



A better future

ANNUAL REPORT 2020

Contributing towards **a better future** for coming generations is a shared responsibility that Nekar is proud to take.

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Key figures

Based on alternative performance measures ¹⁾	2020	2019	2018	2017
ORDERS AND RESULTS (MNOK)				
Order backlog	1 167	778	629	458
Order intake	701	396	388	351
Revenue	359	267	220	211
EBITDA	77	36	17	11
EBITDA margin %	21.5	13.5	7.7	5.0
BALANCE SHEET (MNOK)				
Total assets	558	416	2 416	2 328
Total equity	203	234	514	607
Equity ratio % (total equity/total assets)	36.5	56.1	21.3	26.1
SHARE (NOK)				
Share price 31 December	6.02	2.05	6.38	4.20
Basic earnings per share ²⁾	-0.33	2.06	-0.33	-0.39
EMPLOYEES				
No. of employees 31 December	54	50	38	38
Sick-leave rate %	1.6	0.7	2.8	3.5

1) As the IFRS regulations do not define order backlog/-intake/EBITDA the numbers 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 APMs are providing enhanced insight into the operations and prospects of the company. APMs 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, amortization and impairment" 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 the value of service orders (included in the order intake defined above).

WORKING CAPITAL:
Short term assets less bank deposits and cash in hand, less current liabilities adjusted for short term financial debt.

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 Accenture and as a structural design engineer in Hydralift. 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 Svegård
Director of the Board

Ingunn Svegård (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). Svegård has held several senior positions within the Equinor group, as well as several non-executive director roles in start-ups and funds.

Svegård 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.

The Board of Directors' Report

Operational highlights 2020

- Operational EBITDA¹ of MNOK 71 compared to MNOK 51 in 2019, close to 40% increase
- Order intake of NOK 701 million in 2020, up 90% compared to 2019
- Record high order backlog of NOK 1,167 million at year-end
- Started preparations for ocean testing of “Starfish” closed fish cage at Hidra outside Flekkefjord, Norway
- Completed pre-study of new technology for wind turbine installation
- Preben Liltved appointed interim CEO as of 1 October 2020

