ANNUAL REPORT
2019

KEY FIGURES

BASED ON ALTERNATIVE PERFORMANCE MEASURES [1]

	2019	2018	2017	2016
ORDERS AND RESULTS (MNOK)				
Orders backlog	778	629	458	335
Orders received incl. service orders	396	388	351	418
Revenue	267	220	211	202
EBITDA	36	17	11	-14
EBITDA margin%	13,5%	7,7%	5,0%	-6,9%
BALANCE SHEET (MNOK)				
Total assets	416	2 416	2 328	2 175
Total equity	234	514	607	616
Equity ratio% (total equity/total assets)	56,1%	21,3%	26,1%	28,3%
SHARE (NOK)				
Share price 31 December	2,05	6,38	4,20	3,78
Basic earnings per share [2]	2,07	-0,33	-0,39	-1,40
EMPLOYEES				
Total employees 31 December (amount)	50	38	38	40
Sick-leave rate%	0,7%	2,8%	3,5%	3,3%

[1] As the IFRS regulations do not define order backlog/-intake/ EBITDA the number should be considered as an APM

[2] Basic earnings per share are based on net profit for the year attributable to ordinary equity holders of the parent company

INTRODUCTION TO ALTERNATIVE PERFORMANCE MEASURES (APM'S)

Nekkar group (Nekkar) discloses alternative performance measures in addition to those normally required by IFRS. Nekkar is of the opinion that APM's are providing enhanced insight into the operations and prospects of the company. APM's are used as an integral part of the Management and Board of Directors' key performance measure reporting and controls. Furthermore, securities analysts, investors, and other interested parties, frequently use such performance measures.

PROFIT MEASURES

EBITDA is short for "earnings before interest, taxes', depreciation, and amortization" in the consolidated income statement in the annual report.

EBIT is short for "earnings before interest and taxes". EBIT corresponds to "operating profit/loss" in the consolidated income statement in the annual report.

Margins such as EBITDA margin and EBIT margin are used to compare relative profit between periods. The margins are calculated as EBITDA or EBIT divided by revenue.

ORDER INTAKE MEASURES

Order intake and order backlog are presented as APM's as they are indicators of the company's revenue generation and operations in the future.

Order intake includes new signed contracts in the period in addition to expansion of existing contracts and any cancellations of contracts. For new build contracts, the order intake is based on the signed contract value excluding potential options and change orders. For service contracts, the order intake is based on the value of the service orders received.

Order backlog represents the estimated value of remaining work for signed new build contracts and does not include the value of service orders.

WORKING CAPITAL

Working capital is defined as short term assets less bank deposits and cash in hand, less current liabilities..

CONTENT

THE BOARD OF DIRECTORS

TRYM SKEIE

CHAIR OF THE BOARD

Trym Skeie (b. 1968) is one of the main founders of Skagerak Venture Capital and Skagerak Maturo Capital, where he currently is a partner. He holds either the Chair or Board of Directors position in several venture and growth companies in Norway. Skeie has been working as an Investment Manager with Kistefos Venture Capital, management consultant in Acccenture and as a structural design engineer in Hydralift ASA. Skeie holds a Master of Science (M.Sc.) in Economics and Business Administration from the Norwegian School of Economics (NHH), and a M.Sc. in Civil Engineering from the Norwegian University of Science and Technology (NTH).

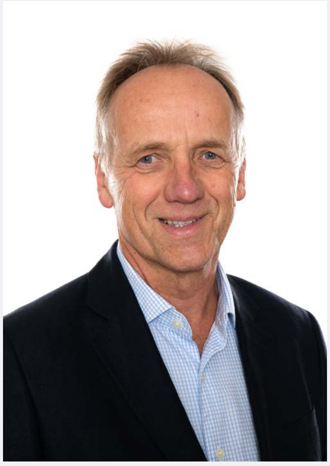
Skeie has been Chair of the Board of Nekkar ASA since November 2009.

INGUNN SVEGÅRDEN

DIRECTOR OF THE BOARD

Ingunn Svegården (b. 1978) is VP, New Energy Solutions at Equinor ASA. She holds a master's degree in Chemistry and Biotechnology from the Norwegian University of Science and Technology (NTNU). Svegården has held several senior positions within the Equinor group, as well as several non-executive director roles in start-ups and funds.

Svegården has been Director of the Board of Nekkar ASA since 2019.



GISLE RIKE

DIRECTOR OF THE BOARD

Gisle Rike (b. 1953) is Director of Property in Rasmussengruppen AS, a major shareholder of the Company. He holds an M. Sc. from the Norwegian University of Science and Technology (NTH). Rike has various executive management experiences from project management and business development from Rasmussengruppen AS and Maritime Tentech AS.

Rike has been Director of the Board of Nekkar ASA since 2015.

MARIT SOLBERG

DIRECTOR OF THE BOARD

Marit Solberg (b. 1956) is an independent board member with extensive board experience. She has a long career in senior management positions in the seafood industry, including eight years as COO Farming in Mowi ASA. Solberg has a high level of technical and biological expertise within aquaculture and holds a master's degree in Marine Microbiology from the University of Bergen (UiB).

Solberg has been Director of the Board of Nekkar ASA since 2019.

DIRECTORS' REPORT

2019 was an eventful year. Approximately 18 months after the initial announcement of the asset sale agreement early in 2018, and by the receipt of the last clearance from the competition filing process, the Cargotec / MacGregor transaction was completed 31 July 2019. Subsequently, an extraordinary general assembly was held 19 September 2019, and the company changed its name from TTS Group ASA to Nekkar ASA. As the continued business was considerably reduced in size and changed in composition by the transaction, the number of Board of Directors was reduced and altered in order to reflect the new strategy for the company.

Following the completion of the transaction with Cargotec Oyj & certain affiliates of Cargotec (hereinafter referred to as "Cargotec / MacGregor") Nekkar ASA ("Nekkar" or the "Company") embarked on a new business strategy building upon the remaining business unit and market offering:

— Cost efficient ship docking & shipyard solutions -Syncrolift AS (Syncrolift) -

and some new business initiatives within high growth ocean-based areas:

— Digitalisation - Digital Solutions i.e Intellilift AS (Intellilift) (51% ownership)
— The green shift - Offshore Energy and Renewables
— Impact and sustainability - Aquaculture

Hence, Nekkar is an industrial technology group offering impact technology solutions combined with high-end software solutions. The rationale for investments into new business is to explore and unlock business potential for sustainable and digital solutions within the different high growth ocean-based industries.

The shipyard solutions business showed strong operational performance in 2019, and with an all-time high order book Syncrolift AS should be well positioned going forward.

Digital solutions and Aquaculture showed positive development through 2019, however coming from very limited level of activity compared to previous year. Nekkar has been awarded an Environmental Technology grant from Innovation Norway of MNOK 10 to develop, pilot and test the closed cage for fish farming. The development will be done in close cooperation with a renowned fish farmer and is part of our strategy to push for new innovative and sustainable solutions. Nekkar is also looking into several product development projects within the Offshore Energy and Renewable segment.

Upon completion of the Cargotec / MacGregor transaction Nekkar received a cash consideration of MNOK 554, and thereafter a cash distribution of NOK 4.0 per share, totally MNOK 422, was paid to the shareholders.

Final settlement of the Cargotec / MacGregor transaction is still pending, and due to lack of an amicable solution the issue is referred to arbitration proceedings. Cargotec / MacGregor challenge the purchase price calculation, claiming a downward purchase price adjustment of approximately MNOK 240 compared to the amount presented by Nekkar. There is risk and uncertainty with respect to the financial outcome of the initiated arbitration process. A decision is expected within 1H 2021. Nekkar is of the opinion that the figures which have been presented by Nekkar are based on best estimates from consistently applied accounting policies and principles of the sold entities and has therefore fully challenged the claim presented by Cargotec / MacGregor.

The claim presented by Cargotec / MacGregor is in Nekkar's opinion not adequately substantiated nor sufficiently documented, hence no provision related to the disputed amount is included in the financial statements as of 31 December 2019 as the outcome cannot be determined with sufficient reliability.

Although business outlook for Nekkar looks positive, it is difficult to predict short, medium and long-term effects on all business lines from the escalation of the corona pandemic. The company has reassessed its operational and financial position with regards to short to medium term business outlook. So far, the evaluation is that, although Nekkar will be affected, the company is well positioned to manoeuvre through the turbulent situation ahead. The overall risk has however increased, especially in relation to possible project delays, and temporarily effects from the extreme currency fluctuations. Nekkar monitors the situation closely and will take the necessary measures required to minimize the potential negative impact on our employees, operations and financial result.

All figures and references in the Directors' report are related to the continued business unless otherwise is explicitly stated

FINANCIAL HIGHLIGHTS

- Nekkar Group's revenue was MNOK 266.6, an increase of 21.0% compared to 2018 (MNOK 220.3).
- Nekkar Group's EBITDA (ref. definition of APM's [1]) for the year was MNOK 36.1, a MNOK 19.1 increase compared to 2018 (MNOK 17.0), which represented a 5.82 percentage point increase in the EBITDA margin to 13.5%. The margin improvement was impacted by positive one-off timing effects from ongoing projects, and high realized margins on completed deliveries.
- The order backlog at the end of 2019 was MNOK 778 compared to MNOK 629 at the end of previous year, representing a 23.7% increase.
- Nekkar received a cash consideration of MNOK 554, net after repayment of all credit facilities, upon completion of the Cargotec / MacGregor transaction.
- A cash distribution of NOK 4.0 per share, totally MNOK 442, was paid to the shareholders 27 September 2019.

[1] Alternative performance measures.

OPERATION AND STRATEGY

Nekkar ASA is the holding company in the Nekkar Group presently headquartered in Bergen, Norway. The company is listed on Oslo Stock Exchange with the ticker code NKR. The business operation in the Nekkar Group is organized in the following four business areas:

- Shipyard Solutions
- Digital Solutions
- Aquaculture
- Offshore Energy and Renewables

Prior to the Cargotec / MacGregor transaction the main objective for the group was to develop, design, engineer and supply high-quality handling systems and services for the global marine and offshore industries. Going forward, the group intends to build its strategy and operation around the new business areas described above. However new investment and corporate venture opportunities building on the heritage of TTS mixed with new industry insight based on digitalization, electrification and automation, shall not be excluded.

The company is prepared to utilize its access to the capital markets through the stock exchange listing to ensure that the company's financial situation is sufficiently balanced to finance its strategy if necessary.

Going forward Nekkar will use its access to technology and knowledge clusters in Norway to identify companies, assets, people and technology, which will contribute, to realize the group's ambitions.

SHIPYARD SOLUTIONS

Shipyard Solutions, i.e. Syncrolift with its main office in in Drøbak, Norway, is expected to be the main revenue and cash-generating business near term. Syncrolift has subsidiaries in the US and in Singapore.

Syncrolift offers turnkey and customized solutions for shipyards and navy bases around the world. The product range includes shiplifting systems for launching and retrievals of vessels, transfer systems for a fast and reliable way of moving vessels around the yard, FastDockingTM products for efficient operations during docking and maintenance of vessels, and service and upgrade capabilities related to the company's product offering.

DIGITAL SOLUTIONS

Nekkar acquired 51% of Intellilift AS in April 2019. The company was established in 2017 and is located in Kristiansand, Norway. Intellilift will be the driving force behind the Digital Solutions initiative and have ambitions to develop open software platforms for collection, monitoring and control of data for the aquaculture industry and a variety of offshore energy industries.

AQUACULTURE AND OFFSHORE ENERGY AND RENEWABLES

Aquaculture and Offshore Renewables will in its initial phase will be covered by employees in Nekkar ASA located in Kristiansand, Norway.

GROUP FUNCTIONS

Centralized functions and corporate activities are covered by Nekkar ASA located in Bergen, Norway. In the upcoming General Assembly 27 May 2020, the company will seek approval to move its headquarter to Kristiansand.

EMPLOYEES

The total number of employees in the Nekkar Group were 47 at year end 2019, compared to 41 in the previous year. For Nekkar ASA similar number of employees were 12 and 12, respectively. At year end hired number of personnel were 9 (2018: 8) at group level and 4 (2018: 4) in Nekkar ASA.

OPERATING PERFORMANCE

KEY FIGURES FROM PROFIT AND LOSS 2019

NEKKAR GROUP

MNOK	2019	2018
Revenue	267	220
EBITDA	36	17
EBITDA margin	13,5%	7,7%
Order intake	396	388
Order backlog	778	629

NEKKAR GROUP

OPERATING PERFORMANCE

Revenues for the Nekkar Group was in 2019 MNOK 266.6 a MNOK 46.3 increase from 2018 (MNOK 220.3). Reported EBITDA was MNOK 36.1 compared to MNOK 17.0 in 2018.

Profit before tax was MNOK 33.1 in 2019, compared to MNOK 13.3 in 2018. The substantially improved profit was a result of strong operating and financial performance in the shipyard solutions business, one-off timing effects, and high realized margins on completed deliveries. Along with improved profits, Syncrolift did successfully capture significant new orders during the year, leading to an all-time high order backlog of MNOK 778 at year end 2019 compared to MNOK 629 as of 31 December 2018.

Pre-tax profit for the group was MNOK 33.1 for 2019 compared to MNOK 13.3 the previous year. Profit after tax was MNOK 49.0 and MNOK 11.8 for 2019 and 2018 respectively.

When including the discontinued business, net result for 2019 was MNOK 212.0 compared to a loss of MNOK 14.9 in 2018. The net result for 2019 is influenced by completion of the Cargotec / MacGregor transaction in Q3.19 and reflects a gain from the disposed assets of MNOK 113.2, and net result from the discontinued business from 1 January 2019 until 31 July 2019 of MNOK 49.8.

The new business lines are in their emerging phases, but nevertheless valuable progress was made during 2019, especially within the aquaculture and the digital solutions initiative.

NEKKAR ASA

Revenue generated in Nekkar ASA in 2019 was MNOK 18.8 compared to MNOK 22.3 in 2018.

The operating profit was negative with MNOK 11.9 compared to MNOK -23.1 in 2018. Profit before tax before tax (Earnings Before Taxes - EBT) for 2019 was MNOK 42.0 and includes a loss of MNOK 4.8 from disposal of the entities and assets that was included in the Cargotec / MacGregor transaction. Profit before tax in 2018 was MNOK 87.4.

SHIPYARD SOLUTIONS

Shipyard Solutions generated in 2019 revenues of MNOK 250.1 compared to MNOK 220.3 in 2018. EBITDA was MNOK 54.1, MNOK 12 higher than in 2018. The EBITDA margin improved from 18.9% in 2018 to 21.6% in 2019. The improved performance is a result of strong operating and financial performance in the shipyard solutions business including positive one-off effects from ongoing projects and high realized margins on completed deliveries. The all-time high order backlog at the end of 2019 was MNOK 778.

DIGITAL SOLUTIONS

The Intellilift position has provided Nekkar with access to technology, knowledge and new industry insights. Intellilift has continued its positive development and delivered revenue and EBITDA in 2019 of MNOK 12.8 and MNOK 3.2 respectively.

AQUACULTURE AND OFFSHORE ENERGY AND RENEWABLES

Both these business areas are in its initial phase with low visibility on revenue and results in 2019. Within aquaculture the company was awarded a grant of MNOK 10 under the Innovation Norway's Environmental Technology program, to develop, pilot, and test a semi-closed cage for fish farming. The development will be done in close cooperation with a renowned fish farmer and is part of the Company's strategy to push for new innovative and sustainable solutions.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets at the end of 2019 were MNOK 416.0, compared to MNOK 500.0 when excluding MNOK 1 916.1 of "Assets held for sale" from the 2018 balance sheet.

The net working capital (ref. definition of APM's) was negative with MNOK 102, compared to MNOK -146 at the end of 2018. The groups business practice affects cash balances substantially from time to time through variable levels of progress on projects versus prepayments received from customers.

Following the completion of the Cargotec / MacGregor transaction in Q3 2019 all credit facilities were settled, hence there are no interest-bearing debt neither in the consolidated figures nor in Nekkar ASA as of year-end 2019. Interest bearing debt in 2018 on consolidated level and in Nekkar ASA was MNOK 287.4 and MNOK 287.4 respectively.

Nekkar Group has no credit facilities as of 31 December 2019. Facilities for guarantees and currency are however established with both Nordea and DNB.

The remaining nominal value of the company's convertible bond was year-end 2018 MNOK 90.9, giving rights to 18.298.793 new shares. During 2019 and following completion of the Cargotec / MacGregor transaction, MNOK 89.1 of the outstanding bonds were converted into 17 921 523 shares in 2019. The residual MNOK 1.9 was redeemed 29 August 2019.

During 2019 management declared options at a strike price of NOK 3,43 equivalent to totally 610 000 shares out of a total outstanding options programme of 760 000 options. Remaining outstanding options (150 000) with a strike price of 1.30 expire 31 May 2020.

The Nekkar Group's deferred tax assets were MNOK 35.4 at the end of 2019 compared to MNOK 18.9 the previous year. The increase in deferred tax assets for 2019 is based on a reassessed appraisal on ability to utilize previous tax losses against future taxable profit.

The reporting currency of Nekkar Group is NOK (Norwegian krone). As substantial parts of both income and expenses are denominated in foreign currencies, fluctuating foreign exchange rates may affect the group's operating results. Nekkar Group therefore works on reducing its exposure to currency fluctuations by using hedging instruments. Nekkar is currently using hedging accounting but are in a process of re-evaluating its policies and procedures. Any change, if so decided, will affect the groups accounts going forward. For additional information, please refer to the Accounting principles, section 3.1a.

The annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors affirms that the accounts provide a true and fair view of the company's financial position as of 31 December 2019. The Board of Directors is not aware of any unreported events occurring subsequent to the balance sheet date of 31 December 2019, which may be material to the Nekkar Group or to the annual accounts of 2019. As stated elsewhere in this report, the Board of Directors is not able to fully understand all affects, and the final outcome of the ongoing corona crises to the business, but the Board believes the group is positioned to avoid serious harm. See Note 29 Subsequent events, for further information.

At the end of 2019, Nekkar ASA had a share capital of NOK 11,618,209 divided into 105,620,078 shares at 0.11 each. The company holds 6.632 own shares.

CASH FLOW

The reported cash flow on consolidated level from operating activities was MNOK 57.7 in 2019 compared to a positive operating cash flow of MNOK 65.2 in 2018.

Consolidated cash flow from investment activities was in 2019 significantly affected by completion of the Cargotec / MacGregor transaction, effective in Q3.2019, and showed a positive value of MNOK 472.6 compared to MNOK 74.2 the previous year.

In 2019, net cash flow from financing activities on consolidated level was negative with MNOK 618.7 compared to a negative figure of MNOK 51.8 in 2018. The significant negative cash flow from financing activities was due to the cash distributed to shareholders in Q3 2019 with MNOK 422.5, and repayment of the company's outstanding financial debt of MNOK 196.2. Proceeds received from the preliminary settlement of the Cargotec / MacGregor transaction was MNOK 554.6.

Cash position for the Nekkar Group at the end of 2019 was MNOK 261.0 compared to MNOK 349.4 in 2018. Nekkar ASA had a cash position of MNOK 65.1 as of

31 December 2019 compared to MNOK 0.9 previous year.

In 2019, the parent company's net cash flow from operating activities was negative with MNOK 34.6 (2018: MNOK 41.5), net cash flow from investments MNOK 496.9 (2018: MNOK 152.2), and net cash flow from financing was negative with MNOK 398.1 (2018: MNOK 110.2). The significant changes in cash flow from investments and financing activities was due to the completion of the Cargotec / MacGregor transaction along with the cash distribution to shareholders and re-payment of loan facilities.

The company or group has no net interest-bearing debt as of year-end 2019.

RESEARCH AND DEVELOPMENT

Total capitalized R&D in 2019, including acquisition of Intellilift was MNOK 11.2 compared to MNOK 0 in 2018. Capitalized R&D in Nekkar ASA was MNOK 3.3 in 2019 versus MNOK 0 in 2018. At the end of 2019, capitalized R&D in the consolidated balance sheet was MNOK 11.0 compared to MNOK 0 in 2018. Similar capitalized balance was in Nekkar ASA was MNOK 3.3 and MNOK 0 for 2019 and 2018 respectively.

Cost arisen from development activities related to customer specific projects, may in some cases be charged to the P&L as operating expenses.

ORDER BACKLOG

The groups order backlog at the end of 2019 was MNOK 778, up from MNOK 629 when excluding discontinued business from previous years figures. This reflects an all-time high position when comparing historical numbers for the continued business (i.e the shipyard solutions business).

GOING CONCERN

As of 31 December 2019, the equity ratio was 56.1 % compared to 21.3 % when including the subordinated convertible bond loan in the 2018 numbers. There was no interest-bearing debt on neither consolidated nor Nekkar ASA level at year-end 2019.

The financial objective of the Group is to have sufficient cash reserves or credit lines available to be able to finance operations and investments on an ongoing basis. The groups cash position combined with guarantee and currency facilities with its bank relations is considered sufficient to fund the existing business plan at least mid-term.

In accordance with Section 3-3 of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared based on the going concern assumption and that the requirements are fulfilled.

RISK FACTORS AND RISK MANAGEMENT

Nekkar Group is exposed to various markets, financial and operational risks and as experienced from latter events, also political and health-oriented risks.

The Board of Directors reviews operating reports from management on a monthly basis. In addition to the continuous risk mitigation, the Board of Directors and management carry out specific risk analyses in connection with major investments and contracts. Specific risk areas or projects are continuously monitored and assessed. The group has furthermore implemented thorough procedures related to contract approvals and authorization matrixes.

Near term, the group is mainly exposed towards the shipyard business, but as the new business areas increases in importance and size the group will be exposed to other market segments. The prevailing business strategy is planned to be funded with cash flow from operations.

MARKET RISKS

There are a number of risks related to the market development for Nekkar's products and services. Nekkar monitors these risks through its sales network and by available information on relevant trends.

Shipyard solutions is the main business of the group after closing of the Cargotec / MacGregor transaction. The activity in the market is depending on the construction and upgrade of navy bases and new shipyards, which is suitable for the Syncrolift® shiplift systems and solutions.

Expected future demand for the current product portfolio depends on the shipyards' need to implement more efficient production lines which again depends on the general market activity. Currently there are no signs long term that the yard industry will reduce its focus on increased productivity. However, the current corona pandemic may result in project delays and a reduction in short- to medium-term order intake.

At the beginning of 2020, Syncrolift AS has secured a solid order backlog for its 2020 new building business but are also positioned for accumulative success in acquiring recurring service business. Scheduled deliveries for the current project portfolio extend into 2022.

FINANCIAL RISKS (SHORT TERM FINANCING)

Nekkar Group is exposed to credit, liquidity and currency-related risks, and has adopted an active approach to managing risk in the financial markets. The aim of the group's financial strategy is to be sufficiently robust to withstand adverse conditions. The financial risks related to credit, liquidity, and currency are described below.

Credit risks represent potential financial losses stemming from contractual partners' failure to fulfil their contractual obligations. Developments in the part of the shipyard business applicable for Syncrolift has historically resulted in only modest losses on payments from customers. However, with the understanding that substantial credit risks can be present, the Nekkar Group has taken measures to limit these risks through evaluating the financial strength of its contract partners, restricting credit and utilizing mechanisms to secure payments, such as letters of credit and prepayments. Nekkar Group works continuously to limit its exposure to credit risks.

The liquidity risk is related to a situation in which Nekkar Group may be unable to meet short-term financial demands and fulfil its obligations as they fall due. In order to monitor liquidity risk Nekkar Group prepares, on a regular basis, rolling cashflow forecasts to predict liquidity requirements. The group's overall cash position is satisfactory and evaluated to be sufficient to fund the prevailing business plan in combination with the guarantee and currency facilities established with its bank relations.

The company will in addition to the operating cash flow normally have access to capital markets for further funding with option to finance activities through either equity or debt or a combination.

In order to manage currency risks, Nekkar' policy is to hedge all significant currency contracts. The hedging is performed based on firm contracts for sale or purchase in currencies other than NOK. These hedging contracts qualify as hedging of firm commitments in accordance with IFRS 9. As stated elsewhere in this report the group is in a process of re-evaluating its policies and procedures with regards to currency, and any change, if so decided, will affect the groups accounts going forward. If for some reason customers contracts are terminated, the Company is exposed to currency loss (gain) related to ongoing hedging contracts. This risk has increased as a consequence of the recent combination of the corona pandemic and the volatile currency situation.

OPERATIONAL RISKS

Nekkar Group's new build business is primarily organized through deliveries of completed projects. The operational risks related to the project execution are mainly deliveries from sub-suppliers, project management, and customer related issues.

During the tender phase, projects undergo a thorough risk evaluation in order to identify and mitigate potential technical and commercial risks in addition to assessment of other potential risk areas, and the level of contingency required. Measures have been implemented to ensure that projects are being satisfactorily assessed both prior to signing the contracts and during execution phase. The bid review process, where major risks are evaluated before a binding offer is sent to potential customers, is an essential part of the procedures.

Nekkar will continue to focus on improving its risk monitoring and assessment tools, as well as its project management tools.

RISKS OF POLITICAL AND HEALTH ORIENTED NATURE

The events related to the corona virus has clearly shown that there are business exposures related to events that affects business which are outside of the normal control of management or the Board of Directors. The Board of Directors has reviewed the situation and concluded that although risk has obviously increased, the assessment is that the group is positioned to avoid serious harm.

Going forward Nekkar will monitor the situation with great attention, and the group will furthermore review its plans and procedures in light of all current and recent experiences.

CORPORATE SOCIAL RESPONSIBILITY

Nekkar is part of an international industry where what is good for the globe and the people, and what is good for business are more closely related than ever. Our ability to create value is dependent on promoting and maintaining high ethical standards to create a trust-based relationship with our employees, our owners, our business partners, our communities and other stakeholders.

Nekkar is dedicated to conducting our operation in an ethical and responsible way; aiming at sustainable development for all stakeholders. Our policies for corporate social responsibility encompass QHSE, business ethics, support for human and employee rights and anti-corruption measures.

Nekkar is committed to follow OECD's Guidelines for Multinational Enterprises and contributing to the improvement of international business standards and practices, especially with regard to questions of corruption, labor relations and the global environment. Nekkar operates in a manner that respects the human rights as set out in the UN's Universal Declaration of Human Rights and the core conventions of the International Labor Organization.

Nekkar releases its first ESG report this year based on an assessment made in the autumn of 2019. The report is based on the Oslo Stock Exchange guidance on ESG reporting of 2018.

Nekkar gives high priority to creating a working environment where employees thrive and develop as humans and professionals. We support our workers' opportunities to exercise their employee rights and to be organized through trade and labor unions, and we facilitate annual meetings for global employee representatives. Nekkar is also an advocate for equal rights for all employees regardless of gender, sexual orientation, disability, ethnicity, religion or political orientation.

The Nekkar Code of Conduct (the Code) describes Nekkar' ethical commitments and requirements to expected behavior in areas such as anti-corruption and conflict of interest. It sets expectations for personal conduct and business practice.

The Code includes our most important ethical principles and provides some references to more detailed requirements for expected business and personal conduct.

The Code applies to the Nekkar companies, board members, management and employees, including temporary personnel and consultants or contractors that act on Nekkar's behalf. Nekkar has also developed a separate policy applying to our subcontractors, and a goal for 2020 is to initiate a closer cooperation on how to ensure Environment, Social, and Governance (ESG) responsibility compliance in the supply chain.

Nekkar has zero tolerance for corruption and encourages its employees to report suspected infringements.

