and services in all segments in the quarter. Despite the challenges caused by the pandemic, segment Oceans delivered 13 per cent revenue growth from the previous quarter. The pandemic also impacted margins, in particular for segment ITS
- In April, Per Kristian Reppe was appointed new CFO. He assumed his position on 20 July
- Launch of the new ultra-high resolution sonar WINGHEAD in June, expected to expand addressable market within segment Oceans
- Awarded a contract with a repeat customer in the aquaculture market
- The general meeting approved the Board's proposed dividend of NOK 0.30 per share and authorised the Board to resolve additional dividends up to NOK 0.30 per share if considered appropriate

KEY SUBSEQUENT EVENTS

- Awarded a contract for multiple sonar systems from a governmental customer in North America worth approximately NOK 11 million, and a contract in Asia for the SeaCOP, a system for environmental monitoring and surveillance, with a value of approximately NOK 20 million. Both contracts falls under segment Oceans

CONSOLIDATED KEY FIGURES¹

<i>Amounts in million NOK (except percentages and EPS)</i>	Second quarter		First half year		Full year
	2020	2019	2020	2019	2019
Revenues	155.2	169.7	306.7	327.3	668.2
EBITDA	29.5	21.0	45.5	71.1	149.7
<i>EBITDA margin</i>	19%	12%	15%	22%	22%
Adjusted EBITDA	29.5	40.4	45.5	79.7	158.3
<i>Adjusted EBITDA margin (%)</i>	19%	24%	15%	24%	24%
EBIT	17.7	8.0	22.4	48.6	102.9
Profit for the period	11.6	0.5	16.5	34.6	77.3
Earnings per share (EPS)	0.20	0.01	0.29	0.69	1.45

¹ Definitions included on page 11

FINANCIAL REVIEW

FINANCIAL RESULTS NORBIT ASA

Information in parentheses refers to the corresponding periods the previous year.

Profit and loss

Revenues for the second quarter of 2020 amounted to NOK 155.2 million, representing a 9 per cent decline compared to the corresponding quarter of 2019 (NOK 169.7 million). Segment Oceans delivered revenues in line with last year, while segment ITS and PIR had approximately 8 and 24 per cent lower revenues respectively than for the same quarter last year.

For the first six months of 2020, NORBIT's revenues came in at NOK 306.7 million, down by 6 per cent compared to the same period in 2019 (NOK 327.3 million).

Revenues for the second quarter and first half of 2020 were impacted by implications from the COVID-19 pandemic for all segments. Further explanations are provided under the segment results.

Total operating expenses include raw materials and change in inventories, employee benefit expenses, depreciation and amortisation expenses and other operating expenses. The total operating expenses amounted to NOK 137.4 million for the quarter (NOK 161.7 million).

For the first half of 2020, total operating expenses were NOK 284.3 million (NOK 278.7 million). The expenses for the first half of 2019 include a reduction of NOK 10.9 million related to a one-off bargain purchase gain from the acquisition of AblePay in the first quarter last year.

Employee benefit expenses amounted to NOK 32.1 million for the second quarter this year (NOK 51.3 million). The employee expenses for the

corresponding period of 2019 includes one-off expenses of NOK 19.5 million related to settlement and termination of a synthetic option scheme and other employee expenses.

So far this year, a total of NOK 73.8 million (NOK 84.1 million) have incurred in employee benefit expenses.

EBITDA amounted to NOK 29.5 million for the second quarter (NOK 21.0 million), corresponding to a margin of 19 per cent (12 per cent).

For the first six months of the year, EBITDA was NOK 45.5 million (NOK 71.1 million).

Adjusted EBITDA is EBITDA adjusted for items affecting comparability. As there have not been items affecting comparability in 2020, adjusted EBITDA were the same as EBITDA for the second quarter and first half of this year.

Operating profit came in at NOK 17.7 million for the second quarter (NOK 8.0 million) and NOK 22.4 million for the first half of 2020 (NOK 48.6 million).

Net financial items amounted to NOK -2.8 million for the quarter (NOK -7.7 million). The reduction is primarily explained by repayment of borrowings during 2019.

For the first six months of the year, net financial items ended at NOK -1.6 million (NOK -7.3 million).

Tax expense amounted to NOK 3.3 million for the quarter (positive NOK 0.3 million) and NOK 4.3 million for the first half of 2020 (NOK 6.7 million).

Profit for the period was NOK 11.6 million for the second quarter (NOK 0.5 million) and NOK 16.5 million for the first half of the year (NOK 34.6 million).

SEGMENTS

NORBIT ASA is organized 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

Oceans encompasses all NORBIT's knowledge and competence targeting the global maritime markets, including proprietary technology and solutions. The segment offers ultra-compact sonars for a range of special applications including seabed mapping and hydrography. The segment 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.

The segment has generally a low revenue visibility of 2-4 weeks, due to the short time from receipt of an order to customer delivery. The segment experience quarterly fluctuations in revenues due to seasonal variations.