Strategy and organisational development

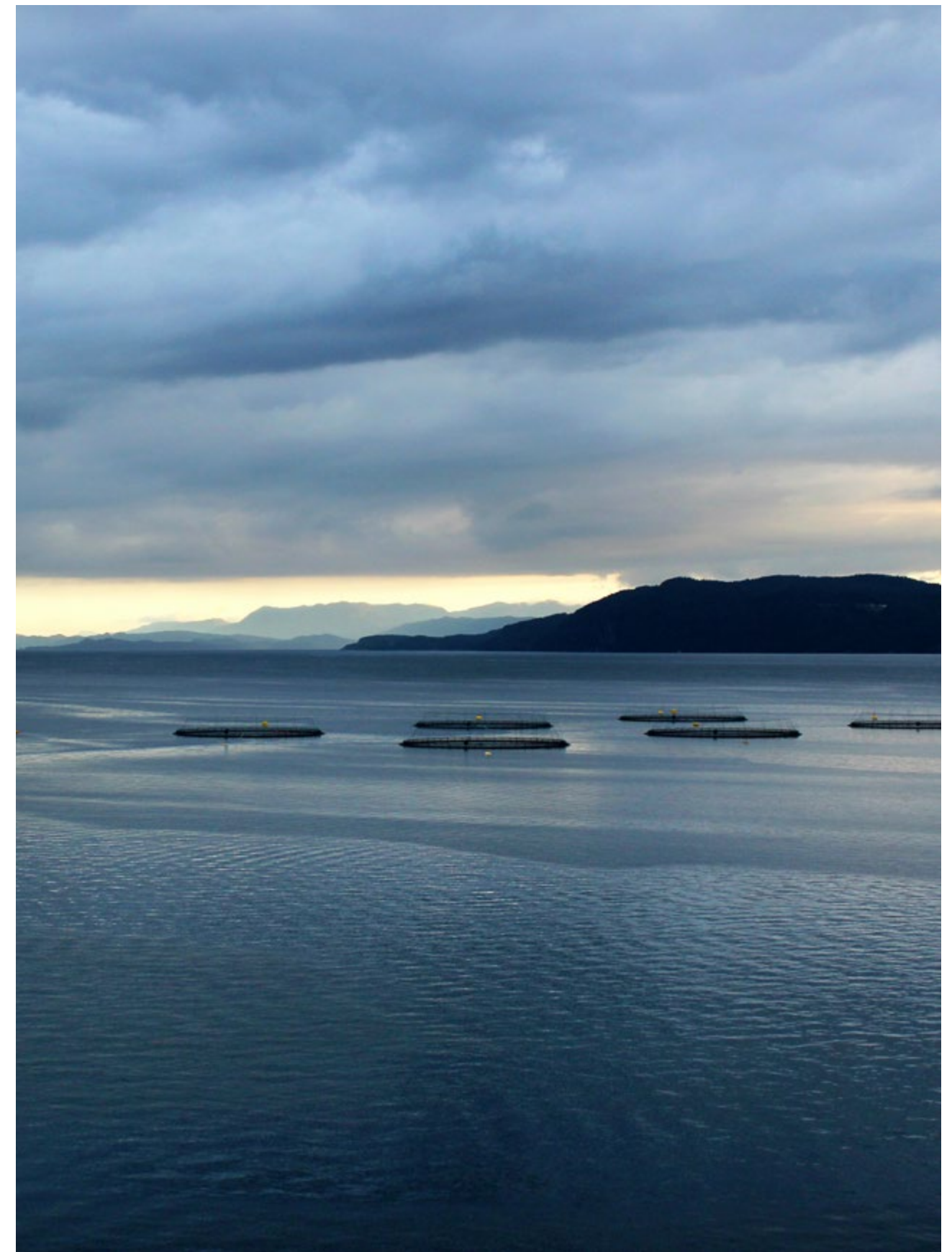
Following the MacGregor/Cargotec transaction in 2019, Nekkar set a new strategic direction in 2020: Develop disruptive technologies to make high-growth industry sectors even more sustainable by utilising the world-class electrification, digitalisation and automation heritage from “The Drilling Industry Cluster” in Kristiansand.

Today, Nekkar is an industrial technology group offering impact technologies combined with high-end software and automation solutions. Nekkar combines 50 years' heritage from the world's number one shiplift company, Syncrolift, with new investments into sustainable, digitalised technology businesses that aim to unlock future growth within large ocean-based industries such as offshore energy and renewables and aquaculture.

The foundation of Nekkar's business is world-class mechanical engineering, electrification, automation, and digitalisation. Nekkar aims to apply this world-class competence as levers to develop disruptive technologies that can make high-growth industry sectors, such as aquaculture and renewable energy, even more sustainable, productive, and profitable.

Further, the unique combination of disruptive technologies, automation sensor legacy, agile digitalisation skills and open software platform approach will be building blocks for future SaaS (Software as a service) offerings from Nekkar.

1) EBITDA is short for “earnings before interest, taxes, depreciation, amortization and impairment”. Operational EBITDA also excludes gains or losses from FX hedging contracts measured at fair value through profit and loss.



BUSINESS OVERVIEW

Nekkar ASA is the holding company in the Nekkar Group, which is headquartered in Kristiansand, 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
- Aquaculture
- Renewables
- Digital solutions

While Shipyard solutions, Aquaculture and Renewables are business areas that operate relatively independent of each other, the Digital solutions business area utilises its unique competence to support the three other business areas. The purpose is to enable digital business models to capitalise on disruptive hard-tech design to unlock a revenue potential and drive business value from SaaS revenue.

Shipyard solutions

Shipyard Solutions, i.e. Syncrolift, with its main office in Vestby, Norway, is expected to be Nekkar's main revenue and cash-generating business near term. Syncrolift has local presence in important markets through subsidiaries in the US and in Singapore and a sales/service office in Dubai.

Syncrolift is the global market leader for shiplifts and transfer systems offered to repair and newbuilding yards. They deliver 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. In addition, they deliver FastDocking™ products for efficient operations during docking and maintenance of vessels. As the global market leader, Syncrolift has started to focus more on the service and upgrade capabilities related to the company's installed base.