For more information, please see the ESG report at our website www.nekkar.com.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

The Board of Directors believes that a proactive QHSE policy is a precondition for the successful development of a long-term sustainable and profitable business to the benefit of customers, employees, shareholders and all other stakeholders. The Nekkar Group therefore never compromises on issues of quality and safety and has committed itself to a zero-harm-and-fault policy.

Nekkar operates with worker safety and environmental sensitivity at the forefront and supports a company culture characterized by strong day-to-day compliance with high QHSE standards. Our QHSE ambitions are to cause no harm to people or to environment, to prevent accidents and damages to property and to avoid faults and non-conformities that may influence the quality of all deliveries.

The group comprises of companies that differ in size, operate in different business segments and face different legislative systems. The Board of Directors advocates a consistent HSEQ policy at corporate level, and common HSEQ reporting procedures are applied.

The Group also welcomes a general, global tendency towards more stringent HSE requirements from customers, contributing to fair competition based on quality, experience, efficiency and technology, and with no compromise on safety.

All employees are accountable for contributing to their own health, safety and wellbeing as well as that of their colleagues. Managers at all levels, however, have a special responsibility to monitor and mitigate any safety risks and to contribute to the improvement of management systems and Nekkar' QHSE performance.

ENVIRONMENT

The Nekkar Group takes care to avoid any negative impact of its operations on the physical environment although the group's activities are viewed to have limited impact on the external environment. Measures are taken to ensure that operations are conducted in accordance with applicable environmental standards.

The use of products delivered by Nekkar represents limited risks of environmental pollution. The Nekkar Group's operations are not regulated by any licenses or regulatory orders.

PEOPLE AND ORGANIZATION

The skilled and dedicated workers of Nekkar are the group's most important success factors, and the Board of Directors wishes to express their gratitude to all employees for their contribution in 2019.

Nekkar has a strong focus on risk awareness, and the Board of Directors urges management to continue promoting a culture of workplace injury prevention. Reported absence due to illness was 0.7% (2.8% in 2018). Nekkar experienced zero workplace incidents resulting in the need for medical treatment in 2019 (nil in 2018).

Nekkar Group continuously works towards ensuring a healthy and motivating working environment for its employees. Efforts are made to encourage joint corporate culture based on the core values described above.

The different business units are managed by the following executives:

- Shipyard Solutions:
  Rolf-Atle Tomassen
- Digital Solutions:
  Stig Trydal
- Offshore Energy and Renewable:
  Mette Harv
- Aquaculture:
  Mette Harv

The CEO has a notice period of six months, and a severance pay period of 9 months.

EQUAL OPPORTUNITIES

Nekkar promotes a working environment that offers equal rights, equal treatment and equal opportunities to everyone regardless of gender, religion and ethnic background. It is an important goal that all employees experience equal possibilities regarding their professional and personal development.

Engineers make up the majority of Nekkar' workforce and represent a profession where women historically have been underrepresented. The challenge of attracting women to the field is reflected by the fact that women constituted only 18% of the workforce in 2019 (2018: 20.0%). Consequently, the Board of Directors considers it important that Nekkar comply with a recruitment policy where it is more attractive for women to join the company.

Two of the corporate management team's five members are female, including the CEO. The Board of Directors of the Nekkar ASA consists of two persons of each gender.

Pursuant to the law prohibiting discrimination based on disabilities (the Norwegian Anti-Discrimination and Accessibility Act), Nekkar has made efforts, where applicable, to locate operations and implement office layout in a manner that enhances accessibility for everybody, and make reasonable workplace accommodations to meet the needs of employees with hearing or sight impairments.

BOARD OF DIRECTORS

The Board of Directors consists of Trym Skeie (Chair), Marit Solberg (Deputy Chair), Gisle Rike, and Ingunn Svegården.

At the Extraordinary General Meeting (EGM) held 19 September 2019 Trym Skeie and Gisle Rike was re-elected for a period of one year, while Marit Solberg and Ingunn Svegården were elected for a period of two years. The changes in the board took place as a consequence of the disposal to Cargotec / MacGregor, and with effect from the from the EGM Leif Haukom, Britt Mjellem and Marianne Sandal left the Board of

Directors. Rakel Simmenes (employee elected) and Morten Aarvik (employee elected) were employed in the units disposed to Cargotec / MacGregor, and consequently left the Board of Directors upon completion of the transaction 31 July 2019.

Trym Skeie and Gisle Rike are up for re-election at the upcoming Annual General Meeting in 2020.

AUDITORS

KPMG is the elected auditors for Nekkar ASA.

BOARD STATEMENT ON COPRPORATE GOVERNANCE

The Nekkar Board of Directors adheres to good corporate governance standards and uses the Norwegian Code of Practice for Corporate Governance as a guideline. A more detailed account of the applicable principles for corporate governance is provided as a separate Corporate Governance section in the annual report. Resolutions from the General Meetings are published on the company's website, www.nekkar.com.

SHAREHOLDER STRUCTURE AND LIMITATION

The shares of Nekkar ASA are publicly traded at the Oslo Stock Exchange, where the company trades under the ticker code NKR. All shares are identified by the owner's name. As reflected in the company's Articles of Association, there are no restrictions to voting, or to the transfer of share ownership, nor are there any mechanisms in effect aimed at preventing takeovers. Nekkar ASA has one class of shares, and each share confers one vote at the General Meeting. There is no specific representation – neither individually nor jointly – for shares owned by employees of Nekkar.

CAPITAL STRUCTURE

Nekkar Group equity at the end of 2019 was MNOK 233.5, of which MNOK 217.4 was attributable to the majority, and MNOK 16.1 was attributable to the non-controlling interests of partly owned subsidiaries. The equity to total assets ratio was 56.1% in 2019 compared to 21.3 % for the comparable continued business previous year.

At the end of 2019, the equity in Nekkar ASA was MNOK 249.4 of which MNOK 240.8 was share premium capital, MNOK 11.6 share capital and MNOK - 3.1 other equity. Comparable figures from year end 2018 were MNOK 522.5, MNOK 151.7, MNOK 9.6 and MNOK 362.2 respectively. The equity to total assets ratio was in 2019 92.4% compared to 58.2% at year- end 2018.

OUTLOOK

For shipyard solutions, the order intake in 2019 has been very strong, and the market situation through first phase of 2020 seems promising, although the full consequences of the turbulent corona virus and increased currency volatility is unclear. The ongoing business is running well, and despite "rough waters" and some obstacles related to various governments restrictions related to the corona pandemic, we believe the all- time high order backlog will ensure high activity levels near term. Interim revenues and EBITDA will however fluctuate due to timing effects in project execution normally due to delays related to circumstances outside the control of Syncrolift. Delays in project execution as a consequence of the corona pandemic may also be expected.

Syncrolift has ambitious plans with regards to its service business and is furthermore committed to develop new solutions and products to increase repair yard productivity. In the new Fast Docking business area, six out of eight products are commercialized and the opportunity for future growth is viewed as attractive, however market acceptance is still pending. In addition to new products and solutions, the service and upgrade market is viewed as promising. Syncrolift has a leading market position for ship lifts and transfer systems, and the large installed base provides an excellent position to expand the company's footprint and offerings within service, upgrades and aftermarket.

The Intellilift position is expected to generate positive synergies for the Syncrolift business as products and solutions may be integrated with the existing business.

The new business areas in the Nekkar Group portfolio of activities is concentrated around delivery of sustainable solutions to ocean-based industries. In 2019 Intellilift, representing the Digital Solutions business, has secured new strategic contracts, whereas the business area Aquaculture have been awarded an Environmental Technology grant from Innovation Norway of MNOK 10 to develop, pilot and test the closed cage for fish farming area. Consequently both these business areas are positioned for interesting opportunities and growth going forward. Within Offshore Energy & Renewables Nekkar's business plan is somewhat less mature, however the opportunistic approach to this business area is built on the heritage and competence from the group's previous history, clearly without infringing any provisions of the Cargotec / MacGregor agreement. The company's ambitions near term within this business area is to approve a framework where the company combines a strategic direction with a product offering that gives a relevant footprint in the market.

On the 18 November 2019, Nekkar disclosed that Cargotec / MacGregor is challenging the purchase price calculation and is claiming a downward adjustment of approximately MNOK 240 compared to the amount presented by Nekkar. In the absence of an amicable solution this issue is now referred to arbitration proceedings and there is risk and uncertainty with respect to the financial outcome. Nekkar is, however, still of the opinion that the figures presented by Nekkar are correct, and the company has therefore fully challenged the claim presented by Cargotec / MacGregor.

Although business outlook for Nekkar looks positive it is difficult to predict short, medium and long-term effects on all business lines from the corona virus situation. Risk has obviously increased in all business areas and value chains. Nekkar closely monitors the situation and will take the necessary measures required to minimize the negative impact on our employees, operations and financial result.

Bergen, 29 April 2020
Board of Directors, NekkarASA

Trym Skeie
Chair of the Board

Marit Solberg
Director

Gisle Rike
Director

Ingunn Svegården
Director

Toril Eidesvik
CEO

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is responsible for ensuring that the company is organized, managed and controlled in an appropriate and satisfactory manner in full compliance with applicable laws and regulations.

Furthermore, compliance with generally accepted corporate governance guidelines is important because it contributes to:

- reduced risk
- enhanced values in the best interests of all stakeholders
- fair treatment of all stakeholders
- strengthened confidence and attractivity
- desired conduct

The Board considers compliance with generally accepted corporate governance guidelines as an important prerequisite for long-term value creation. The company strives to ensure that its internal control mechanisms, organization and management structures comply with good corporate governance principles.

Nekkar ASA (the "Company" or "Nekkar") follows the Norwegian Code of Practice for Corporate Governance ("the Code"). The Code is published at www.nues.no. The Board actively adheres to good corporate governance standards, and will at all times seek that Nekkar either complies with the Code or explains possible deviations from the Code.

The following policy statement explains how Nekkar has addressed the 15 governance issues covered by the Code. Further information is available on the company's website and in the Annual report.

This report is based on the latest version of the Code (17 October 2018).

1. IMPLEMENTATION AND REPORTING

The Board is aware of its responsibility for implementation of internal procedures and regulations to ensure that the company and its subsidiaries ("the Group") complies with applicable principles for good corporate governance in line with Norwegian and applicable international standards. The Board actively adheres to this.

Good corporate governance is an integral part of the decision-making process in matters dealt with by the Board. Governing structures and controls help to ensure that the policy is enacted upon. The work of the Board is based on defined division of roles and responsibilities between the shareholders, the Board and management. Nekkar has implemented specific set of rules and procedures for the Board, constituting the governance structure and administrative procedures for their work.

Corporate governance in Nekkar is subject to regular reviews and discussions by the Board.

2. BUSINESS

Nekkar is an industrial technology group offering impact technology solutions combined with high-end software solutions.

Its main activities are related to cost efficient ship docking solutions and services, open software platforms to collect, monitor and control data for different operations, developing next generation solution for sustainable closed caged salmon farming and inventing sustainable electric and digital solutions to the offshore energy market.

Nekkar is a public limited liability company organized under the laws of Norway and subject to the provisions of the Norwegian Public Limited Liability Companies Act.

Nekkar's objective is currently defined in the Articles of Association as follows:

The company's purpose is to engage in industrial activities related to ship building, oil and gas production and port activities, including any related activities, as well as participation in or acquisition of other businesses.

Nekkar (previously named TTS Group ASA) disposed as of 1 August 2019 a significant part of its business to Cargotec / MacGregor. Due to this transaction, Nekkar is today focused on the two business areas:

- Syncrolift AS which supplies ship docking solutions, related services and other logistics solutions to global customers in the shipbuilding and shipyard industry.
- New business areas related to Digital, Aquaculture and Offshore energy and Renewable

Following the changed business focus, the Board proposes to the Annual General Meeting in May 2020 that the Articles of Association are amended as follows:

The company's purpose is to engage in industrial activities and related matters such as direct and indirect investments in companies carrying out industrial activity, as well as active ownership of the different companies.

In April 2019, Nekkar acquired 51% of the shares in Intellilift AS, a software company established in 2017 with ambitions to develop open software platforms for collection, monitoring and control of data for the aquaculture industry and a variety of offshore energy industries.

Nekkar is also in the process of developing Starfish, a fully closed salmon cage technology improving fish welfare and production economics. Through this development, Nekkar brings offshore grade engineering competence to the aquafarming industry. Nekkar has been awarded an Environmental Technology grant from Innovation Norway of MNOK 10 to develop, pilot and test the closed cage for fish farming. The development will be done in close cooperation with a renowned fish farmer and is part of our strategy to push for new innovative and sustainable solutions.

Furthermore, Nekkar is looking into several products leveraging benefits of next generation permanent magnet winches, electrification and battery energy storage, utilizing the benefits of electrification and automation to harvest substantial improvements through structural reengineering. Nekkar still has an opportunistic approach in this business area and the strategic direction is more order-driven compared with the two other business areas.

The company is prepared to utilize its access to the capital markets through the stock exchange listing to ensure that the company's financial situation is sufficiently balanced to finance its strategy if necessary.

Nekkar's operations are based on cross border trade, and interaction with people from many countries and different cultures. Nekkar embraces social responsibility by increasing the understanding of cultural differences, seeking to increase tolerance. The company has approved more specific guidelines for Corporate Social Responsibility ("CSR") based on the principles of the UN Global Compact about CSR related to human rights, labor, environment and anti-corruption. Ref. ESG report on the web site.

To discuss and evaluate goals, strategy and risk profile, the Board conducts an annual two-day strategy meeting, where the main purpose is to set the long-term direction for the company.

A further description of the company's operations, goals, strategy, and risk profile is provided in the group's Annual report, which shows how the company's operations and strategies are aligned with objectives defined in the Articles of Association.

3. EQUITY AND DIVIDENDS

EQUITY

The company's solidity is continuously assessed based on the company's goals, strategies and risk profile.

Total assets at the end of 2019 were MNOK 416, and the company's equity was MNOK 234 and hence the equity-to-assets ratio was 56.1%.

DIVIDEND POLICY

Nekkar aims to give shareholders a competitive long-term return that reflects the risk inherent in the company's operations. Based on Nekkar's capital structure and growth strategy, the shareholders' return should be realized mainly through an increase in the value of their shares. However, dividends may also be relevant in the future, if and when the circumstances permit it. Growth through acquisitions will be funded through a balanced mix of equity and debt.

The Annual General Meeting determines the annual dividend, based on the Board's proposal.

Upon completion of the Cargotec / MacGregor transaction Nekkar received a cash consideration of MNOK 554, and thereafter a cash dividend of NOK 4.0 per share, totally MNOK 422, was distributed to the shareholders 27 September 2019.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment of all shareholders is a core governance principle. Nekkar has one class of shares and is listed on Oslo Stock Exchange Standard List under the ticker symbol NKR. Each share carries one vote at the General Meeting.

On 31 December 2019, the share capital was NOK 11.618.209, distributed to 105.620.078 shares at a nominal value of NOK 0.11 per share.

Own shares are purchased through ordinary trade on the Oslo Stock Exchange if applicable. On 29 April 2020, the company owned 6,632 shares.

The Company's Board and group management are considered close associates of Nekkar. The Board has approved a specific set of "Rules and procedures" for the Board. According to these regulations, transactions between associates shall comply with Nues.

According to the Code, a company should list reasons for deviating from the existing shareholders' preferential status when making a rights issue. If such a situation occurs, Nekkar will comply with this recommendation.

5. SHARES AND NEGOTIABILITY

All Nekkar shares carry equal rights and are freely negotiable.

6. GENERAL MEETINGS

The interest of the company's shareholders is exercised at the General Meetings (GM). The Annual General Meeting is usually held end of May or beginning of June. The meeting for 2020 is scheduled on 27 May 2020.

The General Meetings deal with and decide on the following matters:

1. Adoption of the Annual Report and accounts including the consolidated accounts, the distribution of dividend and adoption of the auditor's remuneration
2. Determination of the remuneration for Board and the Nomination Committee
3. Election of members to the Board, the Nomination Committee and election of auditor
4. Any other matter that belongs under the Annual General Meeting by law or according to the Articles of Association.

All shareholders with known address registered in the Norwegian Central Securities Depository (VPS) will receive an invitation to the GM. The invitation is sent at least three weeks prior to the meeting. Other documents will be made available at Nekkar's website. A shareholder may request a print of documents relating to matters to be dealt with at the GM.

The deadline for shareholders to give notice of their intention to attend the meeting is three business days prior to the meeting.

Shareholders who are unable to attend the GM may vote by proxy. The proxy form is designed in such a way that voting instructions may be given for each item on the agenda.

The chairperson of the Board, the chairperson of the nomination committee, the auditor, and the CEO are present at the GM, in addition to other Board members when appropriate. The chairperson of the Board opens the GM and is normally elected to chair the meeting.

Nekkar has not deemed it necessary to require the presence of all members of the Board at the GM. Nekkar does also deviate from the recommendation to establish routines for appointment of an independent person to chair the GM. In case of particular items on the agenda requiring such measures, the Board will consider appointing an independent chairperson.

All shares carry an equal right to vote at General Meetings. Resolutions at GMs are normally passed by simple majority unless otherwise is required by Norwegian law.

The minutes of the GM are made available on Nekkar's website.

7. NOMINATION COMMITTEE

Pursuant to Nekkar's Articles of Association, the nomination committee shall consist of 2-3 members, independent of the Board and management.

The committee nominates candidates to the Board and proposes Board members' remuneration.

As part of its nomination process, the committee will have contact with major shareholders, the Board and the company's executive management to ensure that the process takes both the Board's and the company's needs into consideration.

A justification for a candidate will include information on each candidate's competence, capacity and independence.

The current members of the nomination committee are Anne-Grete Ellingsen (Chair) and Leif Haukom (Member). Both members are independent of the major shareholders, the Board and the executive management.

The members of the nomination committee are elected by the GM. According to the Code, the GM shall elect the Chair of the nomination committee and set the guidelines for the committee's work. The BoD will propose an amendment to the Articles of Association to reflect the recommendation in the Code at the GM.

Information regarding the committee members, the procedures, as well as how input and proposals may be submitted to the committee is published on the company's website.

8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Pursuant to Nekkar's Articles of Association, the company's Board shall consist of three to five members. The current Board consists of four members elected by the GM.

Nekkar strive to ensure that the Board has a composition necessary to safeguard the interest of the shareholders. The Board consider its composition to be diverse and competent with respect to expertise, capacity and diversity adapted to the company's objectives, main challenges and the common interest of all shareholders. The Board emphasizes the importance of efficiency as a collegial body. The board consists of two men and two women.

In accordance with the Extraordinary General Meeting on 19 September 2019, the shareholders elected the following members to the Board:

NAME	ELECTION PERIOD	POSITION
Trym Skeie	2019 – 2020	Chairperson of the Board of Directors
Marit Solberg	2019 – 2021	Vice chairperson
Gisle Rike	2019 – 2020	Director
Ingunn Svegården	2019 – 2021	Director

The Directors of the Board are elected for a period of two years. Please see the Annual Report for a presentation of the Board members.

According to the Code, the Chairperson of the Board should be elected by the GM. The BoD will propose an amendment to the Articles of Association to reflect the recommendation in the Code at the GM.

Trym Skeie is, both directly and indirectly, a major shareholder in the company. Gisle Rike is employed by Rasmussengruppen AS, which is a major shareholder in the company. Marit Solberg and Ingunn Svegården are independent of the major shareholders and executive management. The Board does not include executive management.

The composition of the Board is intended to secure shareholder interests, the company's requirements for expertise, capacity, and diversity in a well-functioning collegial body. The complementary expertise of the Board is intended to ensure that the Directors can assess matters from different perspectives.

Except for Trym Skeie, none of the other Directors of the Board own any shares in Nekkar. None of the Board members hold options.

A procedure for how the Directors of the Board and executive management can trade in Nekkar shares has been implemented.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board has the overall responsibility to oversee the organization, operation and management of Nekkar, whilst the CEO is responsible for day-to-day management. This means that the Board is responsible for how to organize the company's activities and establishing systems in order to ensure that Nekkar operates in compliance with laws and regulations, corporate governance guidelines and the values stated in the company's Code of Conduct.

The Board conducts its work through established procedures ("Rules and procedures for the Board of

Directors") where its responsibilities for the work and administrative procedures are outlined. The Board has adopted an annual plan for its work to ensure that all important issues and business areas are covered, emphasizing objectives, strategy, and implementation of the company's business plan in particular.

Normally the Board plans for six meetings per year. However, in 2019 the Board has held work meetings as well as additional meetings to address various business-related issues and handling of the Cargotec / MacGregor transaction. 14 board meetings (circulation of documents, telephone, and physical meetings) were held in 2019. The attendance of the shareholder-elected members of the Board were: Trym Skeie 14/14, Gisle Rike 14/14, Ingunn Svegården 3/3, and Marit Solberg 3/3. Ingunn Svegården and Marit Solberg were appointed to the Board 19 September 2019, and replaced Britt Mjellem 11/11, Marianne Sandal 11/11 and Leif Haukom 11/11 as representatives elected by the shareholders. Since the disposal of the maritime and offshore business to Cargotec / MacGregor, ref above, the Board does not include employee representatives.

AUDIT COMMITTEE

Pursuant to Nekkar's Articles of Association, the complete Board shall serve as audit committee of the company provided that the Board at all times satisfies the requirements in the Norwegian Public Limited Liability Act section 6-42. Considering a lower complexity level in the business after the disposal of the maritime and offshore business, as well as the reduced number of Board members, the Board deems it sensible that all members are equally informed about the accounting issues.

OTHER COMMITTEES AND MISC.

At present, the Board does not have a compensation committee.

There are no other committees established by the Board of Directors. The Board assess the need for additional roles and functions for the Board and its Directors on an annual basis.

The Board evaluates its own performance and expertise on an annual basis. The evaluation is submitted to the nomination committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board focuses on ensuring adequate organization and supervision of Nekkar's internal control and overall risk management. On an annual basis, the Board discusses and assesses the group's risk exposures, systems, routines, and internal control to mitigate these risks. Internal control procedures, limiting authorizations, organizational changes and increased reporting are part of the improvements.

The Board's work with internal control and applicable systems encompasses the company's corporate values, Code of Conduct and guidelines for Corporate Social Responsibility.

Procedures and systems upholding uniform reporting are prepared. Management prepares monthly financial reports, which are submitted to, and reviewed by the Board.

As part of ongoing risk management efforts, the Board and management carry out specific risk reviews of major investments and contracts.

As part of the annual budget and strategy process, the Board and executive management conduct an annual review to discuss and identify external and internal opportunities and threats for the group.

In addition, the Board carries out a thorough review of the company's financial status in the annual Directors' Report. This review also includes a description of the main elements of our HSE efforts with a corresponding action plan if needed.

CODE OF CONDUCT

The Nekkar Code of Conduct outlines Nekkar's ethical commitments and requirements to expected behavior regarding issues as anti-corruption and conflict of interest. It sets standards for personal conduct and business practice.

The Code of Conduct has been communicated to all employees and implemented in order to ensure that the company's ethical commitments and requirements are reflected in all business behavior. The Code of Conduct includes the most important ethical principles and provides references to more detailed requirements related to business and personal conduct.

The Code of Conduct applies to all Nekkar group companies, Board members, management and employees, including temporary personnel and consultants or contractors acting on behalf of Nekkar.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of the Board is determined by the GM, based on recommendation from the nomination committee. The recommendation is normally linked to the Board members responsibilities, competence and time commitment, taking the company's size and complexity into consideration. It also references the level of Board remuneration in comparable, Norwegian stock exchange listed companies. The remuneration is not linked to the company's performance. There is no share option program for the Board of Directors.

Members of the Board, including companies with whom they are associated, are usually not given separate assignments by Nekkar in addition to their function as directors. Such assignments will be based on approval from the Board. There were no such assignments in 2019.

The nomination committee's proposal for remuneration of the Board will be presented in the call for the GM in 2020.

12. REMUNERATION OF EXECUTIVE MANAGEMENT

The Board determines the principles applicable to the group's policy for compensation of executive management. The Board is directly responsible for determining the CEO's salary and other benefits. The CEO is, in consultation with the chairperson of the Board, responsible for determining the salary and other benefits for the group's other senior executives.

The guidelines for salaries and other remuneration is communicated yearly to the GM, where so far, the Board has asked for the endorsement of all sections of the declaration of the determination of salaries and other remuneration of leading employees, except the option program where they have asked for approval. Executive management remuneration consists of three main elements: salary, bonus, and equity-based instruments e.g. options.

The Boards' view on management compensation is that it should be competitive and motivating, but not above observed market levels. Bonuses are determined according to specific targets set for each year. Bonus schemes are limited to a portion of the salary, increasing according to the position category up to a maximum of 50% of base annual salary unless special circumstances apply. Guidelines and numbers are presented in the Annual Report.

With one exception all option holders exercised their options in 2019 in accordance with stock exchange notifications 12 and 13 September 2019. As of 29 April remaining outstanding options is totally 150,000 shares held by Björn Rosén, previously EVP in the TTS Group until the Cargotec / MacGregor transaction was completed. The options equal 0.1% of total number issued shares. The options expire 31 May 2020.

13. INFORMATION AND COMMUNICATION

Nekkar's reporting and communication policy is based on openness, taking into account the requirement for equal treatment of all stakeholders in the financial markets.

The company has established guidelines for reporting of financial and other information. The purpose of these guidelines is to ensure that timely and correct information is made available to shareholders and other stakeholders. A financial calendar and other shareholder information is available on the company's website.

Any dividend proposals are presented in the meeting call for the General Meeting.

All information distributed to the company's shareholders is published on the company's website, as well as at https://newsweb.oslobors.no at the same time as it is sent to shareholders.

Nekkar is entitled to publish all information (including the Annual Report) in English only.

14. TAKE-OVERS

The company's Articles of Association do not include defense mechanisms aimed towards take-over bids, nor are any other obstacles implemented with the objective of reducing the trade and/or transferability of the company's shares.

The shares are freely negotiable. Transparency and equal treatment of the shareholders are fundamental principles the company adheres to. No additional principles have been established for how Nekkar will or should act with respect to takeover bids, but the Board has discussed the matter, and intends to act in accordance with applicable regulations as well as the general principles of the stock market if such a situation should occur.

15. AUDITOR

The external auditor is independent in relation to Nekkar and elected by the Annual General Meeting. The auditor's fee is approved by the GM.

The auditor conducts a minimum of two meetings per year with the Board, and a least in one of the meetings a part of the meeting is held without management present. One of the meetings is conducted in connection with the review of the annual accounts, while the second meeting's purpose is to review the company's internal control systems and routines. The Board reviews the yearly audit plan with the auditor together with identified weaknesses and suggestions for improving the company's internal control.

In addition, the auditor is present in the Board meetings as and when required.