KEY FIGURES OCEANS

NOK million	Second quarter		First half year		2019
	2020	2019	2020	2019	
Revenues	58.7	58.8	110.5	117.7	249.0
EBITDA	15.7	16.2	20.7	33.1	64.1
EBITDA margin (%)	27%	28%	19%	28%	26%
EBIT	12.6	12.5	14.7	25.7	50.6
EBIT margin (%)	22%	21%	13%	22%	20%

Revenues for Oceans amounted to NOK 58.7 million for the second quarter of 2020, in line with the revenues reported for the same period last year (NOK 58.8 million) and an increase of 13 per cent from the revenues reported for the previous quarter, despite challenges related to COVID-19, including order deferrals, and travel restrictions limiting physical customer interaction, resulting in reduced sales activity.

For the first six months of the year, Oceans recorded revenues of NOK 110.5 million, 6 per cent lower than for the same period last year (NOK 117.7 million),

mainly explained by the above-mentioned implications from the pandemic.

The segment has succeeded in introducing its products and solutions into new market segments, exemplified by the awards announced in January and July this year for the SeaCOP, a system for environmental monitoring and surveillance.

Operating expenses, including employee expenses and other operating expenses, amounted to NOK 16.8 million for the second quarter of 2020 (NOK 16.4 million).

For the first half of 2020, operating expenses came in at NOK 42.9 million (NOK 34.9 million). The increase compared to the same period last year is mainly explained by a strengthening of the organisation during 2019 and increased provisions for loss on receivables following the increased uncertainty related to the pandemic.

EBITDA for the Oceans segment amounted to NOK 15.7 million for the quarter (NOK 16.2 million), representing a margin of 27 per cent (28 per cent).

For the first six months of the year, EBITDA was NOK 20.7 million (NOK 33.1 million), resulting in an EBITDA margin of 19 per cent (28 per cent).

Expanding the addressable market with WINGHEAD

On 24 June 2020, NORBIT Subsea, part of segment Oceans, launched its new ultra-high resolution sonar WINGHEAD. The WINGHEAD sonar family is both an integrated system as well as a stand-alone sonar system, expected to significantly expand the addressable market of the Oceans segment. Due to its high resolution, the WINGHEAD sonar family in particular targets the higher-end professional market. Initial sales of the system, for delivery in the second

half of 2020, have already been secured in all regions including Europe, Asia and Americas.

The launch of the new sonar family is in line with NORBIT's strategy to broaden the product offering in Oceans to benefit from the company's existing sales and distribution platform.

Awarded aquaculture contract

On 30 June 2020, NORBIT announced that the company had been awarded a new contract with an existing customer within the aquaculture market. The value of the contract is approximately NOK 10 million and the order will be delivered during the second half of 2020.

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.

KEY FIGURES ITS

NOK million	Second quarter		First half year		2019
	2020	2019	2020	2019	
Revenues	38.4	41.7	83.6	77.8	186.3
EBITDA	12.5	17.5	29.0	34.3	83.1
EBITDA margin (%)	33%	42%	35%	44%	45%
EBIT	8.8	13.7	21.8	29.1	69.9
EBIT margin (%)	23%	33%	26%	37%	38%

Revenues for ITS amounted to NOK 38.4 million for the second quarter of 2020, down by 8 per cent from the corresponding period of 2019 (NOK 41.7 million). The decline can be explained by lower deliveries to customers due to COVID-19. As communicated in the first quarter report, some of the European truck manufacturers announced a temporary closure of its production facilities in March. This moderately affected the sale of connectivity modules for smart tachographs from the ITS segment in the first quarter and to a larger extent in the second quarter this year. For the first half of 2020, revenues came in at NOK 83.6 million (NOK 77.8 million).

Operating expenses for ITS amounted to NOK 8.3 million for the quarter, in line with the expenses reported for the corresponding period last year (NOK 8.2 million).

So far this year, segment ITS has recorded a total of NOK 17.7 million in operating expenses (NOK 17.6 million).

EBITDA for the second quarter of 2020 amounted to NOK 12.5 million (NOK 17.5 million), representing a margin of 33 per cent (42 per cent).

For the first half of 2020, EBITDA was NOK 29.0 million (NOK 34.3 million), representing a margin of 35 per cent (44 per cent).

The lower margins in both the second quarter and first half of this year are explained largely by the product mix sold this year, as the demand for higher margin products was impacted by the above-mentioned closure of automotive facilities.

Product Innovation & Realization (PIR)

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 robotization, 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.

KEY FIGURES PIR

NOK million	Second quarter		First half year		2019
	2020	2019	2020	2019	
Revenues	57.4	75.5	120.5	143.9	259.9
EBITDA	2.4	9.9	0.7	17.8	22.6
EBITDA margin (%)	4%	13%	1%	12%	9%
EBIT	-1.9	4.8	-8.1	8.6	4.4
EBIT margin (%)	-3%	6%	-7%	6%	2%

Revenues for PIR amounted to NOK 57.4 million for the second quarter of the year, 24 per cent lower than for the corresponding period last year (NOK 75.5 million). Most of the reduction in revenues is explained by reduced activity in contract manufacturing, which is exposed to the automotive industry and other industrial companies in Europe where demand has been negatively impacted by the pandemic.

For the first six months of 2020, revenues amounted to NOK 120.5 million (NOK 143.9 million). In addition to the implications from the COVID-19 mentioned above, several R&D projects have been postponed during the first half this year, resulting in lower sales of R&D services compared to the same period last year.