Aquaculture

Within the Aquaculture business area, Nekkar is currently testing and developing game-changing technologies with high sustainability impact on the aquaculture industry. Nekkar's "Starfish" is a fully



automated, closed cage solution that has double protection against escapes, avoids problems with salmon lice due to water intake from deep waters below the cage, and can collect up to 90 percent of biological waste. It is a solution that could reduce OPEX levels dramatically for the fish farming industry, while simultaneously improve fish welfare. Ocean testing of the pilot version of Starfish started in March 2021.

Renewables

Nekkar is within this business area testing and developing game-changing technologies with high sustainability impact, on the offshore wind industry. Again, Nekkar's competence within electrification, automation and digitalisation is being utilised to develop a fully automated and remote-controlled installation technology for wind turbines that could be applied both onshore and offshore.

Digital solutions

This business area is a competence hub that serves the other business areas in Nekkar along with customers outside the group. The business area possesses unique competence within engineering, electrification, digitalisation and automation. Intellilift AS, where Nekkar acquired a majority share (51%) in 2019, is the driving force behind the Digital solutions business area which aims to develop open software platforms for collection, monitoring and control of data for the numerous industries. Collecting data from numerous different sensors, will improve the real time operation as well as enable remote operation and robotization. The business model will be threefold – project based, perpetual upfront software licenses and software as service licenses, depending on customer preferences.

PEOPLE AND ORGANIZATION

The different business units are managed by the following executives:

- **Shipyard Solutions:** Rolf-Atle Tomassen
- **Aquaculture:** Mette Harv
- **Renewables:** Mette Harv
- **Digital solutions:** Stig Trydal

Preben Liltved was appointed interim CEO of Nekkar ASA with effect from 1 October 2020.

EMPLOYEES

The total number of employees in the Nekkar Group were 54 at year end 2020, compared to 50 in the previous year. For Nekkar ASA similar number of employees were 13 and 12, respectively.

KEY FIGURES, NEKKAR GROUP

MNOK	2020	2019
Revenue	359	267
Reported EBITDA	77	36
Operational EBITDA	71	51
EBIT	75	33
EBITDA %	21.5%	13.4%
Operational EBITDA %	19.9%	19.1%
Order intake	701	396
Order backlog	1 167	778
EPS (NOK) ¹	0.65	0.45

1) Continued business

Financial performance

FINANCIAL HIGHLIGHTS

- Nekkar Group’s revenue was NOK 359.5 million, an increase of 35% compared to 2019 (NOK 266.6 million).
- Nekkar Group’s operational EBITDA of NOK 71 million, equivalent to an EBITDA-margin of 19.9 percent, versus NOK 51 million and 19.1 percent in 2019.
- Reported EBITDA was NOK 77.4 million in 2020, more than doubling the reported EBITDA in 2019 (36.1).
- Operating profit ended at NOK 74.6 million in 2020, a significant increase from NOK 33.1 million in 2019.
- Order backlog was record high at NOK 1 167 million (778) per 31 December 2020.

PROFIT AND LOSS

Revenues for the Nekkar Group was NOK 359.5 million in 2020, an increase of 35% compared to 2019 (NOK 266.6 million). Reported EBITDA was NOK 77.4 million in 2020, up from NOK 36.1 million in 2019. Operational EBITDA was NOK 71 million in 2020 compared to NOK 51 million in 2019, equivalent to an EBITDA-margins of 19.9% and 19.1% respectively.

Operating profit (EBIT) is more than doubled and ended at NOK 74.6 million in 2020, an increase from NOK 33.1 million in 2019.

Pre-tax profit was NOK 71.7 million in 2020, up from NOK 33.1 million the previous year. Profit after tax (continued business) was NOK 70.8 million and NOK 49.0 million for 2020 and 2019 respectively.

The substantially improved profit was a result of strong operating and financial performance in the shipyard solutions business.

Including discontinued business, net result for 2020 was NOK -33.0 million, compared to a positive net result of NOK 197.1 million in 2019. The negative net result for 2020 includes a loss from discontinued business of NOK 103.7 million in the second half of the year which includes the global settlement of NOK 94 million in the Cargotec / MacGregor arbitration along with other transaction related expenses. The settlement amount was paid in January 2021.