It has not been deemed necessary by the Board to implement additional guidelines regarding the use of the auditor for services other than auditing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – NEKKAR

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	NOTES	2019	2018
CONTINUED OPERATIONS			
OPERATING REVENUE			
Project revenue	2	266 614	220 310
Total revenue and income	**1**	**266 614**	**220 310**
OPERATING EXPENSES			
Cost of goods sold		160 134	142 108
Personnel costs	4, 5	50 810	44 338
Losses on accounts receivable		-	537
Other operating expenses	4, 18	19 569	16 326
Depreciation of fixed assets	6, 7	3 026	1 887
Total Operating Expenses		**233 540**	**205 197**
Operating profit/loss		**33 074**	**15 113**
FINANCIAL INCOME AND EXPENSES			
Financial income		12 107	15 126
Financial expense		12 080	16 935
Net Finance costs	**22**	**27**	**-1 808**
Profit/loss before tax	**1**	**33 102**	**13 305**
Income tax expenses / (- income)	17	-15 874	1 490
Profit/loss from continued operations		**48 976**	**11 814**
DISCONTINUED OPERATIONS			
Profit / (loss) after tax for the period from discontinued operation	27	148 116	-26 758
Profit for the period		**197 091**	**-14 944**
Attributable to equity holders of the company		195 833	-28 593
Attributable to non-controlling interests	26	1 259	13 649
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subseqently to profit or loss			
Foreign currency differences for foreign operations	23	-	-15 588
Other comprehensive income for the period		**-**	**-15 588**
Total comprehensive income for the period		**197 091**	**-30 532**
Attributable to equity holders of the company		195 833	-44 738
Attributable to non-controlling interests		1 259	14 205
Earnings per share (NOK)	16	2,07	-0,33
Diluted earnings per share (NOK)	16	1,91	-0,20
Earnings per share - Continued operations (NOK)	16	0,52	0,14
Diluted earnings per share - Continued operations (NOK)	16	0,46	0,11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NEKKAR

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	NOTES	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Deferred tax assets	17	35 367	18 939
Intangible assets	7	33 276	6 081
Property, plant and equipment	6, 12	7 112	13 611
Total non-current assets		**75 754**	**38 631**
CURRENT ASSETS			
Inventories	3, 12	6 885	596
Trade receivables	10, 12	38 260	68 974
Other receivables	10, 12, 20	14 840	3 279
Accrued, non-invoiced production	2, 3, 12	12 371	38 908
Derivative financial instruments	20	6 982	54
Bank deposits, cash in hand, etc.	12, 13	260 948	349 445
Assets held for sale	27	-	1 916 148
Total current assets		**340 286**	**2 377 405**
Total assets	1	**416 041**	**2 416 036**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NEKKAR

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	NOTES	2019	2018
EQUITY AND LIABILTIES			
EQUITY			
Issued share capital	15	11 618	9 580
Treasury shares	15	-1	-1
Share premium	15	-	151 725
Other equity	15	205 878	196 399
Shareholders equity		**217 495**	**357 702**
Non-controlling interests	26, 27	16 050	156 528
Total equity		**233 545**	**514 230**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	17	675	-
Total non-current liabilities		**675**	**-**
CURRENT LIABILITIES			
Convertible Callable Unsecured Subordinated Bond	11, 13, 14	-	90 945
Debt to financial institutions	11, 13, 14	-	196 500
Trade payables		14 005	9 715
Income tax payable	17	574	-
Social Security and Employee taxes		3 740	3 152
Prepayments from customers	2	109 293	130 538
Derivative financial instruments	20	17 172	25 797
Other current liabilities	20, 21, 28	37 038	88 523
Liabilities held for sale	27	-	1 356 637
Total current liabilities		**181 821**	**1 901 806**
Total liabilities		**182 496**	**1 901 806**
Total equity and liabilities	1	**416 041**	**2 416 036**

Bergen, 29 April 2020
Board of Directors, NekkarASA

Trym Skeie
Chair of the Board

Marit Solberg
Director

Gisle Rike
Director

Ingunn Svegården
Director

Toril Eidesvik
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – NEKKAR

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	NOTE	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER EQUITY	SHARE-HOLDERS EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
EQUITY AS OF 1.1.2018		**9 526**	**-12**	**149 378**	**297 182**	**456 074**	**151 382**	**607 456**
Adjustment of initial application of IFRS 15 (net of tax)					-56 576	-56 576		-56 576
Adjusted equity balance 01.01.2018		9 526	-12	149 378	240 606	399 498	151 382	550 880
Profit /(loss) for the period		-	-	-	-28 593	-28 593	13 649	-14 944
Other comprehensive income	27	-	-	-	-16 145	-16 145	556	-15 589
Total comprehensive income		-	-	-	-44 738	-44 738	14 205	-30 532
Equity transactions with non-controlling interests	27	-	-	-	-	-	-	-
New Shares Issued	15	54	-	2 347	-	2 401	-	2 401
Treasury shares (sale)	15	-	11	-	-	11	-	11
Share based payment	15	-	-	-	531	531	-	531
Dividend paid	15	-	-	-	-	-	-9 055	-9 055
Equity as of 31.12.2018		**9 580**	**-1**	**151 725**	**196 399**	**357 703**	**156 528**	**514 230**
EQUITY AS OF 1.1.2019		**9 580**	**-1**	**151 725**	**196 399**	**357 703**	**156 528**	**514 230**
Profit /(loss) for the period		-	-	-	195 833	195 833	1 259	197 091
Other comprehensive income	27	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	195 833	195 833	1 259	197 091
New Shares Issued	15	2 038	-	89 068	-	91 106	-	91 106
Treasury shares (sale)	15	-	-	-	-	-	-	-
Acquisitions new subsidiaries	15, 25	-	-	-	-	-	14 699	14 699
Share based payment	15	-	-	-	-	-	-	-
Repayment of issued equity	15	-	-	-240 792	-181 658	-422 450	-	-422 450
Divestment of Non-Controlling Interests	28	-	-	-	-	-	-161 132	-161 132
Equity as of 31.12.2019		**11 618**	**-1**	**-**	**205 878**	**222 191**	**16 050**	**233 545**

CONSOLIDATED STATEMENT OF CASH FLOWS – NEKKAR

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	NOTE	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) before tax		33 102	13 305
Adjustments for:			
Depreciation / impairment	6,7	3 026	1 887
Interest expense	22	3 457	8 256
Interest income	22	-7 259	-4 992
Other financial items	22	3 775	-1 455
Share based payment	4	-	531
Income tax paid	17	-189	-1 509
Changes in:			
Inventories	3	-6 289	40
Trade receivables	10	37 004	-30 574
Trade payables		4 290	-6 562
Other receivables and other payables		-13 023	86 314
A. Net cash flow from operating activities		**57 658**	**65 239**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Acquisition of Subsidiary - net of Cash acquired	26	-8 354	-
Cash distribution from divested companies		-59 346	59 346
Acquisition of fixed and intangible assets	6,7	-13 311	-7 783
Disposal of discontinued operation, net of cash-value disposed		-	22 608
Proceeds from sale of investments	27	553 562	-
B. Net cash flow from investment activities		**472 551**	**74 171**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		2 092	2 400
Dividends paid		-422 450	-
Disbursement on short-term/ long-term debt	11	-198 375	-52 400
Interest received		7 259	4 992
Interest paid		-3 457	-8 256
Other financial items		-3 775	1 455
C. Net cash flow from financing activities		**-618 706**	**-51 808**
Net change in cash and cash equivalents (A+B+C)		-88 497	87 602
Cash and cash equivalents at the start of the period		349 445	261 843
Cash and cash equivalents at the end of the period		**260 948**	**349 445**

Consolidated statement of cash flows reflect the operation in continued business.

ACCOUNTING PRINCIPLES

1. GENERAL INFORMATION

1.1 REPORTING ENTITY

Nekkar ASA ("Nekkar") is a public company incorporated and domiciled in Norway. The company is listed on the Oslo Stock Exchange where the shares are publicly traded.

The registered head office is located at Solheimsgaten 16 in Bergen, Norway.

As per 31 December 2019 Nekkar holds subsidiaries in Norway, USA and Singapore.

On 8 February 2018, Nekkar announced an asset sale transaction agreement with Cargotec / MacGregor. The transaction was approved by an Extraordinary General Meeting on 12 March 2018. Closing of the transaction was completed 31 July 2019.

Nekkar is today concentrated around Syncrolift and new business areas which includes ocean-based technologies, digital solutions and aquaculture. The new business demands future R&D investments to fully commercialize the product- and service offering, while Syncrolift has a strong position in the market today.

Syncrolift delivers systems, products and services to yards and naval bases within three main areas:

- Shiplift and Transfer systems: The company delivers complete tailored shiplift and transfer systems. The offering includes design, engineering, assembly and installation.
- FastDocking: Innovative products and solutions are designed to increase on-land productivity within docking and ship handling.
- Service and upgrades: Systematic approach to help clients maintain and improve the capability and lifespan on shiplifts and transfer systems, maintenance, spare replacements and upgrades of small and larger components.

The Syncrolift business has a global customer base and its product offering addresses several core operations on yards and naval bases around the world. The shiplift products simplifies the docking operations while the transfer systems secure a safe and effective infrastructure as vessels are moved by rails or wheels at the yard, enabling multiple use of the shiplift, and improved yard utilization.

Further information of the principal activities of the Group is included in Note 1. Information on major shareholders is included in Note 15. Additional information on the agreement with Cargotec / MacGregor is included in Note 27.

1.2 BASIS OF PREPARATION

The consolidated financial statements for Nekkar have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. Standards and interpretations effective for annual periods beginning on or after 1 January 2020 have not been applied in preparing these consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Board of Directors on 29 April 2020.

The consolidated financial statements have been prepared on the basis of historic cost, with the following modifications: Financial derivatives and tax assets are measured at fair value.

The consolidated financial statements are presented in NOK. Financial information is presented and rounded to the nearest thousands, except where stated otherwise.

2. SUMMARY OF KEY ACCOUNTING PRINCIPLES

The accounting principles set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by Group entities.

2.1 BASIC PRINCIPLES

A) NEW ACCOUNTING STANDARDS AND AMENDMENTS

The accounting policies adopted are consistent with those of the previous financial year, except for the standards and amendments to IFRS which have been implemented by the Group during the current financial year. Below we have listed the new standards and amendments in IFRS which have been applicable for the Group's 2019 financial statements, as well as the effect of the amendments.

IFRS 16 LEASES

The new standard, effective for annual reporting periods beginning from 1 January 2019, replaces the existing requirements of IAS 17 Leases.

Summary of the requirements:

IFRS 16 principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position.

Future nominal lease payments at the end of 2019 were MNOK xx. Based on the lease terms and incremental borrowing rate, right-of-use asset and lease liability is calculated at MNOK 0.6.

Nekkar used the modified retrospective approach at the date of initial application; 1 January 2019 with no restatement of comparable periods. The right of use asset was recognized at the same value as the lease liability at time of implementation.

The Group apply the exemptions for low value items and short-term leases in the implementation and will continue to do so going forward. Due to short remaining tenancy period and an ongoing relocation of the Group's offices, the implementation effect of IFRS 16 is immaterial. The 2018 financial statements, excluding IFRS 16, are therefore comparable to the 2019 numbers.

B) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realized within twelve months after the reporting period, or cash or cash equivalent. All other assets are classified as non-current. A liability is current when it is expected to be settled in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

C) FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as, derivatives at fair value, as defined in IFRS 13, at each balance sheet date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above, ref Note 8.

2.2 BASIS FOR CONSOLIDATION

A) SUBSIDIARIES

Subsidiaries are entities which Nekkar controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

In cases where Nekkar achieves control over an entity, business combinations are accounted for using the acquisition method (see section 2.7).

Non-controlling interests is presented separately under equity under the Group's balance sheet.

2.3 SEGMENT INFORMATION

For management purposes, the Group is organized into segments based on its products and services (business units). The Board of directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs and finance income) is managed at Group level and is not allocated to operating segments.

Following the Cargotec / MacGregor transaction, segment reporting in the Group as of 31 December 2019, is limited to the Shipyard Solutions segment (SYS).

Group support functions from the parent company are presented as "Other". "Other" also includes new business initiatives within high growth ocean-based areas. These include Digital Solutions (Intellilift AS), Aquaculture and Offshore Energy and Renewables. Due to the current size of these business areas, they are not presented as separate segments.

2.4 FOREIGN CURRENCIES

A) FUNCTIONAL AND PRESENTATION CURRENCIES

The financial statements of the individual entities in the Group are measured in the currency primarily used in the economic area where the unit operates (functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the functional and presentation currency of the parent company and the group.

B) TRANSACTIONS AND BALANCE SHEET ITEMS

Transactions in foreign currencies are translated into the functional currency using the currency spot rates at the time of recognition. Foreign currency gains and losses that arise from the payment of such transactions, and the currency conversion effect from monetary items (assets and liabilities) nominated in foreign currencies, which are valued at the currency spot rates at the balance sheet date, are recognized in profit and loss. Non-monetary items measured at historical cost in foreign currency are translated into functional currency using the exchange rates as at the dates of the initial transaction.

C) GROUP COMPANIES

On consolidation, the assets and liabilities of foreign operations are converted into NOK at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates. Currency effects derived from consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to the specific foreign operation is reclassified to profit or loss.

Goodwill associated with acquisition of a foreign entity is allocated to the acquired entity and translated at the rate in effect on the date of the balance sheet.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized in the financial statements at cost less accumulated depreciation and accumulated impairment. Cost includes the costs directly related to the acquisition of the fixed asset.

Subsequent expenditures are capitalized when it is likely that the Group will receive future economic benefits from the expenditure, and the expenditure can be measured reliably. Other repair and maintenance costs are recognized in profit or loss in the period when the expenses are incurred.

Property, plant and equipment are depreciated based on the straight-line method. Historical cost of the fixed asset is depreciated to the residual value over expected useful life, which is:

Machinery and vehicles	3-5 years
Fixtures/office equipment	5-10 years
Computer equipment	3-5 years

Indicators related to possible impairment requirements is monitored continuously. If the carrying value of the fixed asset is higher than the estimated recoverable amount, the value is impaired to recoverable amount.

Gains and losses from disposal of assets are recognized in profit or loss and represent the difference between the sales price and the carrying value.

Depreciation methods, useful lives and residual values are assessed at the reporting date and adjusted when required.

2.6 INTANGIBLE ASSETS

Intangible assets that have been acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through a business combination is their fair value at the date of acquisition. Capitalized intangible assets are recognized at cost less any amortization and impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but are expensed as incurred.

Intangible assets with a definite useful life are amortized over their economic life and tested for impairment if there are indications of impairment. The amortization method and -period are assessed at least once a year. Changes to the amortization method and/or period are presented as change in accounting estimate.

Intangible assets with an indefinite useful life are tested for impairment at least once a year, either individually or as a part of a cash-generating unit. Intangible assets with an indefinite economic life are not amortized

CUSTOMER RELATIONSHIPS AND CUSTOMER PORTFOLIO

Customer relationships and customer portfolios are established through contracts with customers. Customer relationships and customer portfolio acquired through a business combination is recognized as an asset based on its fair value at the acquisition date. The customer relationship and customer portfolios have limited useful life and are amortized using the straight-line method over their expected useful life (10 to 15 years).

PATENTS AND LICENSES

Patents and licenses have limited useful life and are recorded at historical cost in the balance sheet less depreciation. Patents and technology are amortized using the straight-line method over their expected useful life (2 to 15 years).

RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred. Development activities include design or planning of production of new or significantly improved products and processes. Development costs associated with development of new products are capitalized to the extent that they can be reliably measured, the product or process is technically, or commercially feasible, future financial benefits are likely, and the Group intends and has sufficient resources to complete the development, and to sell or use the asset. Capitalized development costs include materials, direct labor, directly attributable overheads and capitalized borrowing costs. Development costs are depreciated over their expected useful life (2 to 15 years).

2.7 BUSINESS COMBINATIONS AND GOODWILL

When acquiring a business, financial assets and liabilities are recognized at fair value in the opening group balance. The consideration paid in a business combination is measured at fair value at the acquisition date.

The initial accounting for a business combination can be changed if new information about the fair value at the acquisition date is present. The allocation can be amended within 12 months of the acquisition date provided that the initial accounting at the acquisition date was determined provisionally. The non-controlling interest is measured at fair value.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

2.8 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and is recognized when the Group becomes party to the contractual provisions of the instrument.

Initial recognition and measurement of financial assets

At initial recognition, a financial asset is classified in one of three principal classification categories: financial assets subsequently measured at amortized cost, fair value through other comprehensive income or as fair value through profit and loss.

With the exception of forward FX contracts (see 2.9), all financial assets are classified as financial assets measured at amortized cost.

Trade receivable

Accounts receivables are on initial recognition measured at the transaction price. The Group utilize the expedient in IFRS 15 for prepayment where the transfer of goods is expected in less than one year. Therefore, the Group don't measure the trade receivables at fair value even if there may be a significant financing component. For subsequent measurement, accounts receivable is measured at amortized cost determined using the effective interest method, and less provision for expected credit loss (ECL). The Group don't recognize any initial ECL on trade receivables due to low historical losses. The Group engage in further judgement for trade receivables not paid when due. The Group don't use a provision matrix as allowed under IFRS 9.

Contract assets

Contract assets, which mainly is satisfied performance obligations not yet invoiced, is recognized with the estimated considerations according to IFRS 15 for the work performed. Contract assets are subject to impairment testing in the same manner as trade receivables.

Recognition and measurement of financial liabilities

All financial liabilities in the Group are classified as financial liabilities as subsequently measured at amortized cost unless the financial liabilities are derivatives or financial liabilities held for trading, which are classified and measured at fair value.

In subsequent periods, financial instruments are measured in accordance with classifications described above.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group utilizes hedging of contractual income and cost in a foreign currency at the date of signature of the contract. The same applies to individual larger sub-contracts in foreign currencies.

FAIR VALUE HEDGING

The Group uses financial derivatives to hedge foreign currency risk. Derivatives are recognized initially at fair value and are subsequently re-measured at fair value. Attributable transaction costs are recognized in the profit or loss as they incur.

The entity applies hedge accounting to hedging relationships that meets the qualifying criteria. The Group only uses forward currency contracts for fair value hedging of the foreign currency risk in unrecognized firm commitments. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items attributable to the hedged risk.

Changes to fair value of the hedging instrument are recognized in profit and loss as a finance cost or income along with the change in fair value associated with the corresponding hedged asset or liability. The accumulated change in fair value of the hedge item are classified as other receivable or other short-term liabilities.

In the event that the hedge no longer fulfils the criteria for hedge accounting, the derivative is carried at fair value through profit and loss. For financial instrument initially acquired for a hedge purpose, the fair value adjustment increase or decrease the operational profit. This applies to derivatives where the underlying delivery contract has been cancelled.

DERIVATIVES AT FAIR VALUE THROUGH PROFIT AND LOSS

Derivatives that are not designated as hedging instruments are recognized at fair value as financial expenses and financial income.

2.10 LEASES

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. At the commencement date of a lease, a lessee will have to recognize a liability based on future lease payments and an asset representing the right to use the underlying asset during the lease term ("Right-of-use assets"). Further, the lessee will be required to separately recognize the interest expense on the lease liability and the deprecation expense of the right-of-use asset.

Effective 1 January 2019, Nekkar adopted IFRS 16 using the modified retrospective approach with no restatement of comparable figures for 2018. Nekkar recognized the cumulative effect of initially applying the new standard as an adjustment to the opening balance sheet. Right-of-use assets will initially be reflected at an amount equal to the corresponding lease liability.

In accordance with the transition requirements of IFRS 16, Nekkar recognized a lease liability for leases previously classified as operating leases in accordance with IAS 17. Nekkar measured the lease liabilities at the present value of the remaining lease payments. When an implicit interest rate is not available, Nekkar have used the incremental borrowing rate at 1 January 2019 when calculating the present value of lease payments. The right-of-use assets are measured at an amount equal to the lease liability at 1 January 2019, adjusted by the amount of any prepaid or accrued lease payments.

The incremental borrowing rate differ from 2,75% to 7,50% depending on the asset description and location of which the asset is acquired.

Nekkar has applied the following practical expedients to leases previously classified as operating leases at the date of initial application of IFRS 16:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for leases of low value assets

On transition to IFRS 16, Nekkar recognized MNOK 1 as right-of-use assets corresponding to the discounted value of lease liabilities at 1 January 2019.

2.11 INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost is calculated by means of the first-in, first-out principle (FIFO). For finished goods and work in progress (for project in which revenue recognition is "point-in-time"), the cost consists of product design expenses, consumption of materials, direct labor costs, other direct costs, and indirect production costs (based on a normal capacity level). Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale.

Inventories established as a result of a contracts being cancelled are recognized as inventory. The inventory related to canceled projects, is valued at the lowest of production cost and fair value. Any payments received that the Group has a contractual right to retain at termination are included in the calculation of the acquisition cost.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits. Withdrawals from the bank overdraft constitute part of current liabilities. Deposits and overdrafts are presented net if the bank has a legal/contractual right to offset the deposits and liabilities.

The Group has a cash pool arrangement where Nekkar is the primary agreement holder. Cash positions on bank accounts with different currencies are presented net in the consolidated financial statement.

2.13 FINANCIAL LIABILITIES

The Group classifies financial liabilities at initial recognition into the following: non-derivative financial liabilities, loans and borrowings, payables, financial liabilities at fair value through profit or loss and derivatives designated as hedging instruments.

Non-derivative financial liabilities are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, liabilities are measured at amortized costs using the effective interest method.

Loans are classified as current liabilities unless there is an unconditional right to postpone payment of the debt by more than 12 months from the date of the balance sheet. The following year's payment is classified as short-term debt.

The Group derecognizes a financial liability when the contractual obligations are satisfied or cancelled.

2.14 TAXES

Tax in the profit and loss accounts comprise both tax payable for the period and change in deferred tax. Tax payable for the period and deferred tax are recognized in profit or loss, with the exception of tax on items related to business combinations or taxes recognized directly in equity or comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets are recognized when it is convincing evidence that the company will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset. The Group includes the possibility of tax planning through group contribution as part of the assessment of convincing evidence. The Group only recognized deferred tax assets which can be utilized in five years as the subsequent period is considered too uncertain. For the period going forward, the disposal of former loss-making entities in the Norwegian tax group is the main reason for additional utilization of the deferred tax assets going forward.

Deferred tax asset or liability is measured using tax rates and tax laws enacted or substantially enacted on the balance sheet date, and which presumably may be utilized when the deferred tax advantage is realized or when the deferred tax is settled.

2.15 PENSION OBLIGATIONS, BONUS SCHEMES AND OTHER COMPENSATION SCHEMES FOR EMPLOYEES

A) PENSION OBLIGATIONS

The companies in the Group have various pension plans. The pension plans are in general financed by payments to insurance companies or pension funds. As of 31 December 2019, Nekkar has only defined contribution plans.

B) SHARE BASED PAYMENTS

The Annual General Meeting of the Group has granted senior executives' options to purchase shares in the parent company. The fair value of options granted is measured on the grant date. The cost is recognized as part of salary cost over the period in which the performance and/or service conditions are fulfilled, with a corresponding increase in equity. Fair value of allotted options is estimated using the Black & Scholes option pricing model.

2.16 REVENUE RECOGNITION

IFRS 15 Revenue from contracts with customers was adopted on 1 January 2018. The new standard replaced IAS 11 Construction contracts, IAS 18 Revenue and related interpretations.

IFRS 15 introduces a new five step model that applies to all customer contracts;

1. Identify the contract
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue as performance obligation is satisfied

During the application process, step 2 and 5 has been the most complex due to the contract structure within Nekkar. Below are further details on the 5-step model, focusing on step 2 and 5.

1. IDENTIFICATION OF CONTRACT

The Group's revenue derives from contracts with customers in one of the following revenue streams;

a. Long-term construction contracts (engineer-to-order)
b. Service contracts
c. After sales

All these revenue streams are based on a contract with the customer.

2. IDENTIFICATION OF PERFORMANCE OBLIGATIONS

Due to contract structure, there are differences within the contracts with regards to identification of performance obligations. The review has shown;

The deliveries in contracts are reviewed to identify if there are distinct performance obligations. Contracts held within continued business ordinarily represent one performance obligation, ref section 5 below. It could be argued that there could be more than one performance obligations in some of the contracts, but those potential additional performance obligations identified has been assessed immaterial.

3. TRANSACTION PRICE

Revenue from construction contracts includes original contract amount and approved variation orders. For contracts where it is identified multiple performance obligations, a stand-alone selling price is identified to each of the performance obligations. Potential liquidated damages are recognized as a reduction of the transaction price unless it is highly probable that they will not be incurred. Beyond this there are only immaterial variable considerations.

4. ALLOCATION OF TRANSACTION PRICE TO PERFORMANCE OBLIGATION

Based on the extensive review of contracts upon the implementation of IFRS 15 in 2018 the following has been identified;

Contracts represent one performance obligation, hence allocation of transaction price to performance obligation is 1:1.

5. REVENUE RECOGNITION AS PERFORMANCE OBLIGATION IS SATISFIED

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over goods or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition policies.

TYPE OF CONTRACT	NATURE AND TIMING OF SATISFACTION OF PERFORMANCE OBLIGATION	REVENUE RECOGNITION UNDER IFRS 15
(BU SYS)		
Construction contracts (Engineer-to-order)	Long term construction contracts with a typical duration of 18-48 months from contracts are signed, to the projects are closed. These projects are engineer-to-order projects, which delivers highly customized turnkey systems for shipyards around the world. The projects are highly specialized systems for each individual project, with no alternative use for the company, and where each project is considered to be one performance obligation. For the performance obligations identified in the contracts, it is assessed that control will be transferred to the customer over time as the items are constructed.	After a thorough analysis of the criteria for "over time" revenue recognition the main issue relating to timing of revenue recognition was Nekkar's enforceable right to payment for the performance completed to date in a situation with termination by the customer for other reasons than Nekkar's failure to perform as promised (termination by convenience). Nekkar has assessed the right to payment to date from a legal point of view. The result of the contract review is that the relevant contract either includes a termination by convenience clause that is in favor of the Group, or that general legal basis in the relevant jurisdiction is in favor of the Group, thus Nekkar have the legal right to require payment from the customer for performance to date. Payment covers approximately the expected selling price of the goods and services transferred to date, which equals cost plus a reasonable profit margin. Based on this it is the company's assessment, that revenue recognition over time is correct for these contracts. Measure of progress is based on cost incurred relative to the total expected cost to satisfy the performance obligation.
Service- and after sales contracts	The company delivers service-based business, where work is done on the customers equipment. These deliveries are man-hour based and considered over-time deliveries. Spare parts as part of the service delivery are recognized upon delivery. Lead time from order to completed customer delivery is normally less than three months. For after sales contracts, in which is sale of components etc, revenue are recognized upon delivery.	Revenue from contracts with customers for other services is recognized over-time using a cost progress method or is recognized over-time as manhours and materials are delivered to the customer. Revenue from contracts with customers for after sales, are recognized at point-in-time upon delivery.

2.17 CONTRACT COSTS

For revenue where performance obligations are satisfied over time, which is the primary source of revenue at the Group, all cost are recognized as expensed when incurred because control of the work in progress transfers continuously to the customer as it is produced and not at discrete intervals.

For contracts where performance obligations are satisfied at a point in time, IAS 2, Inventory, sets the accounting.

Cost to obtain a contract are immaterial for the Group and expensed when incurred.

BALANCE SHEET CLASSIFICATION

For contracts recognized “over-time”, an amount equal to completed, not invoiced, performance obligations based on transaction price are recognized as contract asset, while prepayments from customers are recognized as contract liability. For contracts where there is both a contract asset and a contract liability, it is presented net in the consolidated statement of financial position.

ONEROUS CONTRACTS

The full loss is recognized immediately if contracts are forecast to be loss making. The full loss includes all relevant contract costs.

2.18 IMPAIRMENT OF ASSETS

NON-FINANCIAL ASSETS

At the reporting date, the Group assesses whether there are indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. For goodwill and intangible assets not yet available for use, or with an indeterminable useful life, the recoverable amount is estimated at the same time each year. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In the assessment of value in use, the estimated future cash flow is discounted to net present value, with a pretax market-based discount rate. The rate takes into consideration the time value of money and asset-specific risk. With the purpose of testing for impairment, assets that have not been tested individually are grouped in the smallest identifiable group of assets that generate incoming cash flow which in all material aspects is independent of incoming cash flows from other assets or group of assets (cash generating units or CGU). Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

Impairment losses relating to goodwill cannot be reversed in future periods. For other assets, an assessment is made on each reporting date whether there are indications that previously recognized impairment losses no longer exist or have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

2.19 CASH FLOW STATEMENT

The cash flow statement has been prepared based on the indirect method.