Operating expenses for the PIR segment amounted to NOK 27.4 million for the quarter (NOK 25.7 million).

For the first half of 2020, operating expenses came in at NOK 60.7 million (NOK 48.2 million). The increase from last year is a result of more personnel and higher other operating expenses. In addition, the expenses were also negatively impacted by increased freight costs and provisions made for loss on receivables. NORBIT Ablepay was included in the accounts from the second quarter of 2019.

EBITDA for the PIR segment amounted to NOK 2.4 million for the second quarter of 2020 (NOK 9.9 million), representing a margin of 4 per cent (13 per cent).

So far this year, the PIR segment has recorded an EBITDA of NOK 0.7 million (NOK 17.8 million), a margin of 1 per cent (12 per cent).

As for the other business segments, the margin for the quarter fluctuates depending on the product mix sold. In the first half of 2020, a high share of the revenues came from contract manufacturing, while the segment delivered on a large and profitable project including R&D services in the first half of 2019.

The expansion of the company's production facility at Røros is progressing as planned.

FINANCIAL POSITION AND LIQUIDITY

Consolidated financial position

Assets amounted to NOK 615.5 million at 30 June 2020, down from NOK 636.4 at 31 March this year and up from NOK 600.0 million since 31 December 2019.

Intangible assets amounted to NOK 163.0 million at the end of the second quarter of 2020, an increase from NOK 147.9 million at the end of the previous quarter and from NOK 135.3 million at the end of 2019. The increase relates to investments in R&D. Further comments are provided under the consolidated cash flow.

Inventories amounted to NOK 175.6 million at the end of the second quarter of 2020, compared to NOK 159.7 million at the end of the first quarter and NOK 167.8 million at the end of 2019. As previously communicated, the company keeps extra inventory of electronic components to maintain flexibility and to avoid unnecessary fluctuations in deliveries caused by volatile supply. This has proven successful, in particular in the challenging situation created by COVID-19, impacting both production and logistics.

Accounts receivables were NOK 111.9 million at 30 June 2020, down from NOK 156.6 million and NOK 149.9 million at 31 March 2020 and 31 December 2019, respectively. The decline from the previous quarter can partly be explained by lower sales in segment ITS and currency effects as the majority of receivables are denominated in USD and EUR.

Bank deposits amounted to NOK 4.7 million at the end of June, compared to NOK 25.1 million at the end of March and NOK 21.7 million at the end of December 2019.

Total borrowings stood at NOK 50.1 million at the end of the second quarter compared to NOK 51.1 million three months earlier and NOK 19.3 million at the end of 2019. The company had NOK 247.3 million in undrawn committed credit facilities at 30 June 2020.

Total equity was NOK 442.9 million at the end of the quarter, representing an equity ratio of 72 per cent, compared to NOK 448.4 million at the end of March this year and NOK 443.6 million at the end of 2019.

Consolidated cash flow

Operating activities generated a cash flow of NOK 48.3 million for the second quarter of 2020 (NOK -17.0 million), including a net decrease in the working capital of NOK 20.8 million (increase of NOK 30.3 million).

For the first six months of 2020, operating activities generated a cash flow of NOK 58.1 million (NOK -4.3 million), including a net decrease in the working capital of NOK 14.0 million (increase of NOK 57.2 million).

NORBIT does not have taxes payable due to tax losses carried forward from previous acquisitions.

Investing activities led to a cash outflow of NOK 49.6 million for the second quarter of 2020 (NOK 15.6 million). This includes NOK 18.1 million related to the expansion of the facilities at Røros, NOK 9.8 million for machinery and equipment and NOK 21.7 million invested in R&D. The R&D investments, representing 14 per cent of the revenues for the period, primarily relate to broadening the product offering in segment Oceans, but also projects in the two other segments. The investments are higher than the range of 8 to 10 per cent communicated by the company in the report for the fourth quarter of 2019, as the investment programmes have been maintained despite the lower activity level.

For the first six months of the year, cash flow from investing activities was NOK 87.0 million (NOK 40.2 million), including R&D investments of NOK 41.5 million.

Financing activities generated a cash outflow of NOK 19.2 million this quarter (positive cash flow of NOK 49.5 million). This mainly consists of dividends paid of NOK 17.0 million in the period. In the corresponding period of 2019, the company had net proceeds from the equity issue related to the IPO of NOK 234.4 million, and repaid borrowings by NOK 185.9 million.

For the first half of 2020, NORBIT had a positive cash flow of NOK 11.9 million from financing activities (NOK 56.5 million).

ORGANISATION

On 30 April, NORBIT announced the appointment of Per Kristian Reppe as new CFO of the company. Reppe assumed his position on 20 July 2020.

Throughout 2019 and into 2020, segment Oceans has strengthened its organisation in international sales and marketing functions, to position itself for further growth in selected geographies and verticals, in line with the company's strategy to target the untapped potential of the sonar technology in the segment and the opportunities in expanding to new sub-markets. NORBIT has attracted several executives within sales and business development the last twelve months.