Order intake in 2020 was NOK 701 million compared to NOK 396 million in 2019. Hence, up 90% compared to 2019. As a result, Nekkar’s order backlog was record high at NOK 1 167 million (778) per 31 December 2020.



“Shipyard Solutions generated revenues of NOK 343 million in 2020 compared to NOK 250 million in 2019.”

Nekkar ASA

Revenue generated in Nekkar ASA in 2020 was NOK 5.9 million compared to NOK 18.8 million in 2019. The operating profit was negative with NOK 16.9 million compared to NOK 11.9 million in 2019. Profit/(loss-) before tax for 2020 was NOK -54.2 million, versus NOK 42.0 million in 2019. The settlement of the Cargotec / MacGregor arbitration is the main reason for the significant loss in 2020.

Shipyard solutions

Shipyard Solutions generated revenues of NOK 342.9 million in 2020 compared to NOK 250.1 million in 2019. Reported EBITDA was NOK 88.2 million in 2020, a significant increase from NOK 54.0 million in 2019. The improved performance is a result of strong operating and financial performance in the shipyard solutions business. The 2020 figures are positively impacted by gains on FX hedging contracts of NOK 6.0 million compared to a loss of NOK 15.2 million in 2019. Shipyard solutions recognized an all-time high order backlog of MNOK 1,167 at the end of 2020 (778).

Digital solutions

Intellilift delivered external revenues of NOK 15 million in 2020, up from NOK 13 million the previous year. The reported EBITDA was NOK 5 million in 2020 versus NOK 3 million in 2019. Note that these figures do not include revenues from other business areas in Nekkar, which generated approximately 50% of Digital solutions’ total revenues in 2020.

Aquaculture and Renewables

Both of these business areas are in its development phase and therefore had low impact on Nekkar’s revenue and operating results in 2020. In January 2020, Nekkar was awarded a grant under Innovation Norway’s Environmental Technology program of NOK 10 million to develop, pilot and test a closed cage for fish farming.

In March 2021, Nekkar was awarded a grant of NOK 21 million from Innovation Norway to progress with the development of a disruptive installation technology that could significantly reduce the cost and environmental footprint associated with wind turbine installations.

Nekkar will continue to apply for public funding to help finance the technology development towards innovative and sustainable solutions that are designed to disrupt its target industry sectors.

See [Note 1](#) for further details on the operating segments.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets at the end of 2020 were NOK 558.1 million, compared to NOK 416.0 million in 2019.

The net working capital (ref. definition of APMs) was negative with NOK 155.2 million, excl. the provision for the arbitration settlement, compared to negative NOK 102 million at the end of 2019. The group's business practice affects cash balances substantially from time to time through variable levels of progress on projects versus prepayments received from customers.

Nekkar Group has no credit facilities as of 31 December 2020, however, guarantee and currency facilities are established with Nordea and DNB.

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 using hedge accounting for FX contracts that qualify for hedge accounting, while the remaining FX contracts are measured at fair value through profit and loss. For additional information, please refer to the Accounting principles, section 2.9.

The consolidated 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 2020. The Board of Directors is not aware of any unreported events occurring subsequent to the balance sheet date of 31 December 2020, which may be material to the Nekkar Group or to the annual accounts of 2020. As stated elsewhere in this report, the Board of Directors is not able to fully understand all effects, 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 24](#) Subsequent events, for further information.

SHARE CAPITAL

At the end of 2020, Nekkar ASA had a share capital of NOK 11,695,984 divided into 106,327,129 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 NOK 133.9 million in 2020, compared to NOK 58.3 million in 2019. The increase in 2020 is driven by significant milestone payments received from the customers in the Shipyard Solutions segment.

Consolidated cash flow from investment activities was NOK -26.0 million in 2020, including net capitalised expenses of NOK 11 million related to ongoing R&D investments. In 2019, the net cash flow from investing activities was NOK 472.6 million, significantly affected by the completion of the MacGregor/ Cargotec transaction.