2.20 EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share are presented for ordinary shares. The basic earnings per share is calculated by dividing the period’s earnings attributable to owners of the ordinary shares adjusted for the number of own shares.

Diluted earnings per share are calculated by adjusting the earnings and the weighted average number of ordinary outstanding shares, adjusted for the number of own shares, for potential dilution effects. Dilution effects are a result of employee share options and the conversion rights related to a subordinated convertible bond facility issued by Nekkar.

2.21 FINANCIAL INCOME AND COST

Financial income consists of capital gains on financial investments and changes to fair value of financial assets to fair value in profit and loss. Interest income is recognized in profit and loss using the effective interest method.

Financial costs comprise interest costs on loans, the effect of interest in discounted accruals, changes to the fair value of financial assets to fair value in profit and loss, and impairment of financial assets. Borrowing costs not directly attributable to acquisition, processing or production of a qualifying asset, are included in profit and loss using the effective interest rate method.

Foreign currency gains and losses are reported net.

2.22 EQUITY

Convertible bonds and similar instruments which contain both a liability and equity element are divided into two components when issued, and these are recognized separately as a liability or equity.

When change in effective terms of the convertible bond, the equity instrument is measured at carrying value of the liability and no gain or loss is recognized on reclassification.

Transaction costs directly related to an equity transaction are recognized directly in equity after deducting tax expenses.

2.23 CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, except for contingent liabilities that are unlikely to incur.

Liabilities are recognized unless no reliable estimate can be made. If no reliable estimate can be made, the Group accounts for the liability as a contingent liability.

2.24 DISCONTINUED BUSINESS

A discontinued business is a component of the Group´s business, the operations and cash flows of which can be clearly distinguished from rest of the Group and which:

- represents a major and separate line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view for sale.

Classification as a discontinued business occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When a business is classified as a discontinued business, the comparative statement of comprehensive income is re-presented as if the business had been discontinued from the start of the comparative period.

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

The principles for the reclassification to discontinued business has been as follows;

- All revenue and expenses from legal entities included in the disposal group have been reclassified.
- Revenue and cost directly attributable to activities in the disposal group but performed within the legal entities that forms the basis for continued business, are allocated to discontinued business.
- Revenue and cost directly attributable to activities in the continued business but performed within the legal entities that forms the basis for the discontinued business, are allocated to continued business.
- Intercompany interest between continuing and discontinued business related to cash pool arrangement is not eliminated based on the accounting of the cash pool arrangement.
- Interest from bank loans and bond loan have been allocated to the disposal group since these loans have funded these businesses, and the loans was repaid as part of the transaction and therefore not representing the business going forward.

- All assets and liabilities from the legal entities included in the disposal group have been reclassified as held for sale and derecognized when the transaction was completed, and loss of control incurred.
- Due to the terms in the asset sale agreement, the group's financing through the Cash Pool arrangement, Cash pool balances was not eliminated between continued and discontinued business because each company was responsible for settling the cash pool receivables/liabilities post transaction.

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities entail various types of financial risks; market risk (including currency risk and interest rate risk), credit risk, liquidity risk and operational risk.

The Board of Directors has the primary responsibility for establishing and supervising the Group's framework for risk management. The principles of risk management have been established in order to identify and analyze the risk to which the Group is exposed. Principles and systems for risk management are regularly reviewed to reflect any changes in activities and market conditions.

The Board of Directors reviews management's monitoring of the Group's principles and procedures for risk management.

The Group's main risk management plan focuses on the unpredictability of the capital market and attempts to minimize its potentially negative effects on the Group's financial results. The Group engages in international operations and is especially exposed to currency risk. The Group uses hedging to reduce the risk of currency exposure.

For the classification of financial assets and liabilities, reference is made to Note 24.

MARKET RISK

Market risk is the risk of changes to market prices, such as foreign exchange rates interest and commodities, affecting the income or value of financial instruments. Management of market risk intends to monitor that risk exposure lies within a set framework.

The companies of the Group buy and sell financial derivatives and incur financial obligations to control market risk. Transactions are carried out within the guidelines issued by the Group. To control volatility in the reported result, hedge accounting is used whenever possible.

Further description of the Group's market risk can be found in the Directors' report.

a) Currency risk

The Group operates on a world-wide basis and is exposed to currency risk in foreign currencies. Exposure to the risk in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in foreign currencies).

The Group manages its foreign currency risk by hedging transactions in foreign currency, mainly USD and EUR. Following contract signing, the guidelines are to sell and purchase foreign currencies with forward exchange contracts designated as hedges of firm commitments, to reduce the currency risk in cash flows. When necessary, forward exchange contracts are prolonged as they mature.

For other monetary assets and obligations in foreign currency, net exposure is monitored, and is adjusted by purchasing and selling foreign currency when necessary.

The Group has insignificant investments in foreign subsidiaries where net assets are exposed to currency risk at conversion of currency.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As part of the completion of the asset sales agreement between Nekkar and Cargotec Oyj & certain affiliates of Cargotec, hereinafter referred to as "Cargotec / MacGregor", the Group's debt was settled in full. As per 31 December 2019, the Group does not have a material exposure to the risk of changes in market interest rates. The Group's surplus liquidity is in the form of bank deposits. Any divergence from the use of a floating rate of interest and placement of surplus liquidity shall be determined by the Board of Directors.

Items exposed to interest rate risk are mainly related to bank deposits.

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and contract assets) and from its financing activities, including deposits with bank and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk is handled at a corporate level. The credit risk is reduced through distribution on several counterparts. Requirements to credit ratings have been established toward counterparts, and new customers are subject to credit rating test. In order to minimize the risk of losses the Group applies comprehensive use of Letters of Credit toward its customers. The Group carries out assessment of credit risk to the political structure depending on the economic importance of the agreements based on assessments from the OECD and other equivalent factors.

Maximum risk exposure is represented by the extent of financial assets recognized in the balance sheet. Please find additional information in Note 24.

The counterparties for derivatives and bank deposits are investment grade rated banks (Nordea and DNB), and the credit risk related to these are considered insignificant.

As of 31.12, the Group had the following maturity distribution on its external customers:

(NOK 1 000)	TOTAL	NOT DUE	0-3 MONTHS OVERDUE	3-6 MONTHS OVERDUE	>6 MONTHS OVERDUE
31.12.2019	38 260	3 730	20 935	6 910	6 685
31.12.2018	68 974	40 797	27 118	1 059	-

For accounts receivable that are not yet due, the assessment is, based on previous experience, that there is no need to impair the value. Accounts receivables relate to independent customers who have no previous history of failing to fulfill their obligations to the Group. Invoicing is to a large extent carried out in accordance with milestone-based progress in each project. Due to delays in delivery, a considerable gap between due date and payment date may arise.

Additional information on accounts receivable are available in Note 10.

LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to fulfill its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and committed credit facilities for the Group to meet obligations as they mature for payment.

On 31 July 2019, the Group's overdraft facility and debt was settled as part of the completion of the asset sale agreement between Nekkar ASA and Cargotec / MacGregor. The lenders approved the transaction and have received repayment in full.

As of 31 December 2019, the Group's credit facilities include a guarantee facility of MNOK 200 and derivatives facility of MNOK 150, both with Nordea. As per 31 December 2019, the Group had drawn MNOK 142 of the guarantee facility.

The Group is continuously focusing on efficient management of working capital in order to optimize cash flow from operations. The Group has established a joint cash pool arrangement that includes Nekkar ASA and Syncrolift AS. The cash pool arrangement improves accessibility and flexibility in the management of liquidity funds.

The Group's liquidity development is continuously monitored based on liquidity forecasts from the Business units.

The Group's strategy is always to have sufficient cash reserves or credit facilities available to be able to finance its operations and investments.

As disclosed in further detail in Note 28, Cargotec / MacGregor is challenging the purchase price calculation in the Cargotec / MacGregor transaction, and is claiming a downward purchase price adjustment of approximately MNOK 240. At the time of reporting, arbitration proceedings have been initiated. There is risk and uncertainty with respect to the financial outcome. The decision from the arbitration proceedings is expected in 1H 2021.

The table below gives an overview of the structure of maturity of the Group's financial obligations:

REMAINING PERIOD

2019	< 6 MONTHS	6-12 MONTHS	1-5 YEARS	> 5 YEARS	TOTAL
Long-term financial obligations:					
Interest-bearing non-current liabilities	-	-	-	-	-
Current Financial obligations:					
First year's installment on non-current liabilities	-	-	-	-	-
Net FX-derivatives	9 813	-697	1 074	-	10 190
Accounts payable and other current liabilities	55 356	109 293	-	-	164 649
Liabilities held for sale	-	-	-	-	-
Total financial obligations	**65 169**	**108 596**	**1 074**	**-**	**174 839**

[1] FX-derivatives value represent the net amount of unrealized losses ref. Note 20.

2018	< 6 MONTHS	6-12 MONTHS	1-5 YEARS	> 5 YEARS	TOTAL
Long-term financial obligations:					
Interest-bearing non-current liabilities[1]	-	-	-	-	-
Current Financial obligations:					
First year's installment on non-current liabilities[1]	25 000	262 445	-	-	287 445
FX-derivatives	12 618	11 381	1 799	-	25 798
Accounts payable and other current liabilities	101 389	130 538	-	-	231 927
Liabilities held for sale[2]	-	1 356 637	-	-	1 356 637
Total financial obligations	**139 007**	**1 761 001**	**1 799**	**-**	**1 901 806**

[1] All financial obligations is considered as short term debt based on the asset sale agreement between Nekkar and Cargotec / MacGregor and approved requirment from the financing syndicate.

[2] Allocation of held for sale timing are based on expected timing of the asset sale agrement.

For further information on financial obligations, see Notes 10, 11, 12, 13, 14, 18, 20, 22, 24, 27 and 28.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect losses as a result of a whole range of causes related to the Group's processes, personnel, technology and infrastructure, as well as external factors in addition to credit risk, market risk and liquidity risk that follow from laws, rules and generally accepted principles for business conduct. Operational risk arises in all of the Group's business areas.

The Group's deliveries are primarily organized in the form of projects. The Group continuously strives to improve operations and projects implementation. This further includes operational and financial qualification of major sub-suppliers in order to reduce completion risk in the projects.

The Group handle operational risk so that a balance is strived to be reached between avoiding economic loss or damage to the Group's reputation, general cost effectiveness, and to avoid control routines that limit initiative and creativity.

The responsibility to develop and implement controls designed to handle operational risk is allocated to the top management within each business area. This responsibility is supported by developing the overall Group standard for management of operational risk in various areas.

3.2 ESTIMATION OF FAIR VALUE

Fair value of financial instruments traded in an active market are based on the market value on the balance sheet date. The Group have non such items in the financial statement.

Fair value of financial instruments not traded in an active market is estimated using valuation techniques (primarily discounted future prospective cash flows) or other relevant information for giving a best estimate of fair value on the balance sheet date. Examples of this are forward contracts in foreign currencies where fair value are calculated by using the change in the currency on the balance sheet date.

Fair value of accounts receivable and accounts payable are recognized at face value, less deductions on occurred or estimated losses on the balance sheet date.

Fair value of employee share options is measured using the Black & Sholes formula. The data forming the basis for measurement includes the share price at the time of measurement, the option's exercise price, expected volatility, weighted average expected economic life for the instruments, expected return, as well as risk free interest rate. Service terms and non-market-based terms are not considered in the calculation of fair value.

Fair value of drawings/technology acquired in a business combination is determined using the relief of royalty method. The valuation is based on the concept that if the company owns a technology, it does not have to rent, and is then relieved from paying a royalty.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

4. USE OF JUDGEMENT AND ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes will be reflected in the assumptions when they occur.

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included below and in respective notes:

- Sales value Cargotec / MacGregor transaction: calculation of the purchase price is based on best estimates from consistently applied accounting policies of the sold companies. The sales value is impacted by estimates related to change in net working capital, including estimate of profit derived from ongoing construction contracts at the transaction date.
- Revenue recognition - Right to payment (IFRS 15): For contracts with no termination for convenience clause, the Group's enforceable right to payment is subject to general law in the relevant jurisdiction. In most cases with termination, the Group is responsible for mitigating the customer's losses by maximizing revenue from alternative sources. Based on historic numbers and current estimates, alternative revenue sources are considered insignificant. Consequently, the major portion of a contract value and company profit will be compensated from the initial contract holder.

- Purchase price allocation Intellilift acquisition:
  - When applying the acquisition method, the allocation of the purchase price is subject to several assumptions both when identifying and measuring intangible assets. Most significant are the assumptions relating to future economic benefits from the relief from royalty model. Significant judgment is used in estimating future product revenues and royalty percentage.

b) Assumptions and estimation uncertainties

- Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included below and in respective notes:
- Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts. For further description of assumptions and estimation uncertainties, please see Note 7.
- At the time of reporting, arbitration proceedings have been initiated regarding the purchase price in the Cargotec / MacGregor transaction as Cargotec / MacGregor is claiming a downward purchase price adjustment of approximately MNOK 240. Nekkar is of the opinion that the figures which have been presented by Nekkar are based on best estimates from consistently applied accounting policies in the sold companies and will fully challenge the claim presented by Cargotec / MacGregor. Reference is made to Note 28.
- Revenue recognition of construction contracts: Recognition of revenue from construction contracts is done in accordance with the percentage of completion method, ref. IFRS 15. The assessment of project costs is based on several estimates and assessments, each which have an inherent uncertainty. The percentage of completion method requires that the Group prepares reliable estimates for future costs for each project.
- Warranty liability: The Group customarily offers a warranty period of one/ two years on its delivered products. Management estimates accruals for future guarantee commitments based on information from historical guarantee claims, together with updated information of the quality of recent deliveries. Factors that may affect estimated obligations include the outcome of productivity and quality initiatives, as well as reference prices and labor costs.
- Deferred tax assets: The Group has recognized deferred tax assets related to the Norwegian companies. The following criteria have been used to estimate whether it is probable that future taxable profit will be available against which unused tax losses can be utilized:
  - The Group has convincing evidence that future taxable profit will be available against which the unused tax losses can be utilized by the entity
  - The Group has sufficient temporary differences
  - Tax losses is a result of specific identifiable causes

In addition to the above, the Syncrolift business has a strong earnings history. The Group has MNOK 272 (2018: MNOK 284) of tax losses carried forward and recognized deferred tax assets as per 31 December 2019 is MNOK 35 (2018: MNOK 19). Further details on taxes are disclosed in Note 17.

c) Market risks

There are a number of risks related to the market development for Nekkar's products and services. Nekkar monitors these risks through its sales network and by monitoring relevant available information on trends like shipyard utilization indicators, investment trends and oil prices.

Within BUSYS, the order backlog has improved during 2019, and represents a solid operational foundation for the coming quarters. Future demand for the current product portfolio depends on the shipyards' needs to implement more efficient production lines, as well as geopolitical trends. Currently there are no signs that the yard industry's focus on restructuring and increased productivity will diminish. From the volume of identified prospects, we expect there is potential for further growth in the segment.

New segments going forward

The new business areas include Digital, Aquaculture and Offshore Energy & Renewables. Aquaculture and Offshore Energy & Renewables are early phase product development projects. For these business areas the risk factors are related to commercialization of the developed products. Digital (Intellilift) has proven commercialized technology and the products have been sold to both oil-gas related business and the offshore wind industry. A potential downturn in the oil-gas market may impact the market outlook for some of the products.

Note 1 – Operating segments

(Amounts in NOK 1000)

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

Business units disposed in 2019 are not defined as a Operating segment as of December 2019. For disclosure regarding discontinued business we, refer to Note 27.

The segments structure in Nekkar are as follows:

CONTINUED BUSINESS consist of	
BU SYS	The Shipyard Solutions segment
Other	Includes the parent company and Intellilift. The new business initiatives within Aquaculture and Offshore Energy and Renewables, are also part of Other. Due to the current size of these business areas, they are not yet qualified as an operating segment, hence presented as Other.

Shipyard Solutions segment (BU SYS):

The Shipyard Solutions segment includes shiplift and docking systems for ship yards.

			2019			2018
	BU SYS	OTHER	TOTAL	BU SYS	OTHER	TOTAL
Revenue	250 121	16 493	266 614	220 277	32	220 310
Internal turnover	4 207	16 436	20 643	-	1 847	1 847
Intergroup eliminations	-4 207	-16 436	-20 643	-	-1 847	-1 847
Total revenue and income	**250 121**	**16 493**	**266 614**	**220 277**	**32**	**220 310**
Earnings before depreciation, finance and tax (EBITDA)	54 055	-17 955	36 100	41 677	-24 677	17 001
Depreciation/amortisation	1 512	1 514	3 026	876	1 012	1 887
Operating profit/loss	**52 543**	**-19 469**	**33 074**	**40 802**	**-25 689**	**15 113**
Financial income	15 138	-3 031	12 107	1 558	13 569	15 126
Financial cost	4 909	7 171	12 080	678	16 257	16 935
Segment profit/loss before tax	**62 772**	**-29 670**	**33 102**	**41 681**	**-28 376**	**13 305**
Assets	271 801	144 240	416 041	217 453	282 435	499 888
Total segment assets [1]	**271 801**	**144 240**	**416 041**	**217 453**	**282 435**	**499 888**
Liabilities	**151 709**	**30 787**	**182 496**	**144 414**	**397 956**	**542 369**
This year's capital expenditures	385	6 104	6 489	914	6 869,00	7 783

[1] Specification of total assets in Other segment

Deferred tax assets	35 367
Goodwill and other intangible assets	24 347
Cash	72 020
Other	13 873
Assets	**144 240**

Information about geographical areas

The activity are primarily distributed in the following regions:

SALES REVENUE (EXTERNAL)	2019	2018
Europe	36 709	7 608
Asia	133 726	103 082
America	8 500	23 991
Other	87 679	85 628
Total sales revenue	**266 614**	**220 310**

Sales are allocated based on the customer's country of domicile.

Since revenue is project based, historic geographical allocation will not be representative for the business going forward.

Note 2 – Revenue

(Amounts in NOK 1000)

REVENUE STREAMS

Description of revenue streams are presented under "Accounting principles" in section 2.16.

	2019	2018
Revenue from construction contracts recognized over time	212 746	193 285
Revenue from construction contracts recognized point in time	11 426	-
Revenue from service contracts	25 949	27 025
R&D services	16 493	-
Total revenue from projects, classified as "Project revenue"[1]	**266 614**	**220 310**

[1] Revenue from projects includes revenues from long-term construction contracts and revenues from service contracts. Provisions for losses on contracts is recognized in the income statement when identified, see section 2.18 in Accounting principles. Risks related to the estimation of the posted values are further discussed under accounting principles, in sections 2.18 and 4.

CONTRACT BALANCES

	2019	2018
Trade receivable	38 260	68 974
Contract assets	12 371	38 908
Contract liabilitites	109 293	130 538

Contracts assets are primarily related to the Group's rights to considerations for work performed, but not invoiced at the reporting date. This is classified as Accrued, non-invoiced production in the financial statement. Contract liabilities relate to advance consideration received from customer on work not yet completed. This is classified as Prepayments from customer in the financial statement. Contract assets and contract liabilities are presented net on a project for project basis.

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is disaggregated by primary geographical market under segment information in Note 1.

TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION

The following table shows the remaining performance obligation on committed projects:

Revenue on ongoing projects	1 311 098
Accumulated Revenue recognized per 31 December 2019	532 846
Aggregated amount of the transaction price allocated to unsatisfied performance obligation	**778 252**

Production time for typical Shipyard Solutions projects are up to 48 months, hence revenue allocated to the remaining performance obligation is expected to be recognized within the next 48 months.

Note 3 – Inventories

(Amounts in NOK 1000)

	2019	2018
Inventories, incl. non-current	833	596
Work in progress [1]	6 053	-
Obsolescence	-	-
Total inventories	**6 885**	**596**

[1] Work in progress relates to projects qualifying for point in time revenue recognition

Book value of inventories pledged as security for liabilities	-	-

Note 4 – Payroll expenses and employee information

(Amounts in NOK 1000)

PAYROLL EXPENSES:	2019	2018
Salaries	38 656	32 997
Employer's social security contribution	7 116	6 907
Pension cost	3 514	2 634
Other benefits	1 524	1 800
Total payroll expenses continued operations	**50 810**	**44 338**
Number of employees at the end of the year	**50**	**38**

BOARD REMUNERATIONS [1]		2019	2018
Trym Skeie	Board member since 06.2008. Re-elected for the period 06.2018 - 06.2020	420	420
Gisle Rike [2]	Board member since 06.2015. Re-elected for the period 06.2017 - 06.2020	294	294
Ingunn Svegården	Board member since 10.2019	-	-
Marit Solberg	Board member since 10.2019	-	-
Leif Haukom [3]	Board member until 10.2019	392	294
Britt Mjellem [3]	Board member until 10.2019	448	336
Marianne Sandal [3]	Board member until 10.2019	322	242
Morten Aarvik [3]	Board member until 8.2019, employee representative	141	121
Rakel Simmenes [3]	Board member until 8.2019, employee representative	141	-
Anita Kråkenes	Board member until 07.2018, employee representative	-	121
Total		**2 158**	**1 827**

[1] The Annual General Meeting determines the remuneration to the Board and nomination commitee from one General Meeting to the next. For the financial year 2019, the reported remuneration is based on the remuneration paid in 2019 based on the amounts determined by the Board at the Annual General Meeting for 2018.

[2] Gisle Rike represents Rasmussengruppen and the board fee is paid to Rasmussengruppen.

[3] Board members and nomination committee members which has left the Board and committe after 06.2019 have receieved a portionate prepayment of Board renumeration 2019-2020.

The board has not received any remuneration beyond director`s fee. No loans or severance pay is given to the directors.

NOMINATION COMMITTEE REMUNERATION

Nekkar's nomination committee comprised of the following members, until 19 September 2019: Petter Sandtorv (Chairman), Kate Henriksen and Anders Nome Lepsøe.

The nomination committee remuneration[3] paid in 2019 was TNOK 84 for the chairman and TNOK 49 for each of the members, a total of TNOK 182.

In the extraordinary general meeting in Nekkar ASA, 19 September 2019, the nomination committee members was changed to the following: Anne-Grete Ellingsen and Leif Haukom, both are elected for 2 years.

STATEMENT REGARDING THE STIPULATION OF REMUNERATION AND OTHER BENEFITS FOR THE CEO AND OTHER EXECUTIVES

Regarding Group management, Nekkar ASA's remuneration policy is based on offering competitive terms. Remunerations should reflect that Nekkar is a listed company with an international focus.

The annual remuneration is based on Group managements part-taking in the results generated by the company and the added value for shareholders through increased company value.

Remuneration consists of three main components; Base salary, bonus and a share option program.

- Base salaries is intented to be competetive and motivating, and in line with general market terms.
- Bonus for the CEO and other executives is determined on the basis of target results and on individual targets. Bonus targets are revised annually. Bonus is up to 50% of base salary for other executives. Bonus payment reported in 2019 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2018. Bonus payments are based on individual employment contracts.
- A share option program has been active for the Group management of Nekkar since 1998, the goal being that the Group management shall have the same incentive as the shareholders in respect of increasing company value over time. The Annual General Meeting has each year given the Board authority to establish share option program with a two year term. Redemption price equals market price on allotment. First exercise is 50% after one year. Next 12.5% per quarter, in addition to options not previously utilized. Each option program expires after 2 years. Refer to Note 15 Share capital and shareholder information for further information regarding option program.

The CEO has a notice period of six months, and a severance pay period of 9 months.

The share option program is contingent on the Annual General Meeting's approval, based on the Board being granted authority to make such allotments. The CEO's remuneration is determined by the Board of Nekkar ASA. Remuneration to other executives is determined by the CEO after consultation with the Chairman of the Board.

REMUNERATION AND OTHER BENEFITS FOR THE CEO AND OTHER SENIOR EXECUTIVES EMPLOYED DURING 2019:

(Amounts in NOK 1000)

NAME	POSITION	BASE SALARY	OTHER BENEFITS	BONUS PAID	SHARE OPTION COST	PENSION COST
Toril Eidesvik	CEO	2 842	23	855	90	170
Rolf-Atle Tomassen	EVP, Shipyard Solutions	1 841	45	617	45	170
Mette Harv	EVP Aquaculture and Offshore Energy	1 726	16	0	24	170
Mark Bakelaar	CDO	1 320	13	156	24	170
Leiv Kallestad	Former CFO - until 4.2019	977	7	-	-	56
Kristoffer Lundeland [1]	CFO - Hire in - from 4.2019	2 188	-	-	-	-
Björn Rosén	Former EVP, Roro/Cruise/Navy, employed until 8.2019	1 102	16	860	45	329
Andreas Harms	Former EVP, Container/Bulk/Tank, employed until 8.2019	992	94	340	-	-
Margrethe Hauge [2]	Former EVP, Services, hired until 8.2019	1 262	-	-	-	-

[1] Contracted worker, salary equals amount invoiced from Ernst & Young AS

[2] Contracted worker. Salary equals amount invoiced from Falcon Industrial Partners AS

Other benefits	Car, group life insurance, taxable pension schemes, phone, newspaper, etc.
Bonus paid	Bonus paid to employee in current year
Share options	Black and Scholes - option cost calculation

Share options for the CEO and other Senior Executives employed during 2019

NAME	POSITION	OPTIONS HELD 01.01	OPTIONS ALLOTED IN 2019	OPTIONS REDEEMED IN 2019	EXERCISE PRICE [1]	OPTIONS HELD 31.12 [2]
Toril Eidesvik	CEO	300 000	-	300 000	3,43	-
Rolf-Atle Tomassen	EVP, Shipyard Solutions	150 000	-	150 000	3,43	-
Mette Harv	EVP Aquaculture and Offshore Energy	80 000	-	80 000	3,43	-
Mark Bakelaar	CDO	80 000	-	80 000	3,43	-
Björn Rosén	Former EVP, Roro/Cruise/Navy, employed until 8.2019	150 000	-	-	1,30	150 000

[1] Price before dividend. Corresponding to 1,3 after dividend

[2] See note on share capital for details

REMUNERATION OF AUDITOR:	2019	2018
Statutory audit	2 051	2 166
Other attestation services	55	116
Tax advisory	50	42
Other non-audit service	571	1 559
Expenses	166	-
Total	**2 893**	**3 883**

Note 5 – Pensions

(Amounts in NOK 1000)

Nekkar companies have established pension plans in accordance with local practice and law regulations. In general Nekkar has set up defined contribution plans for all employees. Annual contribution paid during the year is expensed when incurred.