Following the COVID-19 outbreak the company has reduced its use of external consultants, put planned new hires on hold and implemented some temporary lay offs in its facilities from June.

SHARE INFORMATION

NORBIT ASA has been listed on the Oslo Børs (Oslo Stock Exchange) since 20 June 2019. The share is traded under the symbol NORBIT.

In the second quarter of 2020, the share traded between NOK 13.25 and NOK 16.50 per share, with a closing price of NOK 13.30 at 30 June 2020.

As of 31 July 2020, the company had a total of 1,616 shareholders, of which the 20 largest shareholders held 82.29 per cent of the total outstanding shares.

The company has a total of 56,786,918 issued and outstanding shares.

On 4 May 2020, NORBIT held its annual general meeting. The general meeting approved the annual accounts and the board's dividend proposal, including dividend distribution of NOK 0.30 per share and an authorisation to the board to resolve additional distributions of dividends up to NOK 0.30 per share based on the annual accounts for the financial year 2019 if considered appropriate.

RISKS AND UNCERTAINTIES

NORBIT is exposed to various risk factors, including, but not limited to, operational, market and financial risks. For a more detailed description of the risk factors, please see an overview in the annual report for 2019.

NORBIT considers its most significant risks to be related to shortage of supply of consumables/electronic components, and the implications the pandemic will have on demand and sales of products to existing and potential new customers.

NORBIT relies, and will in the future continue to rely, on a significant supply of electronic components to produce and deliver its equipment and systems. A large portion of NORBIT's supply of electronic components are bought from foreign vendors, and the pandemic has resulted in increased uncertainty related to the supply, both with regards to production and logistics. To mitigate this risk, NORBIT will continue its strategy to keep extra inventory of electronic components to maintain flexibility and to avoid unnecessary fluctuations in deliveries caused by volatile supply.

COVID-19 has created disruption to the global economy. NORBIT is a global supplier of electronic products and services and the pandemic has impacted demand across all operating segments. While certain regions are slowly recovering, some regions continue to face challenges relating to the pandemic, in particular the Americas. It remains uncertain when the market situation will normalise. A prolonged period of downturn thus represents a risk to the company's revenues and cash flow.

EVENTS AFTER THE CLOSE OF THE PERIOD

On 1 July 2020, NORBIT announced that the company had been awarded a major order from a governmental customer in North America. The order included multiple NORBIT multibeam sonar systems, iWBMSH STX, which is a turnkey multibeam sonar system to be used for 3D and 4D bathymetric surveys and seafloor mapping. The value of the order was approximately NOK 11 million and the order is expected to be delivered from the Oceans segment during the third quarter this year.

On 27 July, NORBIT announced that it had been awarded a contract in Asia for delivery of the SeaCOP, a system for environmental monitoring and surveillance. The system is designed to be used for environmental and asset monitoring. The value of the contract was approximately NOK 20 million.

OUTLOOK

In the first half of 2020, the pandemic caused major disruptions to the world economy. For NORBIT, the situation results in increased uncertainty related to the short-to-medium outlook for the company. However, the company remains positive about its long-term market outlook.

Segment Oceans has low revenue visibility and a broad geographic exposure. NORBIT expect the segment to continue to be affected by COVID-19, although predicting the level of impact across the various regions remains challenging. Sales of the new WINGHEAD sonar are expected to be a positive contributor to the results for the second half of 2020.

The demand for products from segment ITS, which has a European exposure, is expected to remain affected by COVID-19 in the third quarter, as the pandemic results in lower demand for new trucks, reduced transportation traffic and delayed projects. In addition, as some customers have had inventory build-up during the first half of 2020, NORBIT expects volumes for the second half to be negatively affected. Margins for the third quarter are expected to be lower than for the second quarter this year. NORBIT anticipates gradual improvement for the fourth quarter.

NORBIT experience improvements in segment PIR, as some R&D projects that was put on hold due to COVID-19, are now progressing.

The board of directors and management of NORBIT are closely monitoring the market developments, and are continuously considering the need for capacity adjustments or cost reductions. As long as the challenges related to the pandemic continue to persist, it is expected that revenues, EBITDA margin and R&D investment rate will deviate from the company's long-term targets. However, NORBIT has a strong financial position and the company's diversified product offering, targeting different industries and geographies, makes the company robust. NORBIT continues to maintain its investment programmes to secure further growth to support the company's long-term financial targets.

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We declare that, to the best of our knowledge, the half year financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information contained therein provides a true and fair view of the Group’s assets, liabilities, financial position and overall results. We further declare that, to the best of our knowledge, the half-year report provides a true and fair view of important events that have taken place during the accounting period and their impact on the half-year financial statements, as well as the most important risks and uncertainties facing the business in the forthcoming accounting period.

Trondheim, Norway, 12 August 2020

The Board of Directors and CEO
NORBIT ASA

Finn Haugan
Chairperson

Bente Avnung Landsnes
Deputy Chairperson

Tom Solberg
Board member

Trond Tuvstein
Board member

Marit Collin
Board member

Per Jørgen Weisethaunet
CEO

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 profits.
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. Depreciation and amortization expenses 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 are defined as significant items affecting EBITDA that are isolated in order to understand financial performance and comparability between periods. In 2019, items affecting comparability were a NOK 19.5 million expense related to settlement and termination of a synthetic option scheme and other employee expenses in the second quarter, and a NOK 10.9 million reduction of expenses related to a one-off bargain purchase gain from the acquisition of AblePay in the first quarter. There have not been any items affecting comparability in the first half of 2020.
Adjusted (adj.) EBITDA	EBITDA adjusted for items affecting comparability. 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.
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.