In 2020, net cash flow from financing activities on the consolidated level was NOK -0.9 million, compared to NOK -619.3 million in 2019. The 2020 figure includes issuance of share capital in relation to employee share programme, while the 2019 figure includes cash distributed to shareholders of NOK 422.5 million and repayment of the company's outstanding financial debt of NOK 198.4 million.

Nekkar had a net cash position of NOK 367.8 million at year-end 2020, of which NOK 10 million is held as a deposit for FX-derivative exposures in DNB. Nekkar's net cash position at year-end 2019 was NOK 261 million.

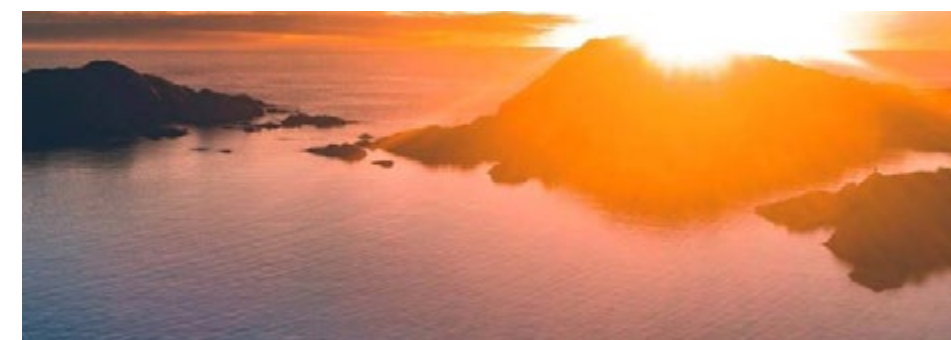
In 2020, the parent company's net cash flow from operating activities was negative with NOK 16.4 million (2019: MNOK -34.6), net cash flow from investments NOK -8.4 million (2019: MNOK 496.9), and net cash flow from financing was positive with NOK 123.3 (2019: MNOK -254.4).

The company or group had no net interest-bearing debt as of 31 December 2020.

RESEARCH AND DEVELOPMENT

The research and development ("R&D") activities of Nekkar are closely linked to our strategy to develop disruptive technologies that offer high sustainability impact for ocean-based industries. Our R&D initiatives have shown good progress during 2020, and in the beginning of 2021. The highlight are:

- Successfully commenced ocean testing of Starfish, a highly innovative closed fish cage solution that is designed to reduce environmental



“Nekkar’s order backlog at the end of 2020 was NOK 1,167 million, up from NOK 778 million at year-end 2019.”

impact and operating expenditures for the fish farmers. Starfish has double protection against escapes, avoids problems with salmon lice due to water intake from deep waters, and collects up to 90 percent of biological waste.

- Completed pre-study of our new wind turbine installation technology, SkyWalker. On 7 April 2021, Nekkar was awarded a NOK 21 million grant from Innovation Norway to progress with the development.
- Within our Digital solutions area, development of our digital platform and remote control systems continued.

In 2020, gross capitalized development costs amounted to NOK 16 million, of which NOK 9.5 million is related to the development of Starfish and NOK 6.5 million on product development within the Digital Solutions segment.

Public grants from Innovation Norway and SkatteFUNN is treated as a reduction of capitalized development costs. This amounted to NOK 5 million in 2020, hence net capitalized development costs were NOK 11 million. In 2019, net capitalized development costs were NOK 5.8 million. In addition, NOK 5.2 million were capitalized as part of the Intellilift acquisition 1 April 2019.

Gross capitalized development costs in Nekkar ASA were NOK 9.5 million in 2020 and public grants amounted to NOK 3.2 million, hence the net capitalized amount was NOK 6.3 million. In 2019, the capitalized amount was NOK 3.3 million.

As per 31 December 2020, capitalized development costs in the consolidated balance sheet amounted to NOK 18.9 million. In Nekkar ASA, capitalized

development costs were NOK 9.5 million as of 31 December 2020.

Nekkar's R&D investments is expected to increase in 2021 with the continuing development of Starfish, SkyWalker and our products within the Digital solutions segment.

Cost from other development activities related to customer specific projects, may in some cases be charged to the profit and loss as an operating expense.