		2019			2018		
	TOTAL PENSION COST	INSURED	UNINSURED	TOTAL	INSURED	UNINSURED	TOTAL
+	Defined contribution plan	3 514	-	3 514	2 634	-	2 634
=	**Total pension cost**	**3 514**	**-**	**3 514**	**2 634**	**-**	**2 634**
	- of which recognized as payroll cost	3 514		3 514	2 634		2 634
	- of which recognized as finance cost	-	-	-	-	-	-

Note 6 – Fixed assets

(Amounts in NOK 1000)

	RIGHT TO USE ASSET	FURNITURE, OFFICE-EQUIPMENT, ETC.	TOTAL
AS OF 1.1.2018			
Acquisition cost 1.1.		14 980	14 980
Accumulated depreciation as of 1.1.		-7 108	-7 108
Book value as of 1.1.2018		**7 872**	**7 872**
2018 FINANCIAL YEAR			
Book value as of 1.1.		7 322	7 322
Additions		7 783	7 783
Disposals		-	-
Depreciation, amortization and impairments		-1 495	-1 495
Book value as of 31.12.2018		**13 611**	**13 611**
AS OF 31.12.2018			
Acquisition cost 31.12.		22 213	22 213
Accumulated depreciation and impairments as of 31.12.		-8 603	-8 603
Book value as of 31.12.2018		**13 611**	**13 611**
2019 FINANCIAL YEAR			
Book value as of 31.12.18		13 611	13 611
Implementation of IFRS 16	**1 200**		**1 200**
Book value as of 1.1.	1 200	13 611	14 811
PPA Intellilift		159	159
Additions		7 481	7 481
Disposals			
Depreciation, amortization and impairments [1]	-600	- 14 739	-15 339
Book value as of 31.12.2019	**600**	**6 512**	**7 112**
AS OF 31.12.2019			
Acquisition cost 31.12.		22 872	24 072
Accumulated depreciation and impairments as of 31.12.		-16 361	-16 961
Book value as of 31.12.2019	**600**	**6 512**	**7 112**

[1] Write downs in 2019 related to downscaling on IT structure after disposal of subsidiaries are classified in results from discontinued operations in PL.

Lease contracts not qualified under IFRS 16

	LEASE PAYMENTS 2018	LEASE PAYMENTS 2019	EST. LEASE PAYMENT 2020	EST. LEASE PAYMENTS 2021-2023	EST. TOTAL FUTURE LEASE PAYMENTS
Lease of premises	2 540	2 934	2 010	-	2 010
Lease of equipment and vehicles	60	129	80	240	320
Total	**2 600**	**3 063**	**2 090**	**240**	**2 330**

Note 7 – Intangible assets

(Amounts in NOK 1000)

	CUSTOMER PORTFOLIO	PATENTS, LICENCES ETC	R&D	GOODWILL	TOTAL
AS OF 31.12.2017					
Acquisition cost 31.12.	106 028	8 516	64 706	698 143	877 393
Accumulated depreciation and amortization as of 31.12.	-37 547	-6 107	-56 025	-114 169	-213 848
Reclassified as held for sale	-62 435	-1 982	-8 681	-583 974	-657 072
Book value as of 31.12.2017	**6 046**	**427**	**-**	**-**	**6 473**
2018 FINANCIAL YEAR					
Book value 1.1.	6 046	427	-	-	6 473
Foreign currency effects					
Additions	-	-	-	-	-
Acquisitions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation and amortization	-339	-53	-	-	-393
Impairment	-	-	-	-	-
Reclassified as held for sale	-	-		-	-
Book value as of 31.12.2018	**5 707**	**374**	**-**	**-**	**6 081**
AS OF 31.12.2018					
Acquisition cost 31.12.	106 028	8 516	64 706	698 143	877 393
Accumulated depreciation and amortization as of 31.12.	-37 886	-6 160	-56 025	-114 169	-214 241
Reclassified as held for sale	-62 435	-1 982	-8 681	-583 974	-657 072
Book value as of 31.12.2018	**5 707**	**374**	**-**	**-**	**6 081**
2019 FINANCIAL YEAR					
Book value 1.1.	5 707	374	-	-	6 080
Additions	-	-	5 830	-	5 830
Acquisitions [1]	-	-	5 378	16 643	22 021
Disposals	-	-	-	-	-
Depreciation and amortization	-341	-54	-247	-	-642
Other	-	-		-	-
Book value as of 31.12.2019	**5 366**	**320**	**10 961**	**16 643**	**33 289**
Usefull life (years)	5-10	5-10	5-10	Infinite	
AS OF 31.12.2019					
Acquisition cost 31.12.	9 616	534	11 208	16 643	38 001
Accumulated depreciation and amortization as of 31.12.	-4 250	-214	-247	-	-4 712
Book value as of 31.12.2019	**5 366**	**320**	**10 961**	**16 643**	**33 289**

[1] Reference is made to Note 25 Business Combinations

Total expenditures in the period for R&D was insignificant.

ALLOCATION OF GOODWILL AND IMPAIRMENT ASSESSMENT

Recognized goodwill relates to the acquisition of Intellilift and amounts to MNOK 17 as of 31 December 2019. Included in goodwill is the value of employees with special skills and expected synergies with the existing business of the Group. These intangible assets do not fulfil the recognition criteria under IAS 38 and are therefore not recognized separately. Reference is made to Note 25 Business Combinations.

In accordance with IAS 36, goodwill is not amortized, but is tested for impairment at least annually, or when there are indications of impairment. Nekkar performed its annual impairment test in December 2019.

Goodwill is tested for impairment by groups of cash generating units (CGU) and Intellilift is assessed as one CGU. As of 31 December 2019, the recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections from the 2020 budget and a total forecast period of 5 years. The pre-tax discount rate applied to the cash flow projections is 14.8% and the cash flows beyond the five-year period are extrapolated using a 1.5% growth rate.

The impairment test indicated that the recoverable amount exceeds the book value of the CGU, hence no impairment is recognized as per 31 December 2019. The value in use is based on several key assumptions and is most sensitive to the following:

- Discount rate (WACC)
- Growth assumptions in cash flow projections
- Gross margins
- Terminal growth rate

If these key assumptions are developing unfavorably it may cause a need for impairment of the recognised goodwill. In addition, Intellilift as a newly established business is dependent on successful development and commercialization of technology going forward. However, management believes that only a significant change in the assumptions used will lead to an impairment.

CGU	2019	2018
Intellilift	16 643	-
Assets held for sale, disposed during the period	-	580 000
Total	**16 643**	**580 000**

Note 8 – Subsidiaries and investments in other companies

(Amounts in NOK)

The following subsidiaries are basis for the consolidated accounts 31.12.19:

SUBSIDIARY OF NEKKAR ASA	REGISTERED OFFICE	ACQUISITION YEAR	OWNERSHIP	VOTING SHARE	LOCAL CURRENCY	SHARE CAPITAL IN LOCAL CURRENCY
Syncrolift AS	Drøbak, Norway	1994	100%	100%	NOK	950 000
Nekkar AS	Bergen, Norway	2018	100%	100%	NOK	30 000

SUBSIDIARY OF SYNCROLIFT AS	REGISTERED OFFICE	ACQUISITION YEAR	OWNERSHIP	VOTING SHARE	LOCAL CURRENCY	SHARE CAPITAL IN LOCAL CURRENCY
Syncrolift Inc	USA	2019	100%	100%	USD	-
Syncrolift South East Asia	Singapore	2019	100%	100%	SGD	-

SUBSIDIARY OF NEKKAR AS	REGISTERED OFFICE	ACQUISITION YEAR	OWNERSHIP	VOTING SHARE	LOCAL CURRENCY	SHARE CAPITAL IN LOCAL CURRENCY
Intellilift AS	Kristiansand, Norge	2019	51%	51%	NOK	101 321

SUBSIDIARY OF INTELLILIFT AS	REGISTERED OFFICE	ACQUISITION YEAR	OWNERSHIP [1]	VOTING SHARE [1]	LOCAL CURRENCY	SHARE CAPITAL IN LOCAL CURRENCY
Intellirob AS	Kristiansand, Norge	2019	100%	100%	NOK	30 000

[1] Represents Intellilift AS' share.

On 1 April 2019, Nekkar acquired 51% of the voting shares of Intellilift AS. Reference is made to Note 25 for further details.

As per 31 December 2019 Nekkar do not hold any positions in other companies.

Note 9 – Equity accounted investments

(Amounts in NOK 1000)

As described in the Board of Directors report, Nekkar has divested a substantial portion of its business to Cargotec / MacGregor. The divestment includes all investments accounted for under the equity method.

Nekkar does not hold any equity accounted investmens as per 31.12.2019

EQUITY ACCOUNTED INVESTMENTS	TTS BOHAI MACHINERY / TRADING	JIANGNAN TTS SHIPS EQUIPMENT MANUFACTURING CO.LTD	TOTAL
Opening balance 1.1.2018	37 082	-	37 082
Share of profit/loss (net of withholding tax)	-1 121	-	-1 121
Dividends (net of withholding tax)	-2 169	-	-2 169
Currency effect	857	-	857
Reclassified as held for sale	-34 649	-	-34 649
Closing balance 31.12.2018	**-**	**-**	**-**
Opening balance 1.1.2019	-	-	-
Share of profit/loss (net of withholding tax)	-	-	-
Dividends (net of withholding tax)	-	-	-
Currency effect	-	-	-
Reclassified as held for sale	-	-	-
Closing balance 31.12.2019	**-**	**-**	**-**

EQUITY ACCOUNTED INVESTMENTS TOTAL (100%) PROFIT/LOSS, ASSETS AND LIABILITIES PER 31.12.2018

	LONG TERM ASSETS	CURRENT ASSETS	LONG TERM LIABILITIES	CURRENT LIABILITIES	REVENUE	NET PROFIT/ (LOSS) AFTER TAX
TTS Bohai Machinery / TTS Bohai Trading	2 444	157 177	-	83 964	211 233	-1 807
JiangNan TTS Ships Equipment Manufacturing Co.Ltd	326 695	85 386	-	478 061	63 012	-117 403
Total	**329 139**	**242 563**	**-**	**562 025**	**274 245**	**-119 210**

Note 10 – Trade and other receivables

(Amounts in NOK 1000)

TRADE RECEIVABLES	2019	2018
Trade receivables	38 776	69 490
Loss provisions	-516	-516
Net trade receivables	**38 260**	**68 974**

TRADE RECEIVABLES (GROSS) PER CURRENCY:	2019	2018
EUR	22 125	38 695
USD	4 005	29 885
NOK	12 129	131
Other currencies	-	263
Total	**38 260**	**68 974**

For additional information on accounts receivables and associated risks, see Accounting Principles and sections 2.8, 3.1 and Note 24

OTHER RECEIVABLES UNDER SHORT-TERM RECEIVABLES:	2019	2018
VAT	1 642	2 161
Prepayments	2 752	1 118
Fair value of firm commitment, effective hedging contracts	8 381	-
Other receivables	2 066	-
Other short-term receivables	**14 840**	**3 279**

For accrued, not invoiced revenue, see Note 2 Revenue
For receivables relating to derivatives and hedge accounting, see Note 20 Derivatives

Note 11 – Loans and non-current liabilities

(Amounts in NOK 1000)

Specification of loans:

	LOAN TYPE	CURRENCY	NOMINAL INTEREST RATE	MATURITY	INSTALMENT TERMS	NOMINAL VALUE 2019	NOMINAL VALUE 2018
Nekkar ASA							
Nordic Trustee ASA	Convertible bond	NOK	Coupon - 10%	Settled Sept 2019	Balloon	-	90 945
Nordea	Mortgage loan	NOK	Nibor + 3,75%	Settled Aug 2019	Term loan	-	62 500
Nordea	Drawdown facility, mortgage based	NOK	Nibor/Euribor/ Libor + 3,50%	Settled Aug 2019	Balloon	-	156 946
DNB	Mortgage loan	NOK	Nibor + 3,00%	Settled Aug 2019	Term loan	-	134 000

Reconciliation of movements of non current liabilities arising from financial activities

	MORTGAGE LOAN	DRAWDOWN FACILITY, MORTGAGE BASED	CONVERTIBLE BOND	TOTAL
1 January 2019	196 500	156 946	90 945	444 391
Proceeds from issue of share capital [1]			-89 070	-89 070
Repayment of borrowings	-196 500	-156 946	-1 875	-355 321
31 December 2019	-	-	-	-

[1] Ref Note 14 Convertible bonds

In order to contemplate the share purchase agreement with Cargotec / MacGregor, finance pledges were released and interest bearing debt have been settled.

Note 12 – Assets pledged as security and guarantees

(Amounts in NOK 1000)

On 31 July 2019, the Group's debt was settled as part of the completion of the asset sales agreement between Nekkar ASA and Cargotec / MacGregor. The major bank credit facilities were established with Nordea Norge ASA (Nordea) and DNB ASA (DNB). The lenders have received repayment in full and liens and securities have been released post-closing. As part of the debt settlement, the banks subsequently released the security in the pledged assets.

Nekkar has the following credit facilities through its facilitators:

	2019		2018	
	LIMIT	DRAWN	LIMIT	DRAWN
Group cash pool overdraft facility (Nordea)	-	-	200 000	156 946
Drawdown facility, operations (Nordea / DNB)	-	-	271 750	196 500
Guarantee limit for Group (Nordea)	200 000	142 363	600 000	366 568

The finance agreements include pledges of plant and machinery, inventory and accounts receivables in Nekkar ASA and Syncrolift AS.

The guarantee limit is utilized by Nekkar ASA and Syncrolift AS and cover payment guarantee, performance bonds, advance payment bonds and tax guarantees.

For the above mentioned facilities the following assets have been pledged as collateral to Nordea and DNB:

ASSETS PLEDGED AS COLLATERAL FOR SECURED DEBT:	2019	2018
Shares in TTS Marine AB	-	358 084
Account/Group receivables	36 408	179 398
Inventory/Work in progress, including non-invoiced production	17 842	19 308
Property, plant and equipment	6 310	-
Assets pledged as collateral [*)]	**60 560**	**556 790**

*) Assets pledged as collateral only includes Nekkar ASA and Syncrolift AS. The pledged assets are presented in the balance sheet under the differenct categories. In addition, investments in subsidiaries and intercompany balances and loans are eliminated in the group accounts.

OTHER ASSETS PLEDGED AS SECURITY AND GUARANTEES:

As per 31 December 2019, MNOK 40 is held as a restricted deposit for FX-derivatives exposure in DNB.

Note 13 – Net interest-bearing debt

(Amounts in NOK 1000)

NET INTEREST-BEARING DEBT	2019	2018
Bank deposits, cash etc. in fully owned subsidiaries	253 985	349 445
Bank deposits, cash etc. in other consolidated subsidiaries	6 963	-
Total bank deposits	**260 948**	**349 445**
Convertible Bond loan	-	-90 945
Non-current interest bearing debt	-	-
Other current interest bearing debt	-	-196 500
Interest-bearing debt	**-**	**-287 445**
Net interest-bearing debt	**260 948**	**62 000**

As per 31 December 2019, MNOK 40 is held as a restricted deposit for FX-derivatives exposure in DNB.

For additional information on drawdown facilities and securities, see Note 11 and 12.

NET INTEREST-BEARING DEBT IN DISCONTINUED COMPANIES, REF NOTE 28	2019	2018
Bank deposits, cash etc. in fully owned subsidiaries	-	71 681
Bank deposits, cash etc. in consolidated 50/50 owned companies [1)]	-	170 168
Deposits in discontinued business (included in assets held-for-sale)	**-**	**241 849**
Drawdown from Cash pool facility with Nordea as of 31.12.	-	-502 762
Other current interest bearing debt	-	-27 505
Interest-bearing debt in discontinued business (included in “Liabilities held for sale”)	**-**	**-530 267**
Net interest-bearing debt in discontinued business	**-**	**-288 418**

1) Deposits reported from TTS Hua Hai, and TTS SCM.

Note 14 – Convertible Bond loan

(Amounts in NOK 1000)

Closing of the Cargotec / MacGregor transaction took place 31 July 2019 and following closing, the majority of the bondholders exercised their right to convert the Bonds to shares in Nekkar ASA.

Upon expiry of 15 August 2019, which was the last date on which bondholders could exercise their right to convert the Bonds to shares in Nekkar ASA, the Company had received notices for the conversion of Bonds for a total par value of NOK 84 170 000. During 1Q 2019 the the company recived notices for the conversion of Bonds for a total par value of NOK 4 900 000.

The agreed conversion price per share was NOK 4.97, which means that a total number of 17 921 523 new shares in Nekkar ASA were issued during 2019. The remaining part of the Bonds, having a total par value of NOK 1 875 000, was repaid in full on 29 August 2019. Consequently, Nekkar has no convertible bond loan as of 31 December 2019.

	2019	2018
Subordinated convertible bond loan - nominal value at drawdown 2011	200 000	200 000
Converted debt to shares in 2011	-7 500	-7 500
Converted debt to shares in 2012	-97 155	-97 155
Partial redemption in 2017	-2 000	-2 000
Converted debt to shares in 2018	-2 400	-2 400
Converted debt to shares in 2019	-89 070	
Repayment	-1 875	
Nominal debt value as per 31.12	**-**	**90 945**

Note 15 – Share capital and shareholder information

(Amounts in NOK 1000)

DATE	NUMBER OF SHARES	NOMINAL VALUE	SHARE CAPITAL
31.12.2019	105 620 078	0.11	11 618 209
31.12.2018	87 088 555	0.11	9 579 741

CHANGE IN 2019	
Conversion of convertible bond loan	17 921 523
Exercise of options	610 000
Issued shares during 2019	18 531 523

In 2019 there was an increase in share capital of NOK 2 038 468 and an increase in share premium of NOK 89 123 832.

Dividends paid and proposed:

	2019	2018
Declared and paid during the year: per share	-	-
Repayment of issued equity: NOK 4.0 per share (2018: 0)	422 450	-

Proposed dividends on ordinary shares for 2019, to be paid in 2020: NOK 0 per share.

Treasury shares:

	NUMBER OF SHARES	SHARE CAPITAL (NOK 1 000)
Treasury shares as of 31.12.2018	6 632	1
Sale of treasury shares 2018		-
Treasury shares as of 31.12.2018	**6 632**	**1**
Sale of treasury shares 2019	-	-
Treasury shares as of 31.12.2019	**6 632**	**1**

Principal shareholders of Nekkar ASA as of 31.12.2019:

SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP	VOTING SHARE [4]
SKEIE TECHNOLOGY AS [1]	26 568 237	25,15%	25,16%
RASMUSSENGRUPPEN AS	11 512 506	10,90%	10,90%
MP PENSJON PK	6 639 839	6,29%	6,29%
SKEIE CAPITAL INVESTMENT AS [1]	4 907 586	4,65%	4,65%
TIGERSTADEN AS	4 089 512	3,87%	3,87%
VINTERSTUA AS	3 157 200	2,99%	2,99%
MIDDELBORG INVEST AS	2 670 496	2,53%	2,53%
AVANZA BANK AB	2 639 550	2,50%	2,50%
TIGERSTADEN INVEST AS	2 000 000	1,89%	1,89%
PIMA AS	1 603 613	1,52%	1,52%
SKEIE CONSULTANTS AS [2]	1 507 243	1,43%	1,43%
ITLUTION AS	1 475 261	1,40%	1,40%
SKÅLA BÆR AS	1 150 000	1,09%	1,09%
GINKO AS	1 000 000	0,95%	0,95%
DNB MARKETS, AKSJEHANDEL/ANALYSE	1 000 000	0,95%	0,95%
HORTULAN AS	969 270	0,92%	0,92%
INTERACTIVE BROKERS LLC	958 272	0,91%	0,91%
JÆDEREN AS	922 122	0,87%	0,87%
SKEIE ALPHA EQUITY AS [3]	804 828	0,76%	0,76%
TIGERGUTT INVEST AS	800 000	0,76%	0,76%
Total, 20 largest shareholders	**76 375 535**	**72,31%**	**72,32%**
Own shares	6 632	0,01%	0,00%
Total other	29 237 911	27,68%	27,68%
Total	**105 620 078**	**100,00%**	**100,00%**

[1] Shares owned or controlled by the Skeie family and companies directly or indirectly controlled by them holds 31 475 823 shares representing 29,80% of total shares.

[2] Shares owned or controlled by Bjarne Skeie and companies directly or indirectly controlled by him holds 1 507 243 shares representing 1,43% of total shares.

[3] Trym Skeie holds 323 140 shares in person and 804 828 via Skeie Alpha Equity AS. Total shares owned or controlled by Trym Skeie and companies directly or indirectly controlled by him is 1 377 968, representing 1,30% of total shares.

[4] Voting portion are calculated after eliminating shares held by Nekkar ASA

Shares, share options and convertion rights owned or controlled by Board members, Group executives and their relatives:

	SHARES			SHARE OPTIONS			CONVERSION RIGHTS FROM SUBORDINATED CONVERTIBLE LOAN		
	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017
BOARD									
Trym Skeie [1), 2)]	1 377 968	573 140	573 140	-	-	-	-	804 829	804 829
GROUP EXECUTIVES									
Toril Eidesvik - CEO [3)]	350 000	50 000	50 000	-	300 000	300 000	-	-	-

[1)] Trym Skeie indirectly holds 23,5% of the voting shares and 23,5% of the capital in Skeie Technology AS and Skeie Capital Investment AS, and indirectly holds 250 000 shares through Skeie Alpha Invest AS, and 804 828 shares through Skeie Alpha Equity AS. Trym Skeie further holds 323 140 shares.

[2)] Per 31 December 2019 shares held and controlled by companies or members of the Skeie family is 34 361 034.

[3)] The shares are held through Zahlahuset AS, 100% owned by Toril Eidesvik.

On the 27 June 2019 the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 8 600 000 shares against cash or non-monetary redemption including merger relating to acquisitions of business or assets within the same or corresponding business sector as the company. This authorization is valid until the next ordinary General Assembly and latest 30 June 2020

On 27 June 2019, the Annual General Meeting adopted a resolution to give the Board of directors authority to buy back a portion of the convertible callable unsecured subordinated bond 2011/2019 up to a total of NOK 150 000 000. The authority is valid until the next Annual General Meeting or latest 30 June 2020. Upon expiry 15 August 2019, which was the last date on which bondholders could exercise their right to convert Bonds to shares in Nekkar ASA, the company had received notices for the conversion of Bonds for a total par value of NOK 89 070 000. The remaining part of the Bond, having a total par value of NOK 1 875 000, was repaid in full on 29 August 2019. As such, Nekkar has no convertible bond loan as per 31 December 2019, hence the authority is no longer relevant.

On 27 June 2019, the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 2 300 000 shares against cash redemption for the benefit of the company's executive management. This authorization is valid until 27 June 2021. As per 31 December no share options have been issued. The authorization also included a prolonging of the authorization issued in June 2017 for two years and 1 270 000 shares were issued in the form of options.

On 27 June 2019, the Annual General Meeting adopted a resolution to give the Board authority to buy a maximum of 6 000 000 treasury shares in Nekkar ASA within a price range of NOK 1 to NOK 25 for deletion. The authority is valid until the next Annual General Meeting or latest 30 June 2020. No shares have been bought on the basis of this authorization as of 29 April 2020.

In accordance with authorities granted by the Annual General Meeting in 2017, 2018 and 2019, Nekkar ASA has issued a share option program to Senior Executive Management.

Through these programs, Senior Executive Management in Nekkar has a future right to purchase a number of shares at an exercise price equal to the marked rate on the date that the share option program was initiated. During 2019, 610 000 share options have been redeemed at an exercise price of NOK 3,43 per share. Payroll tax of TNOK 257 has been charged as expenses and classified as personnel costs in the profit and loss statement.

Allocation of options per 31.12.2019:

NAME	POSITION	COMPANY	NUMBER OF OPTIONS EXERCISABLE UNTIL 31.05.2020	EXERCISE PRICE	TOTAL
Senior executives and former senior executives					
Bjørn Rosen [1] - EVP BURCN	EVP BURCN	TTS Marine AB	150 000	1,30	150 000
Total number of options to executives			**150 000**		**150 000**

1) Bjørn Rosen is no longer a part of the Group after TTS Marine AB was disposed in 2019

Note 16 – Earnings per share

(Amounts in NOK 1000)

BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Net profit attributable to ordinary equity holders of the parent from continued operations	48 976	11 814
Net profit attributable to ordinary equity holders of the parent from discontinued operations	146 857	-40 407
Net profit attributable to ordinary equity holders of the parent from total	**195 833**	**-28 593**
Weighted average of issued shares excluding own shares	**94 506**	**87 089**
Earnings per share - continuing operation (NOK per share)	**0,52**	**0,14**
Earnings per share - discontinued operation (NOK per share)	**1,55**	**-0,46**
Earnings per share - total (NOK per share)	**2,07**	**-0,33**

DILUTED EARNINGS PER SHARE:

In determining whether potential ordinary shares are dilutive or antidilutive, each issue or series of potential ordinary shares is considered separately rather than in aggregate.

Convertible Boand loan

When calculating the diluted result per share, the weighted average of the number of ordinary issued shares in circulation is adjusted for the conversion effect of all potential shares that can cause dilution.

Share options

For the company's share options, a calculation is made to determine the number of shares which could have been acquired at market rate based on the money value of the subscription rights of the outstanding share options.

	2019	2018
Profit used to calculate diluted earnings per share - continued operation	48 976	11 814
Interest expense on convertible bond loan, net of tax*	-	-
Profit (loss) attributable to ordinary shareholders (diluted)	**48 976**	**11 814**
Profit used to calculate diluted earnings per share - discontinued operation	146 857	-40 407
Interest expense on convertible bond loan, net of tax	5 684	7 003
Profit (loss) attributable to ordinary shareholders (diluted)	**152 541**	**-33 404**
Profit used to calculate diluted earnings per share - total	195 833	-28 593
Interest expense on convertible bond loan, net of tax	5 684	7 003
Profit (loss) attributable to ordinary shareholders (diluted)	**201 517**	**-21 590**
Average of issued shares excluding own shares	**105 613**	**87 082**
Adjustment for share options	-	-
Adjustment for average of coversion right in convertible bond	-	18 540
Average number of ordinary shares for calculation of diluted earnings per share	**105 613**	**105 622**
Diluted earnings per share - continuing operation (NOK per share)	**0,46**	**0,11**
Diluted earnings per share - discontinued operation (NOK per share)**	**1,44**	**-0,32**
Diluted earnings per share - total (NOK per share)**	**1,91**	**-0,20**

* Interest expenses on the convertible bond loan is allocated to discontinued operations, hence has no effect for continued operations.

** It is profit or loss from continued operations attributable to the parent entity that forms the basis to establish whether potential ordinary shares are dilutive or antidilutive.

For 2019, the incremental shares from assumed conversions are included in calculating the diluted per-share amounts, since they are considered dilutive for continued operations. For assumed share options (150 000 for 2019), the effect is considered antidilutive.

For 2018, the incremental shares from assumed conversions are included in calculating the diluted per-share amounts, since they are considered dilutive for continuing operations. For assumed share options (760 000 for 2018), the effect is dilutive. Because of this, the entity has included 18 540 000 convertion rights totalling 19 300 000 potential ordinary shares in the calculation of the diluted other earnings per share amounts, even though the resulting earnings per share amount are antidilutive to their comparable basic earnings per share amount for discontinued operations and for the profit or loss in total.

SHARE STRUCTURE	2019	2018
Issued shares	105 620	87 089
Own shares	7	7
Unused share options that can be settled by issue	150	760
Conversion right related to convertible bond loan	-	18 540

Note 17 – Tax

(Amounts in NOK 1000)

Deferred tax assets related to losses which can be carried forward for tax purposes, are reported if the management believes it is likely that the company can use these against expected taxable income for the upcoming five years. Tax asset of MNOK 35.3 (2018: MNOK 18.9) have been recognized as per 31 December 2019. The disposal of former loss-making entities in the Norwegian tax group to Cargotec / MacGregor is the main driver for additional utilization of the deferred tax assets going forward.

Intellilift AS, which is held by 51%, is not part of the Norwegian tax group.