Condensed consolidated statement of profit and loss

<i>Amounts in NOK 000's</i>	<i>Note</i>	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Revenues	4	155,152	169,653	306,723	327,349	668,176
Other gains and losses					10,865	10,865
Raw materials and change in inventories		77,298	77,982	145,492	148,661	304,495
Employee benefit expenses		32,113	51,347	73,811	84,114	161,650
Depreciation and amortization expenses	7, 9	11,764	12,995	23,082	22,459	46,836
Other operating expenses		16,267	19,361	41,957	34,378	63,147
Operating profit		17,710	7,968	22,380	48,601	102,913
Net financial items	6	-2,822	-7,694	-1,590	-7,329	-7,482
Profit before tax		14,888	274	20,790	41,272	95,432
Income tax expense		-3,283	262	-4,316	-6,713	-18,158
Profit for the period		11,605	536	16,474	34,559	77,274
Attributable to:						
Owners of the Company		11,601	574	16,474	34,555	77,263
Non-controlling interests		4	-39	0	4	10
		11,605	536	16,474	34,559	77,274
Average no. of shares outstanding basic and diluted	10	56,786,918	43,429,500	56,786,918	50,108,209	53,447,564
Earnings per share						
Basic (NOK per share)	10	0.20	0.01	0.29	0.69	1.45
Diluted (NOK per share)	10	0.20	0.01	0.29	0.69	1.45

Condensed consolidated statement of comprehensive income

<i>Amounts in NOK 000's</i>	<i>Note</i>	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Profit for the period		11,605	536	16,474	34,559	77,274
Items that may be reclassified to profit or loss						
Exchange differences on translation of foreign operations		103	0	29	0	-112
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		0	0	0	0	1,385
Other comprehensive income for the period, net of tax		103	0	29	0	1,273
Total comprehensive income for the period		11,708	536	16,503	34,559	78,547
Total comprehensive income for the period is attributable to:						
Owners of the Company		11,704	574	16,503	34,555	78,536
Non-controlling interests		4	-39	0	4	10
		11,708	536	16,503	34,559	78,547

Condensed consolidated statement of financial position

<i>Amounts in NOK 000's</i>	<i>Note</i>	31.03.2020	30.06.2020	30.06.2019	31.12.2019
ASSETS					
Land and property, plant and equipment	7, 9	91,309	114,058	69,175	78,653
Intangible assets	7	147,942	162,990	124,337	135,318
Deferred tax asset		24,652	21,848	36,087	25,623
Investments accounted for using the equity method		3,699	2,682	1,402	2,872
Shares in other companies		100	100	626	100
Other loans and receivables		0	0	147	0
Total non-current assets		267,701	301,678	231,775	242,567
Inventories		159,743	175,605	151,705	167,801
Trade receivables		156,551	111,944	133,083	149,877
Other receivables and prepayments		26,670	21,657	22,002	18,086
Derivative financial instruments	5	637	0	1,210	0
Bank deposits		25,124	4,656	21,126	21,680
Total current assets		368,724	313,861	329,126	357,443
Total assets		636,425	615,539	560,901	600,010

<i>Amounts in NOK 000's</i>	<i>Note</i>	31.03.2020	30.06.2020	30.06.2019	31.12.2019
LIABILITIES					
Borrowings	8	47,591	40,715	17,158	15,843
Lease liabilities	9	3,003	2,065	3,087	3,954
Other liabilities		316	316	91	341
Total non-current liabilities		50,910	43,096	20,337	20,138
Trade payables		78,475	72,188	83,733	89,161
Other payables		50,776	43,398	47,134	39,262
Current tax liabilities		344	407	0	0
Borrowings	8	3,460	9,341	2,109	3,429
Lease liabilities	9	4,085	4,037	6,949	4,441
Derivative financial instruments	5	0	196	0	0
Total current liabilities		137,141	129,567	139,924	136,294
Total liabilities		188,051	172,663	160,261	156,431
Share capital	10	5,679	5,679	5,679	5,679
Share premium		275,433	275,433	276,295	275,433
Retained earnings		166,722	161,290	118,129	161,923
Non-controlling interests		540	474	538	544
Total equity		448,374	442,876	400,640	443,579
Total equity and liabilities		636,425	615,539	560,901	600,010

Condensed consolidated statement of changes in equity

Note	Attributable to owners				Non-controlling interests	Total equity
	Share capital and premium	Other equity	Retained earnings	Total		
Balance at 31 December 2018	434	43,820	103,939	148,193	9,722	157,915
Profit for the period			34,555	34,555	4	34,559
Other comprehensive income			48	48		48
Total comprehensive income for the period	0	0	34,603	34,603	4	34,607
Transaction with owners in their capacity as owners:						
Contribution of equity, net of transaction costs and tax	5,244	232,475		237,719		237,719
Transaction with non-controlling interest			-14,413	-14,413	-9,189	-23,602
Dividends paid			-6,000	-6,000		-6,000
Total transactions with owners	5,244	232,475	-20,413	217,306	-9,189	208,117
Balance at 30 June 2019	5,679	276,295	118,129	400,102	538	400,640