ORDER BACKLOG

Nekkar's order backlog at the end of 2020 was NOK 1,167 million, up from NOK 778 million at year-end 2019. This backlog represents an all-time high and is mainly related to newbuilding projects in the Shipyard solutions business.

GOING CONCERN

As of 31 December 2020, the equity ratio at consolidated level was 36.5%. There was no interest-bearing debt on neither consolidated nor Nekkar ASA level at year-end 2020.

The financial objective of the group is to have sufficient cash reserves or credit lines available to finance operations and investments on an ongoing basis. The group's cash position combined with guarantee and currency facilities 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

The 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 increase in importance and size, the group will be exposed in other market segments as well. 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 MacGregor / Cargotec transaction. The activity in the market is depending on the construction and upgrade of navy bases and 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 ongoing corona pandemic may result in project delays and a reduction in short- to medium-term order intake.

At the beginning of 2021, Syncrolift AS has secured a solid order backlog for its 2021 new building business but is also positioned for accumulative success in acquiring recurring service business. Scheduled deliveries for the current project portfolio extend into 2024.

Offshore energy, renewables and aquaculture, which represents the group's new investments, are early phase product development projects. For these business areas the risk factors mainly relate to commercialization. Digital solutions (Intellilift) has proven commercialized technology and the products have been sold to both oil-gas related business and wind industry. However, a potential long-lasting downturn in the oil-gas market may impact the market outlook for some of these products.

FINANCIAL RISKS (SHORT TERM FINANCING)

The 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 have historically resulted in only modest losses on payments from customers, however a bad debt provision of NOK 13 million is included in the 2020 figures due to uncertainty for payment in one project

With the understanding that substantial credit risks can be present, 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 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 prepares, on 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 the option to finance activities through either equity or debt or a combination.

In order to manage currency risks, Nekkar's policy is to hedge significant currency exposures within a 24-month period. The hedging is performed based on firm contracts for sale or purchase in currencies other than the functional currency of the Nekkar unit entering into the hedging contract. Hedge accounting is applied for the hedging contracts that qualify as hedging of firm commitments in accordance with IFRS 9. Hedging contracts not qualifying for hedge accounting are measured at fair value through profit and loss.

If for some reason customer 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 ongoing 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 an 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 situation related to the coronavirus has clearly shown that there are business exposures to events that are totally outside of the normal control or planning for any management or Board of Directors. Nekkar has reviewed the ongoing situation and concluded that the risk has increased, however, the Board of Directors is of the opinion that the group is well positioned to avoid serious harm.

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

PANDEMIC RISK

During 2020 and into 2021, the spread of Covid-19 continues to cause global disruption, with negative consequences both for human health, business and the global economy in general. The effects of Covid-19 on Nekkar's business in 2021 are difficult to predict, however, the current, or future, pandemics may impact Nekkar in the following manner:

- Personnel may not be able to perform their work due to illness, quarantines, travel restrictions and social distancing
- Manufacturing sites, service bases or office buildings may be shut down
- Supplies from suppliers and deliveries to clients may be delayed
- Available future market could decrease as clients reduce CAPEX expenditure



“Nekkar is dedicated to conducting our activities in an ethical and responsible way.”

Corporate social responsibility

Nekkar is part of a global 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 activities in an ethical and responsible way; aiming at sustainable development for employees, customers, investors, and the communities in which we operate. 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 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 second ESG report this year. The report is based on the Euronext guidance on ESG reporting. The ESG report can be found in this annual report and on Nekkar's website.

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 describes Nekkar's 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.

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 always 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 the 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 QHSE policy at corporate level, and common QHSE reporting procedures are applied.

The group also welcomes a general, global tendency towards more stringent QHSE 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's QHSE performance.

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 2020.

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 1.6% in 2020

(0.7% in 2019). Nekkar experienced zero workplace incidents resulting in the need for medical treatment in 2020 (nil in 2019).

Nekkar 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.

Environment

Nekkar 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.

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

Equal opportunities

Nekkar promotes a working environment that offers equal rights, equal treatment and equal opportunities to everyone regardless of gender, religion, disabilities 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's 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 17% of the workforce in 2020 (2019: 18%). 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.