The following criteria have been applied to assess the likelihood of taxable income against which unused tax losses may be utilized:

- the Group has sufficient temporary differences
- the entities is expected to have taxable profits. Tax losses carried forward do not expire within the Norwegian tax system.
- tax losses are induced by specific identifiable causes
- the group do not carry any uncertainty over income tax treatments

Deferred tax liabilities and deferred tax assets are netted if the Group has a legal right to offset deferred tax assets against deferred taxes in the balance sheet, and if the deferred taxes are owed to the same tax authorities.

INCOME TAX EXPENSE	2019	2018
Payable tax on profit	245	-
Payable withholding taxes, taxes outside Norway	-74	1 509
Not allocated tax losses	-	-
Change in deferred tax	17 911	-19
Impairment of tax assets	-34 339	-
Tax expense on continued operations	**-15 874**	**1 490**

RECONCILIATION OF THE EFFECTIVE TAX RATE	2019	2018
Profit before tax	**33 102**	**13 305**
Expected income tax according to income tax rate in Norway (22 / 23%)	7 282	3 060
Prior period adjustment deferred taxes	-	-
Not allocated deferred tax losses / Current yer losses fow which no deferred tax assets is recognized	11 183	-26 082
Effect of change in tax rate[1]	-	-
Permanent differences	-	24 513
Impairment of tax assets	-34 339	-
Tax expense in the profit and loss statement	**-15 874**	**1 490**
Payable tax including witholding taxes	170	1 509
Effective tax rate	< 22%	< 22%

ORIGIN OF TAX EXPENSE PAYABLE	2019	2018
Norway	245	-
China	-74	1 509
Rest of Europe	-	-
Rest of Asia	-	-
North / South America	-	-
Payable tax expences	**171**	**1 509**

TAX PAYABLE IN THE BALANCE SHEET	2019	2018
Tax payable, (including withholding taxes)	574	-
Prepaid tax	-	-
Net tax payables related to companies held for sale	-	-
Total tax payable in balance sheet at year end	**574**	**-**

DEFERRED TAX ASSET:	2019	2018
Fixed assets	-269	-346
Current assets	-114	76
Other temporary differences / provisions	-3 037	504
Tax losses to be carried forward	51 009	65 266
Gross deferred tax asset	**47 589**	**65 500**
- Unrecognized tax losses	-12 221	-46 560
Net recognized deferred tax assets [1]	35 367	18 939
- Deferred tax assets to be recovered after 12 months	30 686	15 257
- Deferred tax assets to be recovered within 12 months	4 681	3 682
Net recognized deferred tax assets	**35 367**	**18 939**

[1] Deferred tax asset relating to tax losses carried forward have been recognized as deferred tax asset to the extent that it is probable that future profits will be available.

Note 18 – Other operating expenses

(Amounts in NOK 1000)

	2019	2018
Premises and office expenses	3 683	2 600
Computer expenses	3 238	2 743
Marketing and travel expenses	2 975	5 084
Consultancy and external services	6 566	3 687
Other expenses	3 108	2 212
Total other operating expenses	**19 569**	**16 326**

Note 19 – Related parties

(Amounts in NOK 1000)

Nekkar ASA is the ultimate parent based and listed in Norway.

In 2019 Nekkar completed the acquisition of Intellilift AS and purchased 51% of the shares of the company. 21% of the shares were acquired from Skeie Consultants AS. Skeie Consultants AS, which is owned by primary insiders of Nekkar ASA, holds 19.9% of the shares in Intellilift AS as per 31 December 2019.

The subsidiaries (ref Note 8), members of the Board (ref Note 4) and members of the Senior Executive Group (ref Note 4) are considered as related parties. Transactions between subsidiaries have been eliminated in the consolidation financial statements.

The Group has carried out various transactions with subsidiaries and equity accounted investments in 2019. All the transactions have been carried out as part of the ordinary business and on an arm's length basiss.

Impairment assessment is part of the annual evaluation with regard to the financial position of the related party, and the market in which the related party operates.

For the year ended 31 December 2019, the Group has not recorded any impairment of receivables relating to the amounts owed by related parties (2018: MNOK 0).

Information on Board and Senior Executive Group's shares and options are included in Note 15.

Note 20 – Derivatives

(Amounts in NOK 1000)

	2019			2018		
FORWARD CURRENCY CONTRACTS - MARKET VALUES	ASSETS	LIABILITIES	NET MARKET VALUE	ASSETS	LIABILITIES	NET MARKET VALUE
Forward currency contracts - effective hedging contracts	6 982	-8 381	-1 399	54	25 797	-25 743
Forward currency contracts - ineffective hedging contracts - included in other liabilities [1]	-	-8 791	-8 791	-	1 682	-1 682
Currency option contracts - not designated as hedging contracts - presented as other current assets	-	-	-	723	-	723
Forward currency contracts - market value	**6 982**	**-17 172**	**-10 190**	**777**	**27 479**	**-26 702**

[1] FX contracts designed for hedging, but no longer effective due to delays in project.

MATURITY DISTRIBUTION OF CURRENCY CONTRACTS AND MTM:	TOTAL MTM VALUES	TOTAL MTM VALUES
Within 3 months	-9 351	-12 370
> 3 months, < 6 months	-463	-1 153
> 6 months, < 9 months	697	-4 793
> 9 months, < 12 months	-	0
> 12 months, < 24 months	-1 074	-6 588
> 24 Months	-	-1 799
Total	**-10 190**	**-26 702**

NOMINAL VALUE CURRENCY CONTRACTS, ORIGINAL CURRENCY (AMOUNTS IN CUR 1000)	2019		2018 [1]	
	SOLD	BOUGHT	SOLD	BOUGHT
NOK	5 309	499 922	44 865	718 357
USD	42 027	-	93 050	4 018
EUR	14 184	516	88 755	39 383
SEK	-	-	47 450	572 049
KRW	-	-	513 413	1 896 637
CNY	-	-	138 959	148 079
CAD	-	-	133	-

[1] Includes currency contratcs in held for sale units

OTHER BALANCE SHEETS EFFECTS	2019
FV of firm commitment, classified as other receivable	8 381
FV of firm commitment, classified as other short term debt	6 982
Capitalized cost relating to prolonging of effective hedge relationship, classified as other receiveble	4 290

FORWARD CURRENCY CONTRACTS:

Derivatives are recognized at fair value on the contract date. The value is adjusted to fair value at the end of each balance sheet date. The value is set to observable market price, ref. Note 24.

The Group enters into hedging contracts that qualifies as fair value hedges. In addition to these, the Group may have hedging contracts that no longer meet the criteria for hedge accounting as the underlying delivery contract has been cancelled. These are recognized at fair value in the financial statement.

Changes to fair value that meet the criteria of an effective fair value hedge is recognized in the financial statement with a corresponding the change in fair value of the assets or liabilities that are being hedged or the FV of the firm commitment.

The ineffective portion of the recognized hedge relationships is recognized in P&L together with the changes in value of derivatives.

The asset or liability being hedged is contractual income or cost related to production cost. Hedged assets or liabilities are recognized in the balance sheet at actual value. The hedged asset or liability represents, among other things, the part of the contractual income or cost that has not been invoiced on the balance sheet date, or where invoices have not been received from the supplier. The asset or liability is included in Other current assets or Other current liabilities respectively. Additionally the hedged asset or liability for each contract is represented through bank, client or supplier.

For additional information on foreign currency and appurtenant risks, please refer to Accounting principles, and see section 2.8 and 3.1.

Note 21 – Provisions for liabilities and accruals

(Amounts in NOK 1000)

	COMPLETED PROJECTS *	GUARANTEES	OTHER	TOTAL
1.1.2018	-	4 587	28 194	32 781
Provisions for the year	36 205	29 954	52 823	118 981
Utilized provisions during the year	1 180	-2 638	-28 484	-29 942
Currency exchange deviation	-1 180	159	290	-731
Reclassified as held for sale	-36 205	-28 475	-36 234	-100 914
31.12.2018	**-**	**3 587**	**16 589**	**20 176**

*) Liabilities related to supplementary work and other demands from clients

	COMPLETED PROJECTS	GUARANTEES	ACCRUALS [1]	TOTAL
1.1.2019	-	3 587	16 589	20 176
Provisions for the year		2 300	37 038	39 338
Utilized provisions during the year		-	-19 275	-19 275
Reversed provisions		-3 200	-	-3 200
31.12.2019	**-**	**2 687**	**34 352**	**37 039**

1) Also see Note 28 on Contingent liabilities

The amount is included in the Financial Statement as Other Current Liabilities. The expected outflow is in first half of 2020.

Risk related to the estimates that form the basis for the book values are further described in Accounting principles, under sections 2.16 and 4.

Note 22 – Financial items and foreign currency gains/losses

(Amounts in NOK 1000)

	2019	2018
Interest income [1]	7 259	4 992
Agio	3 490	10 134
Other financial income	1 358	-
Financial income	**12 107**	**15 127**
Interest expenses [2]	-3 457	-8 256
Disagio	-4 798	-3 066
Other financial expenses [3]	-3 825	-5 613
Financial expenses	**-12 080**	**-16 935**
Net finance cost	**27**	**-1 808**

1) Interest income of MNOK 15.5 (MNOK 22.7 in 2018) between continued and discontinued business are allocated as part of profit/loss from Discontinued Operations (ref Note 27).

2) Interest expenses of MNOK 13.2 (MNOK 24.4 in 2018) between continued and discontinued business are allocated as part of profit/loss from Discontinued Operations (ref note 27)

3) Other financial expenses relates to amortized cost and annual fees paid on debt agreements and annual fees related to public listing of the Group.

Note 23 – Currency effects on equity

(Amounts in NOK 1000)

Translation differences consist of all currency differences arising from translations of the financial statements of the foreign entities that are not an integrated part of the operation of the company. Currency effect as per 1 January 2019 relates to assets and libilities which have been sold in 2019, see Note 27. Following the sale, currency differences as per 31 December 2019 is 0.

Total equity currency effects per 31.12.2017	**166 784**
Equity currency differences 2018:	
Group companies	-14 731
+ Equity consolidated companies	857
= Net changes 2018	**(13 874)**
Total equity currency effects per 31.12.2018	**151 196**
Equity currency differences 2019:	
Group companies	-146 795
+ Equity consolidated companies	4 401
= Net changes 2019	**-151 196**
Total equity currency effects per 31.12.2019	**-**

Note 24 – Financial risk management

(Amounts in NOK 1000)

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets and liabilities are described in Accounting Principles, under sections 2.8, 2.9, 2.12, 2.13 and 2.15.

Risks associated with the underlying estimates of the recognized values and financial risk management is described in Accounting Principles, ref section 3.

CLASSIFICATION OF FINANCIAL ASSETS:	2019				2018			
	FINANCIAL DERIVATIVE CONTRACTS NOT DESIGNATED FOR HEDGING / INEFFECTIVE HEDGES	FINANCIAL DERIVATIVE CONTRACTS DESIGNATED FOR HEDGING	LOANS AND RECEIVABLES	TOTAL	FINANCIAL DERIVATIVE CONTRACTS NOT DESIGNATED FOR HEDGING / INEFFECTIVE HEDGES	FINANCIAL DERIVATIVE CONTRACTS DESIGNATED FOR HEDGING	LOANS AND RECEIVABLES	TOTAL
Non current financial assets:								
Shares available for sale				-				-
Other receivables				-				-
Financial current assets:								
Trade receivables			38 260	38 260			68 974	68 974
Other current receivables			14 840	14 840			3 279	3 279
Acquired, non-invoiced production			12 371	12 371			38 908	38 908
Derivatives[1]	-	6 982		6 982	723	54		777
Cash and cash equivalents		260 948	-	260 948		349 445	-	349 445
Total financial assets	**-**	**267 930**	**65 471**	**333 401**	**723**	**349 499**	**111 162**	**461 384**

CLASSIFICATION OF FINANCIAL LIABILITIES:	2019				2018			
	FINANCIAL DERIVATIVE CONTRACTS NOT DESIGNATED FOR HEDGING / INEFFECTIVE HEDGES	FINANCIAL DERIVATIVE CONTRACTS DESIGNATED FOR HEDGING	OTHER FINANCIAL LIABILITIES	TOTAL	FINANCIAL DERIVATIVE CONTRACTS NOT DESIGNATED FOR HEDGING / INEFFECTIVE HEDGES	FINANCIAL DERIVATIVE CONTRACTS DESIGNATED FOR HEDGING	OTHER FINANCIAL LIABILITIES	TOTAL
Non-current financial liabilities								
Interest-bearing non-current debt			-	-			-	-
Current financial liabilities								
First year instalment of non-current debt			-	-			90 945	90 945
Interest-bearing current liabilities			-	-			196 500	196 500
Prepayments from customers			109 293	109 293			130 538	130 538
Derivatives [1]	8 791	8 381		17 172		25 797		25 797
Accounts payable and other financial debt			54 783	54 783			98 590	98 590
Total financial liabilities	**8 791**	**8 381**	**164 075**	**181 247**	**-**	**25 797**	**516 572**	**542 369**

[1] Fair value of financial liabilities: The Group's derivatives consist of forward currency contracts. Fair value of forward currency contracts is determined by utilizing market-to-market rate on the balance-sheet date as stated by the Group's bank. Fair value relating to non-current debt is considered approximately equal to carrying value, as loans are given at market terms and with a floating rate.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

1. Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
2. Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
3. Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

ASSETS MEASURED AT FAIR VALUE	2019				2018			
	OVERALL	LEVEL 1	LEVEL 2	LEVEL 3	OVERALL	LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange contracts - hedging	6 982	-	6 982	-	54	-	54	-
Foreign exchange contracts - non-hedging	-	-	-	-	723	-	723	-
LIABILITIES MEASURED AT FAIR VALUE		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
Foreign exchange contracts - hedging	8 381	-	8 381	-	25 797	-	25 797	-
Foreign exchange contracts - non-hedging	8 791	-	8 791	-	1 682	-	1 682	-

Note 25 – Business combinations

(Amounts in NOK 1000)

ACQUISITIONS

Intellilift AS

On 1 April 2019, the Group acquired 51% of the voting shares of Intellilift AS, a software company established in 2016 which develops control systems, data acquisition software and visualisation tools for remote operations in the offshore energy sector and other related industries. The transaction also included Intellirob AS, a fully owned subsidiary of Intellilift AS. The companies are located in Kristiansand, Norway.

The acquisition was financed in cash and the purchase consideration consisted of a cash payment of MNOK 15.3.

The acquisition will give the Group access to technology, knowledge and new industry insight based on digitalization and automation. In addtion, the Group expects to realize positive synergies by integrating Intellilift's solutions and products with the existing business.

The Group has elected to measure the non-controlling interests in the acquiree at fair value.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

The fair values of the identifiable assets and liabilities of Intellilift AS at the date of acquisition were as follows:

(NOK 1 000)	FAIR VALUE RECOGNISED ON ACQUISITION
Assets	
Intangible assets: R&D	2 078
Intangible assets: Technology	3 300
Furniture, office equipment etc. (Note 6)	159
Cash and cash equivalents	6 947
Trade accounts receivable	2 757
Other current assets	1 076
Total assets	**16 317**
Liabilities	
Deferred tax liability	-591
Trade creditors	-843
Other current liabilities	-1 529
Total liabilities	**-2 962**
Total identifiable net assets at fair value	**13 355**
Less: Non-controlling interest measured at fair value	-14 699
Add: Goodwill	16 643
Purchase consideration transferred	**15 300**
Paid in cash	-15 300
Cash received	6 947
Net cash effect	**-8 353**

The acquired company has from the date of acquisition contributed to the Group's revenues and profit after tax by TNOK 12 845 and TNOK 2 569 respectively. If the acquisition had occurred at the beginning of 2019, the acquisition would have contributed to the Group's revenues and profit after taxes of TNOK 15 194 and TNOK 2 482 respectively.

The fair value of trade receivables amounts to TNOK 2 757. This equals the gross amount of trade receivables and it is expected that the full contructual amount can be collected. The deferred tax liability mainly comprises the difference between the accounting value and the tax conditioned value of the depreciation of tangible and intangible assets.

Included in goodwill is the value of employees with special skills and expected synergies with the existing business of the Group. These intangible assets do not fulfil the recognition criteria under IAS 38 and are therefore not recognised separately. The recognised goodwill is not deductible for income tax purposes.

Relief from royalty method (RFR) is used when valuation technology assets.

Syncrolift Singapore Pte. Ltd.

Syncrolift Singapore Pte. Ltd. was incorporated by Syncrolift AS in December 2018, and operational as of 1Q/2019.

The company will maintain and improve the Syncrolift footprint of services and newsale in South East Asia.

Syncrolift Inc

Syncrolift Inc. was incorporated by Syncrolift AS in February 2019, and operational as of 3Q/2019. The company is based in Maryland, US.

The company will maintain and improve the Syncrolift footprint of services and newsale in the North and South America.

Divestments

Closing of the Cargotec / MacGregor transaction took place 31 July 2019. See additional information in Note 27.

ACQUISITION AND DIVESTMENTS IN 2018

Acquisitions

Nekkar AS, a Norwegian shelf company was purchased in January 2018. The company is owned 100% by Nekkar ASA. The company was established late 2017 and have not had any operational activity during 2017 or 2018. Expenses related to the company acquisition are marginal and have been charged to profit and loss on a running base.

Divestments

During 2018 the Group liquidated TTS Brazil Ltd., a minor Brazilian company. The company had no activity in the latter part of 2018. On 8 February 2018 Nekkar and Cargotec / MacGregor presented an assets sales agreement. Nekkar prepared the annual financial statement of 2018 and 2017 reflecting IFRS 5. As such, the assets included in the agreement are presented as held-for-sale. Post-tax loss in discontinued companies has been on a separate reporting line. Sales expenditures of MNOK 28.6 related to the agreement are expensed and presented as part of the profit from discontinued business. Please find additional information in Note 27.

Note 26 – Non controlling interest (NCI)

(Amounts in NOK 1000)

The following table summarizes the information relating to each of Nekkar ASA's subsidiaries that has material non controlling interest, before intra group eliminations.

2019 NUMBER PRESENTED ON 100% BASIS	INTELLILIFT AS [1]	TOTAL
Non current assets	24 550	24 550
Current assets, excluding cash	4 881	4 881
Cash and cash equivalents	6 963	6 963
Non current liabilities	-675	-675
Short term liabilities to financial institutions	-	-
Current liabilities	-2 965	-2 965
Net assets	**32 754**	**32 754**
Revenue	12 845	12 845
Profit after tax	2 569	2 569
Other comprehensive income (OCI)	-	-
Total comprehensive income	**2 569**	**2 569**
NCI percentage	**49%**	**49%**
Net assets attributable to NCI	16 049	16 049
Profit after tax allocated to NCI	1 259	1 259
OCI allocated to NCI	-	-

[1] PL amounts relates to the period from 1 April 2019 when control of the company was obtained.

2018 [2]	TTS HUA HAI SHIPS EQUIPMENT (THH)	TTS SCM MARINE AND OFFSHORE MACHINERY CO .LTD (TSG)	TTS-SCM INTERNATIONAL TRADING CO.,LTD	TOTAL
NUMBER PRESENTED ON 100% BASIS				
Non current assets	169 645	98	-	169 743
Current assets	238 317	24 231	-	262 548
Cash and cash equivalents	127 340	40 421	2 406	170 168
Non current liabilities	-12 629	-	-	-12 629
Short term liabilities to financial institutions	-	-	-	-
Current liabilities	-251 610	-25 164	-	-276 775
Net assets	**271 062**	**39 586**	**2 406**	**313 055**
Revenue	543 275	67 234	7 053	617 562
Profit after tax	29 116	-2 016	198	27 298
Other comprehensive income (OCI)	1 344	-19	9	1 334
Total comprehensive income	**30 460**	**-2 035**	**207**	**28 632**
NCI percentage	**50%**	**50%**	**50%**	
Net assets attributable to NCI	135 531	19 793	1 203	156 528
Profit after tax allocated to NCI	14 558	-1 008	99	13 649
OCI allocated to NCI	561	-9	5	556

[2] All subsidiaries with NCI from 2018 are disposed in 2019 as part of the Cargotec / MacGregor transaction

Note 27 – Discontinued Business

(Amounts in NOK 1000)

Cargotec / MacGregor Transaction

Nekkar ASA signed an asset sale agreement on 8 February 2018 with Cargotec / MacGregor, where the company agreed to sell a major part of its business. The company qualified for reclassification of accounts as “asset held-for-sale” according to IFRS 5 in 4Q 2017. As it represents a major line of business for the Group, net profit is classified as discontinued business.

Completion of the contemplated transaction was subject to approval, unconditional or on conditions acceptable to Cargotec / MacGregor, from relevant competition authorities in China, South Korea and Germany. Approvals from German and South Korean competition authorities were announced 6 November 2018 and 27 December 2018 respectively. Following Cargotec / MacGregor acceptance of competition clauses, the competition authorities in China announced their approval on 15 July 2019.

Completion of the asset sale agreement took place 31 July 2019 and Nekkar recieved a cash consideration of MNOK 554 on the closing date. The cash consideration was based on preliminary figures, with the final purchase price to be determined based on financials as of 31 July according to procedures provided in the transaction agreement. In line with the agreed procedures in the transaction agreement, Nekkar presented to Cargotec / MacGregor in September 2019 final figures as of 31 July, including calculation of the final purchase price.

There is a dispute between the parties related to the final purchase price calculation. Cargotec / MacGregor is claiming a downward purchase price adjustment of approximately MNOK 240 compared to the amount presented by Nekkar. Nekkar is of the opinion that the figures which have been presented by Nekkar are based on best estimates from consistently applied accounting policies of the sold companies and has fully challenged the claim presented by Cargotec / MacGregor. Reference is made to Note 28.

Following completion of the transaction, Nekkar has continued in a new strategic direction. Reference is made to the BoD report.

The disposal group was classified as held-for-sale and discontinued business, and consisted of the following legal entities:

- TTS Marine AS
- TTS Offshore Solutions AS
- TTS Cranes Norway AS
- Norlift AS
- TTS Marine Inc
- TTS Marine GmbH
- TTS Marine S.r.l.
- TTS Hua Hai Ships Equipment Co. Ltd.
- Shanghai TTS Hua Hai International Trade Co. Ltd.
- Hydralift Marine AS
- TTS Marine AB
- TTS Energy AS
- TTS Singapore Pte. Ltd.
- TTS NMF GmbH
- TTS Marine GmbH Korea Co. Ltd.
- TTS Marine Equipment Ltd
- TTS SCM Marine and Offshore Machinery Co. Ltd.
- TTS SCM International Trading Co. Ltd.
- TTS Marine Shanghai Co. Ltd.
- TTS Greece Ltd.
- TTS Polen SP. Z.O.O
- TTS Marine Services LLC (Dubai)
- TTS Benelux NV (Rotterdam)

The following equity accounted investments are also included in the transaction;

- TTS Bohai Machinery Co. Ltd.
- TTS Bohai Trading Co. Ltd
- JiangNan TTS Ships Equipment Manufacturing Co. Ltd.

The principles for the reclassification to discontinued business, was as follow;

- All revenue and expenses from legal entities included in the disposal group has been reclassified
- Revenue and costs directly attributable to activities relating to the disposal group that is performed within legal entities that forms the basis for continued business are allocated to discontinued business
- Revenue and costs directly attributable to activities relating to the continued business, performing within legal entities that forming the basis for the discontinued business, are allocated to continued business.
- Intercompany interest related to cash pool arrangement is not eliminated based on the accounting treatment of the cash pool arrangement. See further information included in Note 13.
- Interest from bank loans and bond loan have been allocated to the discontinued business as these loans funded the discontinued businesses. The debt is settled as part of the transaction.

The financial performance presented are for the seven months ended 31 July 2019 (2019 column), which was the completion date of the transaction, and the year ended 31 December 2018.

RESULTS OF DISCONTINUED BUSINESS	2019	2018
Revenue	1 073 776	1 639 976
External revenue	**1 073 776**	**1 639 976**
Expenses	1 001 969	1 602 475
External expenses	1 001 969	1 602 475
Results from operating activities	**71 807**	**37 502**
Net finance [1]	-15 073	-49 562
Income tax	-6 872	-14 698
Gain on sale of discontinued operation	98 254	-
Profit (loss) from discontinued business, net of tax	**148 116**	**-26 758**
Basic earning (loss) per share	1,39	-0,31
Diluted earnings (loss) per share	1,44	-0,25

[1] The 2018 figures includes transaction related expenses of MNOK 26.8 in Nekkar ASA

Details of the sale of the business

The transaction calculation is based on the consideration received on the closing date of the transaction. The calculation does not include contingent liabilities related to the dispute regarding final purchase price. Reference made to Note 28.

ACCOUNTING EFFECT OF THE TRANSACTION	2019
Enterprise Value	**840 000**
NIBD & NWC adjustment	-273 634
Withheld funds potential tax obligation [1]	-12 800
Cash consideration received [2]	**553 566**
Fair value of contingent consideration	-
Total disposal consideration	**553 566**
Carrying amount of net assets sold	565 858
Derecognized assets	12 191
Non-controlling interests	-161 132
Majority's amount of derecognized net assets	**416 917**
Transaction related expenses [3]	23 465
Accounting effect before tax and currency effects	**113 183**
Currency translation differences [4]	-14 929
Income tax expense [1]	-
Accounting effect after tax 2019 [3]	**98 254**
Transaction related expenses in 2018 [3]	26 735
Total accounting effect after tax	**71 519**

[1] The transaction may result in capital gain taxation in some jurisdictions. MNOK 12.8 was withheld by the buyer in the received cash consideration due to alleged tax reclaim responsibilities. Tax assessment is currently ongoing. Final taxation depend on outcome of contingent liability.

[2] On the closing date, 31 July 2019, Nekkar communicated an estimated transaction value of NOK 5.7 per share on fully diluted basis. The figure of NOK 5.7 includes dividend payment received in Nekkar ASA from the target companies alongside estimated transaction costs. These items are not included in the cash consideration received at closing.

[3] Transaction related costs of MNOK 26.7 was expensed in 2018, hence the accounting effect of the transaction is MNOK 113 in 2019. Transaction related expenditures consist of both external and internal costs in the period from 2017 - 4Q 2019.

[4] Accounting effect related to currency translation differences in the consolidated financial statements.

The carrying amounts of assets and liabilities as at the completion date, 31 July 2019, were as follows:

NET ASSETS DISPOSAL GROUP	31 JULY 2019
Intangible assets and goodwill	617 986
Property, plant and equipment	228 107
Equity-accounted investees	36 983
Trade and other receivables	588 340
Inventories	112 366
Bank deposits	221 614
Total assets	**1 805 396**
Provisions	-36 018
Current interest bearing debt	-557 887
Other current liabilities	-645 632
Total liabilities	**-1 239 537**
Net assets directly associated with disposal group	**565 859**

Assets and liabilities of disposal group held for sale

At 31 December the disposal group held for sale comprises the following assets and liabilities

	2019	2018
Deferred tax assets	-	12 772
Intangible assets and goodwill	-	638 155
Property, plant and equipment	-	122 497
Equity-accounted investees	-	34 679
Trade and other receivables	-	764 454
Inventories	-	101 742
Bank deposits	-	241 849
Assets held for sale	**-**	**1 916 148**
Provisions	-	44 544
Current interest bearing debt	-	530 656
Other current liabilities	-	781 437
Liabilities held for sale	**-**	**1 356 637**
Net Assets held for sale	**-**	**559 511**

Note 28 - Contingent liabilities / Material disputes

DISPUTE CONCERNING THE FINAL SETTLEMENT OF THE CARGOTEC / MACGREGOR TRANSACTION

The asset sale agreement with Cargotec / MacGregor, was completed 31 July 2019. Completion of the transaction was based on preliminary figures, with the final purchase price to be determined based on financials as of 31 July 2019 according to procedures provided in the transaction agreement. Nekkar received a cash consideration of MNOK 554 at closing.