Note	Attributable to owners				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 31 December 2019	5,679	275,433	161,923	443,034	544	443,579
Profit for the period			16,474	16,474	0	16,474
Other comprehensive income			29	29		29
Total comprehensive income for the period	0	0	16,503	16,503	0	16,503
Transaction with owners in their capacity as owners:						
Transaction with non-controlling interest			-100	-100	-70	-170
Dividends paid			-17,036	-17,036		-17,036
Total transactions with owners	0	0	-17,136	-17,136	-70	-17,206
Balance at 30 June 2020	5,679	275,433	161,290	442,402	474	442,876

Condensed consolidated statement of cash flows

<i>Amounts in NOK 000's</i>	<i>Note</i>	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
Profit for the period		11,605	536	16,474	34,559	77,274
Adjustments for:						
Income tax expense recognised in profit or loss		3,283	-262	4,317	6,713	18,158
Share of profit of associates		834	0	248	0	-1,470
Investment income recognised in profit or loss		0	0	0	-10,865	-10,865
Depreciation and amortization	7, 9	11,764	12,995	23,082	22,459	46,836
Movements in working capital:						
(Increase)/decrease in trade receivables		44,607	-7,810	37,933	-31,107	-47,901
(Increase)/decrease in inventories		-15,862	-10,250	-7,804	-28,815	-44,910
Increase/(Decrease) in trade payables		-6,287	3,702	-16,973	8,142	13,570
Increase/(decrease) in accruals		-1,666	-15,920	823	-5,417	-9,472
Net cash generated by operating activities		48,278	-17,009	58,099	-4,329	41,219
Cash flows from investing activities						
Payments for property, plant and equipment	7	-27,878	-2,897	-45,489	-7,094	-23,352
Payments for intangible assets	7	-21,682	-12,706	-41,516	-33,495	-58,957
Net cash inflow on acquisition of subsidiaries		0	0	0	422	422
Net cash (used in)/generated by investing activities		-49,560	-15,603	-87,005	-40,167	-81,887
Cash flows from financing activities						
Proceeds from issue of equity instruments of the Company		0	250,000	0	250,000	250,000
Payment for services related to issue of equity instruments		0	-15,574	0	-15,574	-16,850
Transactions with non-controlling interests		-170	0	-170	0	-19,254
Proceeds from borrowings	8		937	32,700	104,918	106,306
Repayment of borrowings	8, 9	-1,855	-103,058	-3,518	-185,155	-189,862
Net change in overdraft facility	8	-126	-82,822	-95	-72,403	-71,082
Dividends paid	10	-17,036	0	-17,036	-6,000	-6,000
Net cash (used in)/generated by financing activities		-19,187	49,483	11,881	56,532	53,258
Net increase in bank deposits		-20,469	16,872	-17,025	12,036	12,589
Bank deposits at the beginning of the period		25,124	4,254	21,680	9,091	9,091
Bank deposits at the end of the period		4,656	21,126	4,655	21,126	21,680

Notes to the condensed consolidated financial statements

Note 1 | General

NORBIT is a knowledge-based group that delivers tailor-made high technology products and services to industrial customers in the global market. NORBIT's vision is to be recognized as world class, enabling people to explore more.

NORBIT's head office is located in Trondheim. In addition, in Q2 2020 the Group also had operations in Norway from Asker, Røros, Selbu and Gjøvik, as well as foreign operations in Sopot / Gdansk, Vienna, Budapest, Lanciano, Singapore, Shanghai, Gothenburg and Santa Barbara CA.

The business includes the development, manufacture and delivery of products, systems and services based on electronics. Norbit Oceans and Norbit ITS constitute the Group's primary market segments in 2020. The PIR segment is the Group's R&D and manufacturing capacities.

The consolidated financial statements of NORBIT ASA for the second quarter and six months ending 30th June 2020 incorporate the financial statements of the company and its subsidiaries (collectively referred to as the "Group").

Note 2 | Statement of compliance

The interim consolidated statements for the second quarter 2020, ending 30 June 2020, were prepared in accordance with IAS 34 Interim Financial Reporting and are unaudited. The interim consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual report for 2019. The consolidated financial statements of the Group as at and for the year ended 31 December 2019 are available at www.norbit.com.

The new standards and interpretations effective from 1 January 2020 do not have a significant impact on the Group's consolidated interim financial statements.

Note 3 | Significant accounting principles

The accounting principles applied in the interim financial statements are consistent with the standards and interpretations followed by the preparation of the Group's annual financial statements for the year ended 31 December 2019. The Groups accounting principles are described in the annual report for 2019.