In line with the agreed procedures, Nekkar presented to Cargotec / MacGregor preliminary figures as of 31 July 2019, including calculation of the purchase price. The final figures were presented to Cargotec / MacGregor in September 2019. On 18 November 2019, Nekkar received an Objection Notice from Cargotec / MacGregor where they challenged the purchase price calculation, claiming a downward purchase price adjustment of approximately MNOK 240 compared to the amount presented by Nekkar.

Nekkar has in the period from receipt of the "Objection Notice" initiated analysis and investigations in order to understand and assess the extensive changes to the purchase price presented by Cargotec / MacGregor. With the aim to facilitate an amicable process, views have been exchanged with Cargotec / MacGregor in accordance with the procedure described in the sales and purchase agreement. At the time of reporting, no solution has been agreed between the parties. It follows from the alternative procedures described in the transaction agreement, aligned between the parties, that arbitration proceedings thereafter are the most efficient and reasonable way forward in order to come to a final conclusion, although such process will be both costly and time consuming for both parties.

At the time of reporting, arbitration proceedings have been initiated. There is risk and uncertainty with respect to the financial outcome. The decision from the arbitration proceedings is expected in 1H 2021. Nekkar is of the opinion that the figures which have been presented by Nekkar are based on best estimates from consistently applied accounting policies of the sold entities, and has fully challenged the claim presented by Cargotec / MacGregor. The claim presented by Cargotec / MacGregor is in Nekkar's opinion not adequately substantiated nor sufficiently documented, hence no provision related to the disputed amount is included in the financial statements as of 31 December 2019 as the outcome cannot be determined with sufficient reliability (IAS 37.25).

As permitted by IAS 37, in order not to prejudice the outcome of the arbitration proceedings and the interests of Nekkar, no further disclosures are made in the financial statements.

REGULAR CLAIMS

Regular claims are made against the Group as a result of its ordinary operations. These claims are part of ordinary business and are generally covered by provisions for guarantee costs and contingencies in ongoing projects. Nekkar is of the opinion that recognized provisions will cover regular claims arising as part of ordinary business.

WARRANTIES RELATED TO THE CARGOTEC / MACGREGOR TRANSACTION

After completion of the transaction, the Company may be exposed to claims based on the representations and warranties and other undertakings included in the sales agreement.

Note 29 - Subsequent events

On 27 January 2020, Nekkar ASA was awared an Environmental Technology grant from Innovation Norway of MNOK 10 to develop, pilot and test a closed cage for fish farming in cooperation with a renowned Norwegian fish farmer.

CORONAVIRUS PANDEMIC

Although business outlook for Nekkar looks positive it is difficult to predict short, medium and long-term effects on all business lines from the escalation of the coronavirus (Covid-19) situation. The company have reassessed its operational and financial position with regards to short to medium term business outlook, and so far the evaluation is that, although Nekkar will be affected, the company is positioned to maneuver through the "turbulent waters" ahead, but risk has obviously increased, especially in relation to progress on projects, and effects from the extreme currency fluctuations seen lately.

For shipyard solutions, the order intake in 2019 have been very strong, and the market situation through first phase of 2020 seems promising, although the full consequences of the turbulent coronavirus and currency situation is unclear.

Nekkar closely monitors the situation and will take the necessary measures required to minimize the negative impact on our employees, operations and financial result.

PROFIT AND LOSS STATEMENT – NEKKAR ASA

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	NOTES	NGAAP 2019	NGAAP 2018
OPERATING INCOME			
Other operating income		3 648	33
Group service fee from subsidiaries	14	15 105	22 281
Total operating income		**18 753**	**22 314**
OPERATING COSTS			
Personnel cost	1, 2	14 627	30 256
Depreciation on tangible fixed assets	3	1 195	1 012
Other operating costs	1, 14	14 801	14 194
Total operating costs		**30 623**	**45 462**
Operating profit		**-11 869**	**-23 148**
FINANCIAL INCOME AND EXPENSES			
Income from investments in subsidiaries	15	59 647	139 218
Income from investments in equity accounted investments	15	-	2 552
Interest received from group companies	15	17 259	25 597
Other interest income	15	3 297	1 207
Other financial income	15	24 004	78 084
Interest expenses to group companies	15	3 900	4 755
Other interest expenses	15	15 872	27 271
Other financial expenses	15	30 533	104 040
Net financial items		**53 902**	**110 592**
Profit before tax		**42 032**	**87 443**
Tax	10	-16 203	1 509
Profit for the year		**58 235**	**85 935**

BALANCE SHEET – NEKKAR ASA

1 JANUARY - 31 DECEMBER

(Amount in NOK 1000)

	NOTES	NGAAP 2019	NGAAP 2018
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Deferred tax assets	10	34 000	17 871
Intangible assets	3	3 257	-
Total intangible assets		**37 257**	**17 871**
FIXED ASSETS			
Machinery and vehicles	3	-	-
Furniture, office and computer equipment	3	5 201	11 659
Total fixed assets		**5 201**	**11 659**
FINANCIAL FIXED ASSETS			
Shares in subsidiaries	4, 7, 16	125 233	597 316
Investments in joint ventures	4, 16	-	4 122
Loans to companies in the Group	5, 7	16 033	15 787
Total financial fixed assets		**141 266**	**617 226**
Total non-current assets		**183 724**	**646 756**
CURRENT ASSETS			
CURRENT RECEIVABLES			
Trade receivables	5	3 747	87
Intra-group accounts receivable	5, 7, 14	1 732	15 869
Other receivables from equity accounted investments	5, 14	-	2 315
Other receivables	5	2 553	2 789
Other intra-group receivables	5, 7, 11,14	13 122	229 444
Total current receivables		**21 154**	**250 504**
Bank deposits, cash in hand etc.	11	207 830	898
Total current assets		**86 207**	**251 402**
Total assets		**413 608**	**898 158**

BALANCE SHEET – NEKKAR ASA

1 JANUARY - 31 DECEMBER

(Amount in NOK 1000)

	NOTE	NGAAP 2019	NGAAP 2018
EQUITY AND LIABILITIES			
EQUITY			
PAID UP EQUITY			
Share capital	9	11 618	9 580
Treasury shares	9	-1	-1
Share premium		-	151 725
Total paid up equity		**11 617**	**161 304**
RETAINED EARNINGS			
Other equity		237 740	361 192
Total retained earnings		**237 740**	**361 192**
		-	
Total equity		**249 358**	**522 496**
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Pension liabilities	2	-	-
Convertible subordinated bond loan	6, 8	-	-
Liabilities to financial institutions	6, 7	-	-
Total other non-current liabilities		**-**	**-**
CURRENT LIABILITIES			
Convertible subordinated bond loan	6, 8, 9	-	90 945
Liabilities to financial institutions	6, 7	-	196 500
Trade payables		4 965	5 142
Intra-group trade payables	14	-	2 829
Social security and employees` tax deduction		1 594	1 736
Income tax payable	10	-	-
Other intra-group liabilities	11,14	143 676	59 617
Other current liabilities	12	14 016	18 892
Total current liabilities		**164 251**	**375 662**
Total liabilities		**164 251**	**375 662**
Total equity and liabilities		**413 608**	**898 158**

Bergen, 29 April 2020
Board of Directors, NekkarASA

Trym Skeie
Chair of the Board

Marit Solberg
Director

Gisle Rike
Director

Ingunn Svegården
Director

Toril Eidesvik
CEO

EQUITY STATEMENT – NEKKAR ASA

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM	OTHER EQUITY	TOTAL
Equity as of 31.12.2017	**9 527**	**-12**	**149 378**	**274 530**	**433 422**
Equity as of 1.1.2018	**9 527**	**-12**	**149 378**	**274 530**	**433 422**
New share issued	53		2 347	-	2 400
Change in treasury shares		11		353	364
Option schemes				504	504
Provision for dividends				-	-
Other changes to equity				-129	-129
Net profit for the year				85 935	85 935
Equity as of 31.12.2018	**9 580**	**-1**	**151 724**	**361 192**	**522 496**
Equity as of 1.1.2019	**9 580**	**-1**	**151 724**	**361 192**	**522 496**
New share issued	2 038		89 068		91 106
Change in treasury shares					-
Option schemes					-
Repayment of issued equity			-240 792	-181 658	-422 450
Provision for dividends					-
Other changes to equity				-30	-30
Net profit for the year				58 235	58 235
Equity as of 31.12.2019	**11 618**	**-1**	**-**	**237 740**	**249 358**

CASH FLOW STATEMENT – NEKKAR ASA

1 JANUARY - 31 DECEMBER

(Amounts in NOK 1000)

	NOTE	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		42 032	87 443
Dividend from investments in subsidiaries		-59 647	-139 218
Dividend from investment in joint ventures		-	-2 552
Paid tax		-	-1 509
Depreciation		1 195	1 012
Option cost without cash effect		-	504
Profit from disposal of shares before transaction related expenses	16	-18 658	-
Net interest costs		-784	5 222
Change in other receivables and other short term liabilities		1 267	7 631
Net cash flow from operating activities		**-34 594**	**-41 467**
CASHFLOW FROM INVESTMENTS			
Cash distribution from divested companies		-59 346	-
Acquisition of subsidiaries		-	-30
Additional equity into subsidiaries		-46 525	-32 300
Proceeds from sale shares in subsidiaries	16	553 562	-
Net contribution received from subsidiaries		59 647	72 048
Dividend from subsidiaries and equity accounted investments		-	69 722
Disbursements on acquisitions of tangible and intangible assets	3	-10 238	-6 869
Proceeds to and repayment from intra-group loans		-246	49 642
Net cashflow from investments		**496 854**	**152 212**
CASHFLOW FROM FINANCING			
Proceeds from issuance of share capital		2 092	-2 400
Disbursement on short-term/ long-term debt		-198 375	-51 664
Net change overdraft facility		363 519	-53 726
Disbursements of dividends		-422 450	-
Sale treasury shares		-	364
Interest costs		784	-5 222
Paid in equity capital		-	2 400
Net cashflow from financing		**-254 430**	**-110 247**
EFFECTS OF EXCHANGE-RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS			
Net change in cash and cash equivalents		207 830	498
Cash and cash equivalents (opening balance)		898	401
Cash and cash equivalents (closing balance)		**208 729**	**898**
This consists of:			
Bank and cash pool deposits		208 729	898
Available unused overdraft facility		-	219 160

ACCOUNTING PRINCIPLES

NEKKAR ASA

The financial statements have been prepared in accordance with The Norwegian Accounting Act and generally accepted accounting principles in Norway.

SUBSIDIARIES, ASSOCIATED COMPANIES

Subsidiaries and associated companies are valued at cost, less any impairment losses. Impairment losses are reversed if the reason for the impairment loss disappears in a later period. Dividends, contributions and other distributions from subsidiaries are recognized as financial income, unless distributions exceed withheld profit after the acquisition date. Any excess amount represents repayment of invested capital and is recognized as deduction of cost price.

OPERATING INCOME

Operating income includes income on delivered products and services granted over the year. The income is recognized once the delivery of services has taken place and most of the risk and return has been transferred.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Current assets and short term liabilities include items which fall due within one year, and items related to the operating cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are posted in the balance sheet at the nominal value at the time of initial establishment.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are posted in the balance sheet at the nominal value at the time of the initial establishment.

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Accounts receivable and other current receivables are recorded in the balance sheet at their nominal value less impairment provision on unsecured claims. Provisions on unsecured claims are made on basis of an individual assessment of the different receivables. A general loss provision on other receivables is estimated based on expected loss.

SHORT TERM INVESTMENTS

Short term investments are valued at the lower of acquisition cost and fair value at the balance sheet date. Dividends and other distributions are recognized as other financial income.

PROPERTY,PLANT, EQUIPMENT AND R&D

Property, plant, equipment and R&D are capitalized and depreciated linearly over the asset's estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of non-current asset exceeds the estimated recoverable amount, the asset is impaired to the recoverable amount. The recoverable amount is the greater of the net value and value in use. When assessing value in use a DCF-model on the cash flow from the asset are applied.

PENSIONS

The companies in the Nekkar group have different pension plans. The pension plans are in general financed by payments to insurance companies or pension funds. Nekkar ASA has established a defined contribution plan for its employees.

Within the defined contribution plan the company pays a fixed contributions to a separate legal entity. The Group has no legal or other obligation to pay further contributions if the insurance company does not have sufficient assets to pay all employee benefits relating to employee service in current and prior periods. Contributions are recorded as payroll expense in the financial statements.

The Group recognizes the service cost of the pension plan as a payroll expense in the statement of profit and loss.

TAXES

The tax expense in the profit and loss accounts consists of the current tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22% of temporary differences and the tax effect of tax losses carried forward. Tax-increasing and tax-reducing temporary differences which are reversed, or could be reversed, during the same period are offset against each other and recorded as a net sum. Temporary changes are only assessed for the Norwegian companies. Deferred tax assets are recorded in the balance sheet when it is more likely than not that tax assets will be utilized.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

FOREIGN CURRENCY

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date.

Non-monetary items that are measured at their historical price expressed in foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date.

Changes to exchange rates are recognized in the income statements as they occur during the accounting period.

Currency rates on year end which is basis for revaluation of balance sheet items are:

CURRENCY	2019	2018
EUR	9,864	9,948
SEK	0,944	0,970
USD	8,780	8,689

CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank deposits. Bank deposits in foreign currencies are translated into NOK using the exchange rate on the balance sheet date. Withdrawals from the bank overdraft facility constitute part of current liabilities.

USE OF ESTIMATES

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Note 1 – Personnel costs, number of employees, remunerations, loans to employees etc.

(Amounts in NOK 1000)

PAYROLL EXPENSE:	2019	2018
Salaries	10 337	21 075
Employer's social security contribution	3 336	4 196
Pension costs	1 450	1 738
Other benefits	-496	3 248
Total payroll expenses [1]	**14 627**	**30 256**

[1]Payroll expenses of MNOK 2.9 has been capitalized as R&D, ref Note 3. Other benefits in 2019 include reversal of bonus accruals of MNOK 2.0.

Number of employees at the end of the year	12	11

BOARD REMUNERATIONS 1)		2019	2018
Trym Skeie	Board member since 06.2008. Re-elected for the period 06.2018 - 06.2020	420	420
Gisle Rike [2]	Board member since 06.2015. Re-elected for the period 06.2017 - 06.2020	294	294
Ingunn Svegården	Board member since 10.2019	-	-
Marit Solberg	Board member since 10.2019	-	-
Leif Haukom [3])	Board member until 10.2019	392	294
Britt Mjellem [3]	Board member until 10.2019	448	336
Marianne Sandal [3]	Board member until 10.2019	322	242
Morten Aarvik [3]	Board member until 8.2019, employee representative	141	121
Rakel Simmenes [3]	Board member until 8.2019, employee representative	141	-
Anita Kråkenes	Board member until 07.2018, employee representative	-	121
Total		**2 158**	**1 827**

[1] The Annual General Meeting determines the remuneration to the Board and nomination commitee from one General Meeting to the next. For the financial year 2019, the reported remuneration is based on the remuneration paid in 2019.

[2] Gisle Rike represents Rasmussengruppen and the board fee is paid to Rasmussengruppen.

[3] Board members and nomination committee members which has left the Board and nomination committe after 06.2019 have receieved a portionate payment of Board renumeration 2019-2020.

The board has not received any remuneration beyond director`s fee. No loans or severance pay have been given to any directors.

NOMINATION COMMITTEE REMUNERATION

Nekkar's nomination committee comprised of the following members, until 19 September 2019: Petter Sandtorv (Chairman), Kate Henriksen and Anders Nome Lepsøe.

The nomination committee remuneration [3] paid in 2019 was TNOK 84 for the chairman and TNOK 49 for each of the members, a total of TNOK 182.

In the extraordinary general meeting in Nekkar ASA, 19 September 2019, the nomination committee members was changed to the following: Anne-Grete Ellingsen (Chair) and Leif Haukom (Member), both elected for 2 years.

STATEMENT REGARDING THE STIPULATION OF REMUNERATION AND OTHER BENEFITS FOR THE CEO AND OTHER EXECUTIVES

Regarding Group management, Nekkar ASA's remuneration policy is based on offering competitive terms. Remunerations should reflect that Nekkar is a listed company with an international focus.

The annual remuneration is based on Group managements part-taking in the results generated by the company and the added value for shareholders through increased company value.

Remuneration consists of three main components; Base salary, bonus and a share option program.

- Base salaries is intented to be competetive and motivating, and in line with general market terms.
- Bonus for the CEO and other executives is determined on the basis of target results and on individual targets. Bonus targets are revised annually. Bonus is up to 50% of base salary for other executives. Bonus payment reported in 2019 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2018. Bonus payments are based on individual employment contracts.
- A share option program has been active for the Group management of Nekkar since 1998, the goal being that the Group management shall have the same incentive as the shareholders in respect of increasing company value over time. The Annual General Meeting has each year given the Board authority to establish share option program with a two year term. Redemption price equals market price on allotment. First exercise is 50% after one year. Next 12.5% per quarter, in addition to options not previously utilized. Each option program expires after 2 years. Refer to Note 15 Share capital and shareholder information for further information regarding option program.

The CEO has a notice period of six months, and a severance pay period of 9 months.

The share option program is contingent on the Annual General Meeting's approval, based on the Board being granted authority to make such allotments. The CEO's remuneration is determined by the Board of Nekkar ASA. Remuneration to other executives is determined by the CEO after consultation with the Chairman of the Board.

REMUNERATION AND OTHER BENEFITS FOR THE CEO AND OTHER SENIOR EXECUTIVES:

(Amounts in NOK 1000)

NAME	POSITION	BASE SALARY	OTHER BENEFITS	BONUS PAID	SHARE OPTIONS	PENSION COST
Toril Eidesvik	CEO	2 842	23	855	90	170
Leiv Kallestad	CFO	977	7	-	-	56
Kristoffer Lundeland [1]	CFO - Hire in from 4.2019	2 188	-	-	-	-

[1] Contracted worker. Salary equals amount invoiced from Ernst & Young AS and is classified as other operating costs in the profit and loss statement.

During 2019, the CEO has redeemed 300 000 share options at an exercise price of NOK 3,43.

REMUNERATIONS	TAXABLE REMUNERATION
Other benefits	Car, group life insurance, taxable pension schemes, phone, newspaper, etc.
Bonus paid	Bonus paid in current year
Share options	Calculated option cost recognized in the income statement

AUDITORS' FEES (EXCL. VAT)	2019	2018
Statutory audit	1 781	1 926
Other attestation services	200	116
Tax advisory	35	42
Other assistance including tax advice	557	1 522
Total	**2 573**	**3 606**

Note 2 - Pensions

(Amounts in NOK 1000)

Norwegian companies within Nekkar have established defined contribution planes for all employees.

	NET PENSION COSTS FROM DEFINED CONTRIBUTION PLAN	2019	2018
	Service cost	1 450	1 738
+	Payroll tax of net pension cost	204	245
=	**Net periodic pension cost**	**1 655**	**1 983**

Note 3 - Tangible fixed assets
(Amounts in NOK 1000)

	MACHINERY AND VEHICLES	FURNITURE AND OFFICE EQUIP.	TOTAL
Book value as of 31.12.2017	**-**	**5 802**	**5 802**
2018 FISCAL YEAR			
Book value as of 1.1.	-	5 802	5 802
Additions	-	6 869	6 869
Disposals	-	-	-
Depreciation for the year	-	-1 012	-1 012
Book value as of 31.12.2018	**-**	**11 659**	**11 659**
AS OF 31.12.2018			
Acquisition cost 31.12.	680	15 950	16 630
Accumulated depreciation as of 31.12.	-680	-4 291	-4 971
Book value as of 31.12.2018	**-**	**11 659**	**11 659**
2019 FISCAL YEAR			
Book value as of 1.1.	-	11 659	11 659
Additions	-	6 981	6 981
Disposals	-	-	-
Depreciation, amortization and impairments [1)]	-	-13 439	-13 439
Book value as of 31.12.2019	**-**	**5 201**	**5 201**
AS OF 31.12.2019			
Acquisition cost 31.12.	680	22 931	23 611
Accumulated depreciation as of 31.12.	-680	-17 730	-18 410
Book value as of 31.12.2019	**-**	**5 201**	**5 201**

[1)] Write downs in 2019 related to downscaling on IT structure after disposal of subsidiaries are classified as gain/loss from sale of subsidiaries

DEPRECIATION SCHEDULE	LINEAR	LINEAR
Depreciation period	5 years	3-10 years

The company has no leases classified as financial lease.

INTANGIBLE ASSET/ DEVELOPMENT/ R&D

Design, development, production of pilot and testing of a closed cage farm fishing equipment started in 2019, and is expected to be completed in 2020. At yearend 2019 direct development cost of TNOK 3 257 is presented as intangible assets. In 2020 the company have been awarded an Enviromental Technology grant of MNOK 10 from Innovation Norway to partly finance the overall development cost.

OPERATING LEASE AGREEMENTS:

Nekkar ASA has entered into a lease agreements for offices. The lease is classified as operational lease.

Total lease payment in 2019 is MNOK 6,1. Prior to the transaction close (July 2019), a majort part of the offices was subleased to subsidiaries. Net received from subleased contracts is MNOK 4,7. Net lease cost MNOK 1,4.

Note 4 – Subsidiaries and joint ventures

(Amounts in NOK 1000)

NEKKAR ASA:

Investments in subsidiaries valued at cost:

SUBSIDIARY	REGISTERED OFFICE	ACQUISITION DATE	OWNERSHIP	VOTING SHARE	CURRENCY	SHARE CAPITAL	NUMBER OF SHARES	EQUITY 31.12.2019	NET RESULT 2019	COST	NET BOOK VALUE 2019	NET BOOK VALUE 2018
Syncrolift AS	Drøbak, Norway	1994	100%	100%	NOK	950 000	95 000	101 174	38 595	125 203	125 203	78 678
Nekkar AS	Bergen, Norway	2018	100%	100%	NOK	30 000	30 000	5	-112	30	30	30
Total								**101 179**	**38 483**	**125 233**	**125 233**	**597 316**

At yearend 2019 Syncrolift AS received a net group contribution of MNOK 46,5 from Nekkar ASA. Nekkar ASA simultaneously received a gross group contribution of MNOK 59,6, of which MNOK 13,1 is set off against deferred tax assets. As per 31 December 2019 Nekkar does not hold any positions in other companies.

The following entities were disposed in 2019 as part of the Cargotec / MacGregor transaction. See additional information in Note 16 for gain/loss calulation

SUBSIDIARY	REGISTERED OFFICE
Norlift AS	Bergen, Norway
TTS Marine AB	Gothenburg, Sweden
TTS Marine Shanghai Co Ltd	Shanghai, China
Hydralift Marine AS	Kristiansand, Norway
TTS Cranes Norway AS	Bergen, Norway
TTS Marine AS	Bergen, Norway
TTS Singapore Pte. Ltd.	Singapore
TTS Greece Ltd.	Piraeus, Greece
TTS Offshore Solutions AS	Bergen, Norway
TTS NMF GmbH	Hamburg, Germany
TTS Poland SP.Z.O.O.	Gdansk, Poland
TTS BoHai Machinery Co., Ltd	Dalian, China

Note 5 - Trade and other receivables

(Amounts in NOK 1000)

	2019	2018
Trade receivables	3 747	87
Group fee/trade receivables within group	1 732	15 869
Trade receivables from Joint Ventures	-	2 315
Other short term receivables from group companies	13 122	10 284
Other receivables, including prepayments	2 553	2 789
Intragroup deposit on Cash pool arrangement	-	219 160
Short-term receivables	**21 154**	**250 504**
Receivables maturing at over one year:		
Other receivables	-	-
Loans to subsidiaries [1]	16 033	15 787
Total	**16 033**	**15 787**

Receivables based on intercompany trade and group fees are settled on a regular basis.

[1] Intercompany loan to Nekkar AS.

Note 6 – Loans and non-current liabilities

(Amounts in NOK 1000)

Specification of loans:

	LOAN TYPE	CURRENCY	NOMINAL INTEREST RATE	MATURITY	INSTALMENT TERMS	NOMINAL VALUE 2019	NOMINAL VALUE 2018
Nekkar ASA							
Nordic Trustee ASA	Convertible bond	NOK	Coupon - 10%	Settled Sept 2019	Balloon	-	90 945
Nordea	Mortgage loan	NOK	Nibor + 3,75%	Settled Aug 2019	Term loan	-	62 500
Nordea	Drawdown facility, mortgage based	NOK	Nibor/Euribor/ Libor + 3,50%	Settled Aug 2019	Balloon	-	156 946
DNB	Mortgage loan	NOK	Nibor + 3,00%	Settled Aug 2019	Term loan	-	134 000

Reconciliation of movements of non current liabilities arising from financial activities

	MORTGAGE LOAN	DRAWDOWN FACILITY, MORTGAGE BASED	CONVERTIBLE BOND	TOTAL
1 January 2019	196 500	156 946	90 945	444 391
Proceeds from issue of share capital [1]			-89 070	-89 070
Repayment of borrowings	-196 500	-156 946	-1 875	-355 321
31 December 2019	**-**	**-**	**-**	**-**

[1] Ref Note 8 Convertible bonds

On 31 July 2019, the company's debt was settled as part of the completion of the asset sales agreement between Nekkar and Cargotec / MacGregor and finance pledges were released.

Note 7 - Assets pledged as security and guarantees
(Amounts in NOK 1000)

On 31 July 2019, the company's debt was settled as part of the completion of the asset sales agreement between Nekkar ASA and Cargotec / MacGregor. The major bank credit facilities was established with Nordea Norge ASA (Nordea) and DNB ASA (DNB). The lenders received repayment in full and liens and securities have been released post-closing. As part of the debt settlement, the banks subsequently released the security in the pledged assets.

Nekkar has the following credit facilities through its facilitators:

	2019		2018	
	LIMIT	DRAWN	LIMIT	DRAWN
Group cash pool overdraft facility (Nordea)	-	-	200 000	156 946
Drawdown facility, operations (Nordea / DNB)	-	-	271 750	196 500
Guarantee limit for Group (Nordea)	200 000	142 363	600 000	366 568

The finance agreements include pledges of plant and machinery, inventory and accounts receivables in Nekkar ASA and Syncrolift AS. The guarantee limit is utilized by Nekkar ASA and Syncrolift AS and cover payment guarantee, performance bonds, advance payment bonds and tax guarantees

For the above mentioned facilities the following assets have been pledged as collateral to Nordea and DNB:

ASSETS PLEDGED AS COLLATERAL FOR SECURED DEBT - GROUP VALUES:	2019	2018
Shares in TTS Marine AB	-	358 084
Account/Group receivables	36 408	179 398
Inventory/Work in progress, including non-invoiced production	17 842	19 308
Property, plant and equipment	-	-
Assets pledged as collateral *	54 250	556 790

* Assets pledged as collateral only includes Nekkar ASA and Syncrolift AS. The pledged assets are presented in the balance sheet under the differenct categories. In addition, investments in subsidiaries and intercompany balances and loans are eliminated in the group accounts.

Note 8 – Convertible Bond loan
(NOK 1000)

Closing of the Cargotec / MacGregor transaction took place 31 July 2019 and following closing, the majority of the bondholders exercised their right to convert the Bonds to shares in Nekkar ASA.

Upon expiry of 15 August 2019, which was the last date on which bondholders could exercise their right to convert the Bonds to shares in Nekkar ASA, the Company had received notices for the conversion of Bonds for a total par value of NOK 84 170 000. During 1Q 2019 the the company recived notices for the conversion of Bonds for a total par value of NOK 4 900 000.

The agreed conversion price per share was NOK 4.97, which means that a total number of 17 921 523 new shares in Nekkar ASA were issued during 2019. The remaining part of the Bonds, having a total par value of NOK 1 875 000, was repaid in full on 29 August 2019. Consequently, Nekkar has no convertible bond loan as of 31 December 2019.

	2019	2018
Subordinated convertible bond loan - nominal value at drawdown 2011	200 000	200 000
Converted debt to shares in 2011	-7 500	-7 500
Converted debt to shares in 2012	-97 155	-97 155
Partial redemption in 2017	-2 000	-2 000
Converted debt to shares in 2018	-2 400	-2 400
Converted debt to shares in 2019	-89 070	
Completed redemption	-1 875	
Nominal debt value as per 31.12	**-**	**90 945**

Note 9 – Share capital and shareholder information

(NOK 1000)

DATE	NUMBER OF SHARES	NOMINAL VALUE	SHARE CAPITAL
31.12.2019	105 620 078	0.11	11 618 209
31.12.2018	87 088 555	0.11	9 579 741

ISSUED SHARES IN 2019

Conversion of convertible bond loan	17 921 523
Exercise of options	610 000
Issued shares during 2019	**18 531 523**

In 2019 there was an increase in share capital of NOK 2 038 468 and an increase in share premium of NOK 89 123 832.

DIVIDENDS PAID AND PROPOSED:	2019	2018
Dividend declared and paid during the year: per share	0,00	0,00
Dividend proposed : per share	0,00	0,00
Repayment of issued equity: NOK per share	4,00	0,00

TREASURY SHARES:	NUMBER OF SHARES	SHARE CAPITAL
Treasury shares as of 31.12.2018	6 632	1
Sale of treasury shares 2018		-
Treasury shares as of 31.12.2018	**6 632**	**1**
Sale of treasury shares 2019	-	-
Treasury shares as of 31.12.2019	**6 632**	**1**

Principal shareholders of Nekkar ASA as of 31.12.2019:

SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP	VOTING SHARE [4]
SKEIE TECHNOLOGY AS [1,3]	26 568 237	25,15%	25,15%
RASMUSSENGRUPPEN AS	11 512 506	10,90%	10,90%
MP PENSJON PK	6 639 839	6,29%	6,29%
SKEIE CAPITAL INVESTMENT AS [1,3]	4 907 586	4,65%	4,65%
TIGERSTADEN AS	4 089 512	3,87%	3,87%
VINTERSTUA AS	3 157 200	2,99%	2,99%
MIDDELBORG INVEST AS	2 670 496	2,53%	2,53%
AVANZA BANK AB	2 639 550	2,50%	2,50%
TIGERSTADEN INVEST AS	2 000 000	1,89%	1,89%
PIMA AS	1 603 613	1,52%	1,52%
SKEIE CONSULTANTS AS [2]	1 507 243	1,43%	1,43%
ITLUTION AS	1 475 261	1,40%	1,40%
SKÅLA BÆR AS	1 150 000	1,09%	1,09%
GINKO AS	1 000 000	0,95%	0,95%
DNB MARKETS, AKSJEHANDEL/ANALYSE	1 000 000	0,95%	0,95%
HORTULAN AS	969 270	0,92%	0,92%
INTERACTIVE BROKERS LLC	958 272	0,91%	0,91%
JÆDEREN AS	922 122	0,87%	0,87%
SKEIE ALPHA EQUITY AS [3]	804 828	0,76%	0,76%
TIGERGUTT INVEST AS	800 000	0,76%	0,76%
Total, 20 largest shareholders	**76 375 535**	**72,31%**	**72,32%**
own shares	6 632	0,01%	0,00%
Total other	29 237 911	27,68%	27,68%
Total	**105 620 078**	**100,00%**	**100,00%**

[1] Shares owned or controlled by the Skeie family and companies directly or indirectly controlled by them holds 31 475 823 shares representing 29,80% of total shares.

[2] Shares owned or controlled by Bjarne Skeie and companies directly or indirectly controlled by him holds 1 507 243 shares representing 1,43% of total shares.

[3] Trym Skeie holds 323 140 shares in person and 804 828 via Skeie Alpha Equity AS. Total shares owned or controlled by Trym Skeie and companies directly or indirectly controlled by him is 1 377 968, representing 1,30% of total shares.

[4] Voting portion are calculated after eliminating shares held by Nekkar ASA

Shares, share options and convertion rights owned or controlled by Board members, Group executives and their relatives:

	SHARES			SHARE OPTIONS			CONVERSION RIGHTS FROM SUBORDINATED CONVERTIBLE LOAN		
	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017
BOARD									
Trym Skeie [1]	1 377 968	573 140	573 140	-	-	-	-	804 829	804 829
GROUP EXECUTIVES									
Toril Eidesvik - CEO [2]	350 000	50 000	50 000	-	300 000	300 000	-	-	-

[1] Trym Skeie holds 323 140 shares in person, 250 000 shares through Skeie Alpha Invest AS and 804 828 shares through Skeie Alpha Equity AS. Total shares owned or controlled by Trym Skeie and companies directly or indirectly controlled by him is 1 377 968, representing 1,30% of total shares.

[2] The shares are owned privately or through the 100% owned company Zahlahuset AS.

On the 27 June 2019 the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 8 600 000 shares against cash or non-monetary redemption including merger relating to acquisitions of business or assets within the same or corresponding business sector as the company. This authorization is valid until the next ordinary General Assembly and latest 30 June 2020

On 27 June 2019, the Annual General Meeting adopted a resolution to give the Board of directors authority to buy back a portion of the convertible callable unsecured subordinated bond 2011/2019 up to a total of NOK 150 000 000. The authority is valid until the next Annual General Meeting or latest 30 June 2020. Upon expiry 15 August 2019, which was the last date on which bondholders could exercise their right to convert Bonds to shares in Nekkar ASA, the company had received notices for the conversion of Bonds for a total par value of NOK 89 070 000. The remaining part of the Bond, having a total par value of NOK 1 875 000, was repaid in full on 29 August 2019. As such, Nekkar has no convertible bond loan as per 31 December 2019, hence the authority is no longer relevant.

On 27 June 2019, the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 2 300 000 shares against cash redemption for the benefit of the company's executive management. This authorization is valid until 27 June 2021. As per 31 December no share options have been issued. The authorization also included a prolonging of the authorization issued in June 2017 for two years and 1 270 000 shares were issued in the form of options.

On 27 June 2019, the Annual General Meeting adopted a resolution to give the Board authority to buy a maximum of 6 000 000 treasury shares in Nekkar ASA within a price range of NOK 1 to NOK 25 for deletion. The authority is valid until the next Annual General Meeting or latest 30 June 2020. No shares have been bought on the basis of this authorization as of 29 April 2020.

Allocation of options per 31.12.2019:

NAME	POSITION	COMPANY	NUMBER OF OPTIONS EXERCISABLE UNTIL 31.05.2020	EXERCISE PRICE	TOTAL
Senior executives and former senior executives					
Bjørn Rosen [1] - EVP BURCN	EVP BURCN	TTS Marine AB	150 000	1,30	150 000
Total number of options to executives			**150 000**		**150 000**

[1] Bjørn Rosen is no longer a part of the Group after TTS Marine AB was disposed in 2019

In accordance with authorities granted by the Annual General Meeting in 2017, 2018 and 2019, Nekkar ASA has issued a share option program to Senior Executive Management.

Through these programs, Senior Executive Management in Nekkar has a future right to purchase a number of shares at an exercise price equal to the marked rate on the date that the share option program was initiated. During 2019, 610 000 share options have been redeemed at an exercise price of NOK 3,43 per share. Payroll tax of TNOK 257 has been charged as expenses and classified as personnel costs in the profit and loss statement.

The option premium is estimated on the grant date using the Black & Scholes option pricing model (BS). The options have a maximum term of two years, with a possible first exercise after one year (50 percent), then 12.5 percent per quarter, giving a weighted average of 15 months maturity which is employed in BS. The option premium is distributed over the option's two-year term. Implied volatility is based on a combination of historic data and assumptions. Volatility used for options issued in 2017 was 64%. Risk-free interest rate applied for options issued in 2017 was 0,70%. For 2019 (2018), option premium of MNOK 0,4 (MNOK 0,8) has been charged as expenses classified as salary in the profit and loss statement.

Note 10 - Tax

(Amounts in NOK 1000)

Change in deferred tax assets and deferred tax liabilities:

	1.1.2018	CHANGES 2018	31.12.2018	CHANGES 2019	31.12.2019
Deferred tax					
Fixed assets	673	161	834	-2 026	-1 192
Pension fund / liabilities	-	-	-	-	-
Credit deduction carried forward	-	-	-	-	-
Allowance carried forward	-		-	-	-
Convertible debt	-	-	1	-1	-
Tax loss carry forward	-72 196	6 910	-65 286	16 336	-48 950
Gross deferred tax (assets = - / liabilities = +)	**-71 522**	**7 071**	**-64 451**	**14 309**	**-50 142**
Unrecognized deferred tax assets related tax losses	54 195	-129	47 414	-30 937	14 950
Unrecognized deferred tax assets related to other temp. differences	-673	-161	-834	2 026	1 192
Net deferred tax reported (assets = - / liabilities = +)	**-18 000**		**-17 871**	**-16 129**	**-34 000**

Deferred tax assets related to losses which can be carried forward for tax purposes, are reported if the management believes it is likely that the company can use these against future taxable income. Due to the tax exemption method related to dividends from subsidiaries, and tax exemption method on profit from sale of shares, tax assets were impaired as per 31.12.2014. Nekkar ASA and Syncrolift AS represent a Norwegian Taxable group. Based on expected taxable profit in the taxation group for the forthcoming five year period, tax assets of MNOK 34 have been recognized as per 31 December 2019.

BREAKDOWN OF DIFFERENCES BETWEEN PROFIT BEFORE TAX AS PER THE ACCOUNTS AND TAX BASIS FOR YEAR:	2019	2018
Result before tax	42 032	87 443
Permanent differences	4 945	23
Change to temporary profit/loss differences	2 026	-
Reversed profits/losses from subsidiaries and joint ventures	-59 647	-99 841
Tax basis for the year before group contribution	**-10 642**	**-12 375**

BREAKDOWN OF TAX COSTS:	2019	2018
Tax payable	-	-
Withholding tax from activities outside Norway	-74	1 509
Effect of group contribution on deferred tax	13 122	9 644
Not allocated deferred tax related to tax losses	-	2 846
Unrecognized change in other temp.differences	2 026	-
Changes to deferred tax asset related to previously unrecognized tax loss carried forward	-30 937	-12 490
Tax cost	**-16 203**	**1 509**

EXPLANATION AS TO WHY THIS YEAR'S TAX COSTS ARE NOT 22% / 23% OF PROFIT BEFORE TAX:	2019	2018
22% / (23%) of profit before tax	9 247	20 112
Permanent differences	1 088	-22 958
Allocated reduction/-(increase) of deferred tax asset in group	-26 464	2 096
Effect of change of tax rates this year	-	750
Withholding taxes	-74	1 509
Estimated tax cost	**-16 203**	**1 509**

Note 11 – Cash and cash equivalents

(Amounts in NOK 1000)

	2019	2018
Bank deposits, cash etc. as per 31.12.1)	31 120	898
Deposits (+)/withdrawals (-) from cash pool account system as at 31.12.	177 609	-219 160

[1)] Restricted bank deposits per 31 December 2019 were TNOK 0. Nekkar ASA has a bank guarantee for employees' tax withholdings which fully cover the debt.

Nekkar have established a mulitcurrency cash pool structure. The overdraft facilitiy of MNOK 200 ceased 31 July 2019 as part of the closing of the Cargotec / Macgregor and the Group does not have an overdraft facility as per 31 December 2019. Reference is made to Note 6.

Note 12 - Other current liabilities

(Amounts in NOK 1000)

	2019	2018
Provision for unpaid wages and salaries	238	-
Provision for holiday pay	1 763	1 969
Accrued interest cost	-	1 972
Other accrued expenses	12 015	14 951
Total other current liabilities	**14 016**	**18 892**

Note 13 - Other operating costs

(Amounts in NOK 1000)

	2019	2018
Cost of premises	1 453	1 356
IT costs	1 850	1 449
Marketing, travel	1 399	3 503
Consultancy and external services	7 935	6 793
Other expenses	2 163	1 094
Total other operating costs	**14 801**	**14 194**

Note 14 - Related parties

(Amounts in NOK 1000)

Subsidiaries (ref Note 4), joint ventures (ref Note 4), members of the Board (ref Note 1) and members of the Senior Executive Group are considered as related parties. Nekkar ASA are involved in numerous different transactions with subsidiaries and joint ventures.

In 2019 Nekkar AS, a subsidiary of Nekkar ASA, completed the acquisition of Intellilift AS and purchased 51% of the shares of the company. 21% of the shares were acquired from Skeie Consultants AS. Skeie Consultants AS, which is owned by primary insiders of Nekkar ASA, holds 19.9% of the shares in Intellilift AS as per 31 December 2019.

All transactions are based in the normal course of business and at arm's length prices.

	2019	2018
Sales, Royalties, Sales fees, Group fee:		
Subsidiaries	15 105	22 282
Joint ventures	-	-
Cost of sales:		
Subsidiaries	-	-
Joint ventures	-	-
Balance sheet items related to purchase and sale of goods and services:		
Receivables		
Loans to group companies	16 033	15 787
Subsidiaries accounts receivables	1 732	15 869
Subsidiaries other short term receivables	13 122	10 284
Deposit in cash pool	-	219 160
Joint ventures	-	2 315
Current liabilities		
Accounts payable to subsidiaries	-	2 829
Other short term payables to subsidiaries	-	59 617
Short term payables to Joint ventures	-	-

Information on the Board and Senior Executive Group's shares and options are stated in Note 9.

In addition to the above mentioned transactions and Note 9, there are no further agreements or commitments between the Group and the related parties.

Note 15 - Financial items and exchange rate gains/losses

(Amounts in NOK 1000)

	2019	2018
Dividend from subsidiaries and equity consolidated companies	-	60 815
Contribution from subsidiaries	59 647	72 048
Gain from sale of subsidiaries / shares in financial investments [1]	-4 808	-
Interest income from companies in same group	17 259	25 597
Other financial income	4 628	10 114
Interest paid to companies in same group	-3 900	-4 755
Interest paid to financial institutions	-15 872	-27 260
Impairment shares in subsidiaries	-	-
Impairment financial receivables from subsidiaries	-	-
Other financial costs [2]	-3 750	-32 263
Net exchange rate gains (losses)	698	6 296
Total	**53 902**	**110 592**

[1] See Note 16 for detailed calculation of loss related to the Cargotec / MacGregor transaction.

[2] 2018 numbers include sales cost related to the Cargotec / MacGregor transaction of MNOK 26,7.

Exchange rate gains/losses:

CURRENCY DIFFERENCES BOOKED TO INCOME AND COSTS IN THE PROFIT AND LOSS ACCOUNT ARE AS FOLLOWS:	2019	2018
Currency exchange income	22 673	78 084
Currency exchange costs	-21 975	-71 788
Total	**698**	**6 296**

Note 16 - Gain-/loss calculation disposal of shares

(Amounts in NOK 1000)

CARGOTEC / MACGREGOR TRANSACTION

Nekkar ASA signed an asset sale agreement on 8 February 2018 with Cargotec / MacGregor, where the company agreed to sell a major part of its business. Completion of the contemplated transaction was subject to approval, unconditional or on conditions acceptable to Cargotec / MacGregor, from relevant competition authorities in China, South Korea and Germany. Approvals from German and South Korean competition authorities were announced 6 November 2018 and 27 December 2018 respectively. Following Cargotec / MacGregor acceptance of competition clauses, the competition authorities in China announced their approval on 15 July 2019.

Completion of the asset sale agreement took place 31 July 2019 and Nekkar recieved a cash consideration of MNOK 554 on the closing date. The cash consideration was based on preliminary figures, with the final purchase price to be determined based on financials as of 31 July according to procedures provided in the transaction agreement.

In line with the agreed procedures in the transaction agreement, Nekkar presented to Cargotec / MacGregor in September 2019 final figures as of 31 July, including calculation of the final purchase price.

There is a dispute between the parties related to the final purchase price calculation. Cargotec / MacGregor is claiming a downward purchase price adjustment of approximately MNOK 240 compared to the amount presented by Nekkar. Nekkar is of the opinion that the figures which have been presented by Nekkar are based on best estimates from consistently applied accounting policies of the sold companies and will fully challenge the claim presented by Cargotec / MacGregor. Reference is made to Note 17.

DETAILS OF THE SALE OF THE SUBSIDIARIES

The transaction calculation is based on the consideration received on the closing date of the transaction. The calculation does not include contingent liabilities related to the dispute between the parties.

Enterprise value	**840 000**
NIBD & NWC adjustment	-273 634
Withheld funds potential tax obligation [1]	-12 800
Cash consideration received	**553 566**
Book value of shares in sold companies	522 717
Derecognized assets	12 191
Transaction related expenses	23 465
Accounting effect before tax	**-4 808**
Income tax expense [1]	-
Accounting effect after tax	**-4 808**

[1] The transaction may result in capital gain taxation in some jurisdictions. MNOK 12.8 was withheld by the buyer in the received cash consideration due to alleged tax reclaim responsibilities. Tax assessment is currently ongoing. Final taxation depend on outcome of contingent liability.

Note 17 - Contingent liabilities / Material disputes

DISPUTE CONCERNING THE FINAL SETTLEMENT OF THE CARGOTEC / MACGREGOR TRANSACTION

The asset sale agreement with Cargotec / MacGregor, was completed 31 July 2019. Completion of the transaction was based on preliminary figures, with the final purchase price to be determined based on financials as of 31 July 2019 according to procedures provided in the transaction agreement. Nekkar received a cash consideration of MNOK 554 at closing.

In line with the agreed procedures, Nekkar presented to Cargotec / MacGregor preliminary figures as of 31 July 2019, including calculation of the purchase price. The final figures were presented to Cargotec / MacGregor in September 2019. On 18 November 2019, Nekkar received an Objection Notice from Cargotec / MacGregor where they challenged the purchase price calculation, claiming a downward purchase price adjustment of approximately MNOK 240 compared to the amount presented by Nekkar.

Nekkar has in the period from receipt of the "Objection Notice" initiated analysis and investigations in order to understand and assess the extensive changes to the purchase price presented by Cargotec / MacGregor. With the aim to facilitate an amicable process, views have been exchanged with Cargotec / MacGregor in accordance with the procedure described in the sales and purchase agreement. At the time of reporting, no solution has been agreed between the parties. It follows from the alternative procedures described in the transaction agreement, aligned between the parties, that arbitration proceedings thereafter are the most efficient and reasonable way forward in order to come to a final conclusion, although such process will be both costly and time consuming for both parties.

At the time of reporting, arbitration proceedings have been initiated. There is risk and uncertainty with respect to the financial outcome. The decision from the arbitration proceedings is expected in 1H 2021. Nekkar is of the opinion that the figures which have been presented by Nekkar are based on best estimates from consistently applied accounting policies of the sold entities, and has fully challenged the claim presented by Cargotec / MacGregor. The claim presented by Cargotec / MacGregor is in Nekkar's opinion not adequately substantiated nor sufficiently documented, hence no provision related to the disputed amount is included in the financial statements as of 31 December 2019 as the outcome cannot be determined with sufficient reliability.

REGULAR CLAIMS

Regular claims are made against the Group as a result of its ordinary operations. These claims are part of ordinary business and are generally covered by provisions for guarantee costs and contingencies in ongoing projects. Nekkar is of the opinion that recognized provisions will cover regular claims arising as part of ordinary business.

WARRANTIES RELATED TO THE CARGOTEC / MACGREGOR TRANSACTION

After completion of the transaction, the Company may be exposed to claims based on the representations and warranties and other undertakings included in the sales agreement.

Note 18 - Subsequent events

Events regarding the Nekkar ASA are listed in Notes for Nekkar Group, ref Note 29.

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To the General Meeting of Nekkar ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Nekkar ASA (the Company), which comprise the balance sheet as at 31 December 2019, the profit and loss 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 Nekkar ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

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.

1. Cargotec transaction – gain from the transaction

Reference is made to note 27, the Key Audit Principles section 2.24 and the Board of Directors report

The key audit matter	*How the matter was addressed in our audit*
The Cargotec transaction was announced in February 2018. The asset sale agreement with Cargotec Oyj was subject to approvals from relevant competition authorities. The transaction was finally closed on 31 July 2019. The Cargotec transaction was a significant transaction for the group, as approximately 90%of Nekkar Group (former TTS Group ASA) was sold. There is significant complexity in the transaction as • The settlement structure is based on a fixed price, subsequently adjusted for working capital and net interest-bearing debt as per 31 July 2019. • Accounting principles prevailing in 2017, is the basis for the working capital calculation. Significant changes in IFRS has been introduced thereafter. As such relevant financial information must be adjusted to reflect the terms in the asset sale agreement. • Significant transaction costs have incurred due to a long and complex sales process. Classification of these costs are important in the calculation of the gain from the transaction, and consequently, the presentation in the consolidated statement of comprehensive income. The key audit matter in this regard pertains to the complexity of calculating the transaction price and the resulting gain from the transaction, both for the parent company, and for the group as whole.	Our audit procedures relating to the calculation of the gain from the Cargotec transaction, included: - Reading and understanding the asset sale agreement. - By reference to the asset sale agreement, assessing and challenging Management's calculation of the consideration received and the net gain on the Cargotec transaction - To determine whether the asset and liability is included in the calculation of gain, we have reconciled the assets and liabilities in the calculation, with the business unit reporting available in the Nekkar's financial reporting system - Comparing the accounting principles that forms the basis for the calculation of the transaction price, to accounting principles prevailing in 2017, as set out in the asset sale agreement. On this background evaluated managements consequential adjustments to the reported figures from subsidiaries to assess if the adjustments made are in accordance with the asset sale agreement. - Reconciled the gain recognized in the financial statement for 2019 with the calculated disposal gain. - Assessed costs management has classified as transaction cost, on the background of our knowledge of the business, to challenge management if specific elements of these costs should be presented as normal operational costs. - Evaluating the adequacy of the financial statement disclosures.

2. Claim from MacGregor relating to the Cargotec transaction

Reference is made to note 27, 28, the Key Accounting Principles section 4, and the Board of Directors report

The key audit matter	*How the matter was addressed in our audit*
The asset sale agreement with MacGregor, a subsidiary of Cargotec Oyj, was completed 31 July 2019, see description above. At the transaction date, funds were transferred based on preliminary figures, and net cash payment from MacGregor amounted to MNOK 554. Final purchase price was to be settled based on financials as of 31 July 2019 according to	Our audit procedures relating to the claim from MacGregor, performed by the group team included: - Obtaining and reading the claim listing from MacGregor and on this background assessing Nekkar management's evaluation of the claim list.

procedures provided in the transaction agreement. On 18 November 2019, Nekkar disclosed that MacGregor is challenging the purchase price calculation, claiming a downward adjustment of approximately MNOK 240. At the time of the Annual report, no solution has been agreed between the parties. Management's assessment is that the outcome of the claim cannot be measured with sufficient reliability as defined under IAS 37, as the claim presented by MacGregor in Nekkar's opinion, is not adequately substantiated nor sufficiently documented. The claim has not been recognized in the financial statement as of 2019. Due to the size, nature and complexity of the claim, including the significant judgement made by management not to recognize the claim, this is considered a key audit matter.	- Obtaining and reading legal opinion on the claim listing from MacGregor. The legal opinion was provided by legal expert engaged by management. - Challenging management's assessment of the estimation uncertainty on the impact of the claim by reference to the claim listing and the legal opinions referred to above. - Challenging management's assessment and conclusion not to provide for the claim, by reference to the requirements in IAS 37, relevant accounting literature and the legal opinion obtained - Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and the judgments made by management.

3. Revenue recognition for long term construction contracts

Reference is made to note 2, the Key Audit Principles section 2.16 and the Board of Directors report

The key audit matter	*How the matter was addressed in our audit*
The majority of the Group's revenues and profits derive from long-term construction and service contracts. IFRS 15 Revenue from contracts with customers ("IFRS 15") is based on a five step model for revenue recognition and requirements and guidance relevant to project accounting estimates and judgements. IFRS 15 has a higher degree of judgment in determining the number of performance obligations which can impact the timing and amount of revenue recognition for certain contracts. The standard also has a complex criteria for assessing if revenue should be recognized over time or at a certain point in time. This assessment is complicated, due to the group's different revenue streams and the contract structures. Timing of revenue recognition is based on the assessment of contractual facts vs. criteria under IFRS 15, and is subject to a high degree of judgement. Accounting for long term construction contracts involves management estimates and judgments	Our audit procedures relating to significant long-term construction contracts, performed by the group team included: - Challenging management's assumptions in determining if certain contracts contain single or multiple performance obligations by obtaining, reading, and critically assessing the terms and conditions of relevant contractual documents. - Assessing contractual revenue forecasts including reconciling those forecasts with reference to signed contracts and variation orders. - Obtaining and reading the terms and conditions of significant contracts and comparing these to management's assessment of the contract forecasts. - Critically considering the terms and conditions of significant contracts and comparing these to management's assessment of the requirements in IFRS 15 relating to timing of revenue recognition; over time vs. point in time revenue recognition. - For financially significant contracts and any contracts with a reasonable possibility of being in a significant loss-making position, we applied professional skepticism and

and complex assessments of future events for which there may be limited or no external information available. The key judgements and estimates applied by management include their assessment of the stage of project completion as well as assessing the estimated future contract revenue and cost outcomes. Revenue and cost outcomes factored in management's forecasts include: - liquidated damages; and - expected cost to completion. Contract accounting estimates and timing of revenue recognition require significant attention during the audit and are subject to a high degree of auditor judgment. As such, revenue recognition is considered a key audit matter.	critically assessed the accounting estimates and judgments against the requirements of IFRS 15 - Evaluating management's process for assessing measurement of progress and the method applied. - Reading and discussing project reports with management and comparing current forecasts to historical outcomes where relevant. - Challenging management on the estimate of cost to complete and the risk assessment related to forecast cost. - Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to IFRS 15, revenue from construction contracts and service contracts.

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.

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 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.

KPMG

Nekkar ASA

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 and the going concern assumption 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.

Bergen, 29 April 2020
KPMG AS

Knut Olav Karlsen
State Authorised Public Accountant

STATEMENT ON COMPLIANCE

Today, the Board of Directors and the CEO has reviewed and approved the 2019 Annual Report which includers the Board of Directors' report and the consolidated and separate financial statements related to Nekkar ASA as of 31 December 2019.

This statement is based on reports, information and statements from the group's CEO, CFO and other administration, on the results of the group's relevant activities, and on other information which is essential to assess the position of the group and parent company.

To the best of our knowledge we confirm that;

- the Consolidated annual financial statements for 2019 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union, IFRSs as issued by IASB, and additional Norwegian disclosure requirements in the Norwegian Accounting Act
- the Board of Directors report gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the company and the group,
- the information presented in the financial statements gives fair view of the company's and the group's assets, liabilities, financial position and results for the period viewed in their entirety
- the Board of Directors report for the group and the parent company is in accordance with the Norwegian Accounting Act and relevant Norwegian Accounting Standards
- the separate financial statement for Nekkar ASA for 2019 has been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards

Bergen, 29 April 2020
The Board and Management of NekkarASA

Trym Skeie
Chair of the Board

Marit Solberg
Director

Gisle Rike
Director

Ingunn Svegården
Director

Toril Eidesvik
CEO

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