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 significant judgements, estimates and assumptions communicated in the consolidated financial statements as of 31 December 2019 also apply to these interim financial statements. Following the outbreak of the COVID-19 pandemic, all significant estimates and underlying assumptions have been reviewed in light of the new macroeconomic situation caused by the pandemic. In preparing these interim financial statements NORBIT has focused on estimates and assumptions related to impairment assessment of intangible assets and expected loss on accounts receivables. Based on the assessment, no impairment was recognized in the second quarter, while a NOK 1.5 million provision for expected loss on accounts receivables was made.

NORBIT has built up additional stocks of electronic components following the outbreak of the COVID-19 pandemic. The pandemic has therefore not caused any major disruption to NORBIT's production or logistics in the second quarter.

Note 4 | Segment information

The operating segments are aligned with the internal reporting and the operating segments are components of the Group that are evaluated regularly by the management team. The operating segments are Oceans, Intelligent Traffic Systems (ITS) and Product Innovation and Relization (PIR). Oceans deliver tailored technology solutions to the global maritime markets. ITS is an independent supplier of tailored connectivity solutions based on short range communication technology to intelligent traffic systems. PIR is enabling innovation and contract manufacturing to long-term key clients.

Amounts in NOK 000's

1H 2020

	Oceans	ITS	PIR	Group/ elim.	Total
Revenues	110,501	83,599	120,458	-7,836	306,723
Raw materials and change in inventories	46,891	36,863	59,107	2,632	145,492
Operating expenses	42,942	17,700	60,657	-5,531	115,768
EBITDA	20,668	29,036	694	-4,936	45,463
EBITDA margin	19%	35%	1%		15%
Depreciation	2,192	476	6,374	1,141	10,183
Amortization and impairment	3,746	6,768	2,385	0	12,900
EBIT	14,730	21,792	-8,065	-6,078	22,380
Total financial items (not allocated)					-1,590
Profit before tax					20,790
Taxes (not allocated)					-4,316
Profit after tax					16,474

Timing of revenues

- At point in time	94,013	83,599	106,997		
- Over time	16,488		13,461		
Total	110,501	83,599	120,458		

Amounts in NOK 000's

1H 2019

	Oceans	ITS	PIR	Group/ elim.	Total
Revenues	117,738	77,755	143,940	-12,084	327,350
Raw materials and change in inventories	49,680	25,901	77,991	-4,910	148,661
Operating expenses	34,913	17,556	48,150	7,008	107,627
EBITDA	33,145	34,298	17,800	-14,182	71,061
EBITDA margin	28%	44%	12%		22%
Depreciation	898	769	6,780	576	9,023
Amortization and impairment	6,591	4,454	2,391	1	13,437
EBIT	25,656	29,075	8,628	-14,758	48,601
Total financial items (not allocated)					-7,329
Profit before tax					41,272
Taxes (not allocated)					-6,713
Profit after tax					34,559

Timing of revenues

- At point in time	108,670	77,755	136,715		
- Over time	9,069		7,226		
Total	117,738	77,755	143,940		

Amounts in NOK 000's

2Q 2020

	Oceans	ITS	PIR	Group/ elim.	Total
Revenues	58,729	38,448	57,431	543	155,152
Raw materials and change in inventories	26,317	17,602	27,639	5,740	77,298
Operating expenses	16,760	8,328	27,353	-4,061	48,380
EBITDA	15,652	12,519	2,439	-1,136	29,474
EBITDA margin	27%	33%	4%		19%
Depreciation	1,145	163	3,172	649	5,130
Amortization and impairment	1,879	3,563	1,193	0	6,635
EBIT	12,628	8,792	-1,926	-1,784	17,710
Total financial items (not allocated)					-2,822
Profit before tax					14,888
Taxes (not allocated)					-3,283
Profit after tax					11,605

Timing of revenues

- At point in time	55,026	38,448	51,356		
- Over time	3,704		6,075		
Total	58,729	38,448	57,431		

Amounts in NOK 000's

2Q 2019

	Oceans	ITS	PIR	Group/ elim.	Total
Revenues	58,820	41,742	75,492	-6,401	169,653
Raw materials and change in inventories	26,152	16,014	39,894	-4,079	77,982
Operating expenses	16,433	8,214	25,698	20,362	70,708
EBITDA	16,235	17,514	9,900	-22,684	20,964
EBITDA margin	28%	42%	13%		12%
Depreciation	466	387	3,432	293	4,578
Amortization and impairment	3,305	3,460	1,652	0	8,417
EBIT	12,463	13,667	4,816	-22,977	7,969
Total financial items (not allocated)					-7,694
Profit before tax					274
Taxes (not allocated)					262
Profit after tax					536

Timing of revenues

- At point in time	54,659	41,742	73,764		
- Over time	4,162		1,728		
Total	58,820	41,742	75,492		

Note 5 | Derivative financial instruments

The group has the following derivative financial instruments:

	June 30, 2020	June 30, 2019
	USD/EUR	NOK/EUR
Foreign currency forwards (amounts in currency '000)	3,000	6,700
Average FX rate in contract (NOK/EUR)		9.7224
Average FX rate in contract (USD/EUR)	1.1125	
Fair value of contracts based on MTM reports from counterpart banks	-196	1,210

Note 6 | Net financial items

Net financial items consists of

<i>Amounts in NOK</i>	1H 2020	1H 2019	Q2 2020	Q2 2019
Share of profit of associates	-248	0	-834	0
Net interest income / (expense)	177	-4,869	457	-2,845
Agio/disagio and other financial expenses	-1,519	-2,460	-2,445	-4,849
Net financial items	-1,590	-7,329	-2,822	-7,694

Note 7 | Land and Property, Plant and Equipment and Intangible assets

<i>Amounts in NOK 000's</i>	Land and properties	Machinery, fixtures and fittings	Intangible assets
Balance as of December 31, 2019	25,245	45,201	135,318
Additions	26,151	19,338	-
Depreciation	-931	-6,857	-
Capitalized development	-	-	40,572
Amortization	-	-	-12,900
Impairment	-	-	-
Balance as of June 30, 2020	50,465	57,683	162,990

The Group invested NOK 21.7 million in intangible assets in Q2 2020 and NOK 40.6 million in the first half of 2020. The capital expenditures were primarily related to broadening the product offering in the Oceans segment, and certain projects within the ITS and PIR segments. The development projects progressed as planned during the second quarter, despite the challenges occurring related to the pandemic.

The company is currently expanding its production facilities at Røros. During the second quarter the total investments of the production facilities amounted to NOK 18.1 million and NOK 9.8 million in machinery and equipment. For the first half of 2020 total investments amounted to NOK 26.2 million for the production facilities and NOK 19.3 million in machinery and equipment.

At the end of each reporting period, the Group assess whether there are indications that any tangible or intangible asset has been impaired. If such indications are present, an estimate to the recoverable amount of the asset is calculated. No indications of impairment were identified as of 30 June 2020.

Note 8 | Borrowings

<i>Amounts in NOK 000's</i>	June 30, 2020	June 30, 2019	Dec 31, 2019
Long-term loan facility	32,700	-	-
Overdraft facilities	1,226	-	1,320
Other borrowings	16,131	19,267	17,953
Total borrowings	50,056	19,267	19,273
Non-current borrowings	40,715	17,158	15,843
Current borrowings	9,341	2,109	3,429
Total borrowings	50,056	19,267	19,273

The Group's two main loan facilities were established with DNB in January 2019, comprising of a long-term facility and a short-term overdraft facility. The facilities have a credit limit of NOK 150 million and NOK 130 million, respectively. The short-term overdraft facility was undrawn as per 30 June 2020, while NOK 32.7 million was drawn on the long-term facility. The long-term facility is priced at 3M NIBOR + 1.8 per cent margin p.a., while the short-term facility is priced at 1M NIBOR + 1.4 per cent margin p.a. The financial covenants are as follows:

- *Equity ratio*: Carrying value of total equity as per cent of carrying value of total assets shall exceed 30 per cent. To be reported by 30 June and 31 December
- *NIBD ratio*: Net interest bearing debt (total borrowings less bank deposits) over EBITDA shall not exceed 4.0 times. To be reported each quarter. EBITDA is calculated on a 12 month rolling basis.

As at 30 June 2020, NORBIT is in compliance with both financial covenants.

Note 9 | Right-of-use assets and lease liabilities

NORBIT leases a number of offices in addition to machinery and vehicles. Right-of-use assets are reported under Land and property, plant and equipment in the balance sheet. The movement in the right-of-use assets and lease liabilities during first half 2020 is summarised below:

<i>Amounts in NOK 000's</i>	Right of use assets			Lease liabilities
	Office rent	Machinery and vehicles	Total	
Balance as of December 31, 2019	6,956	1,251	8,207	8,395
Additions	-	-	-	-
Depreciation expense	-1,772	-523	-2,295	-
Impairments	-	-	-	-
Interest expense	-	-	-	126
Lease payments	-	-	-	-2,420
Balance as of June 30, 2020	5,183	728	5,911	6,102

Note 10 | Share capital and equity

NORBIT ASA has been listed on the Oslo Børs (Oslo Stock Exchange) since 20 June 2019. The share is traded under the symbol NORBIT.

As of 30 June 2020, NORBIT had issued a 56 786 918 ordinary shares at a par value of NOK 0.10 per share. All issued shares are fully paid. NORBIT holds zero treasury shares and no options are outstanding. Average outstanding number of shares is used in the calculation of earnings per share in all periods in 2019 and 2020.

On 4 May 2020, the general meeting approved a cash dividend of NOK 0.30 per share based on the 2019 annual accounts and authorised the board to resolve additional dividends up to NOK 0.30 per share if considered appropriate.

Note 11 | Related party transactions

There were no significant transactions with related parties in the first half of 2020.

Note 12 | Subsequent events

On 1 July 2020, NORBIT announced that the company had been awarded a major order from a governmental customer in North America. The order included multiple NORBIT multibeam sonar systems, iWBMSH STX, which is a turnkey multibeam sonar system to be used for 3D and 4D bathymetric surveys and seafloor mapping. The value of the order was approximately NOK 11 million and the order is expected to be delivered from the Oceans segment during the third quarter this year.

On 27 July, NORBIT announced that it had been awarded a contract in Asia for delivery of the SeaCOP eVTS, a system for environmental monitoring and surveillance. The system is designed to be used for environmental and asset monitoring. The value of the contract was approximately NOK 20 million.