One out of the corporate management team's three members is female. The Board of Directors of 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 Svegård.

At the Annual General Meeting held 27 May 2020 Trym Skeie and Gisle Rike was re-elected for a period of two years. Marit Solberg and Ingunn Svegård were not up for re-election.

Auditors

KPMG is the elected auditors for Nekkar ASA.

Board statement on corporate 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's total equity at the end of 2020 was NOK 203.5 million, of which NOK 185.6 million was attributable to the majority, and NOK 17.9 million was attributable to the non-controlling interests. The equity to total assets ratio was 36.5% in 2020 compared to 56.1% for the comparable continued business previous year.

At the end of 2020, the equity in Nekkar ASA was NOK 198.0 million, of which NOK 2.7 million was share premium capital, NOK 11.7 million share capital and NOK 183.6 million other equity. Comparable figures from year end 2019 were NOK 249.4 million, NOK 0 million, NOK 11.6 million and NOK 237.7 million respectively.

Outlook

For Shipyard Solutions, the order intake in 2020 has been significantly higher than 2019. The market situation is promising, however, we do not expect the order intake of 2021 to be at the same level as 2020. There are opportunities out there, but typically smaller projects than what we secured in 2020. The ongoing Covid pandemic is also having an impact where we have experienced delays in the decision process for some of our sale prospects. The current order backlog will secure high activity in 2021 where the focus is on effective project execution and deliveries, which in turn will secure revenue growth and healthy margins.

During 2020 Syncrolift strengthened the aftersales and service part our organisation and implemented a 5-year plan to grow our service business with focus on the installed base of Syncrolift products. The aging of our installed base gives us a solid foundation for both upgrades and complete change of existing systems. We are positioned with service offices in strategic locations and are working proactively towards our customers to gradually increase our market share in the years to come. In addition to our offices in USA and Singapore, Syncrolift has established an office in Dubai to get a better foothold in the Middle- East market.



“In 2021 Nekkar will carry out comprehensive testing of our fully digital closed fish cage, Starfish.”

By having high focus on local customer's needs, Syncrolift's strategy is to generate more long-term service and inspection contracts, and to generate a more predictable long term revenue flow.

Intellilift has during 2020 secured and successfully delivered the two first Syncrolift systems for a new-build project and an upgrade project. Intellilift will have an important role in developing Syncrolift's digital platform, and the company is well positioned for further growth in different sectors going forward. With a developed digital platform based on their own IP, Intellilift offers solutions for both Renewables, Aquaculture, and their traditional market within the offshore energy industry.

In 2021 Nekkar will carry out comprehensive testing of our fully digital closed fish cage, Starfish. Testing will start in Hidra (Agder) during March 2021 and continue during the summer. The project is progressing as planned and we see great interest in the market both from potential customers, but also from a political and sustainability point of view. The aquaculture industry is facing pressure to develop new technology to ensure growth and an even more sustainable and environmentally friendly way of doing fish farming in the future. We strongly believe that Starfish will contribute to this process. Starfish

is also manufactured in a recyclable material that will contribute towards a move to a more circular economy.

Our development project targeting the renewable market, and more specifically, technology related to installation and service within the wind market, are at an early stage. After successfully completing our pre-study in 2020, we started the main development project early 2021. All of Nekkar's development projects are very customer oriented and are developed closely together with end-customers in order to ensure a market demand.

Although the business outlook for Nekkar looks positive, it is difficult to predict short, medium, and long-term effects on all business areas from the ongoing corona pandemic. The company has reassessed its operational and financial position with regard to short to the medium term business outlook. So far, the assessment is that, although Nekkar might be affected, the company is in a sound economic and operational position to handle the situation. The overall risk has however increased, especially in relation to possible project delays, and effects from currency fluctuations imposed by potential delays. Nekkar monitors the situation closely and will take all necessary measures required to minimize the potential negative impact on our employees, operations, and financial result.

Kristiansand, 28 April 2021
Board of Directors, Nekkar ASA

Trym Skeie
Chairman

Gisle Rike
Director

Marit Solberg
Director

Ingunn Svegård
Director

Preben Liltved
Interim CEO

Corporate Governance

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

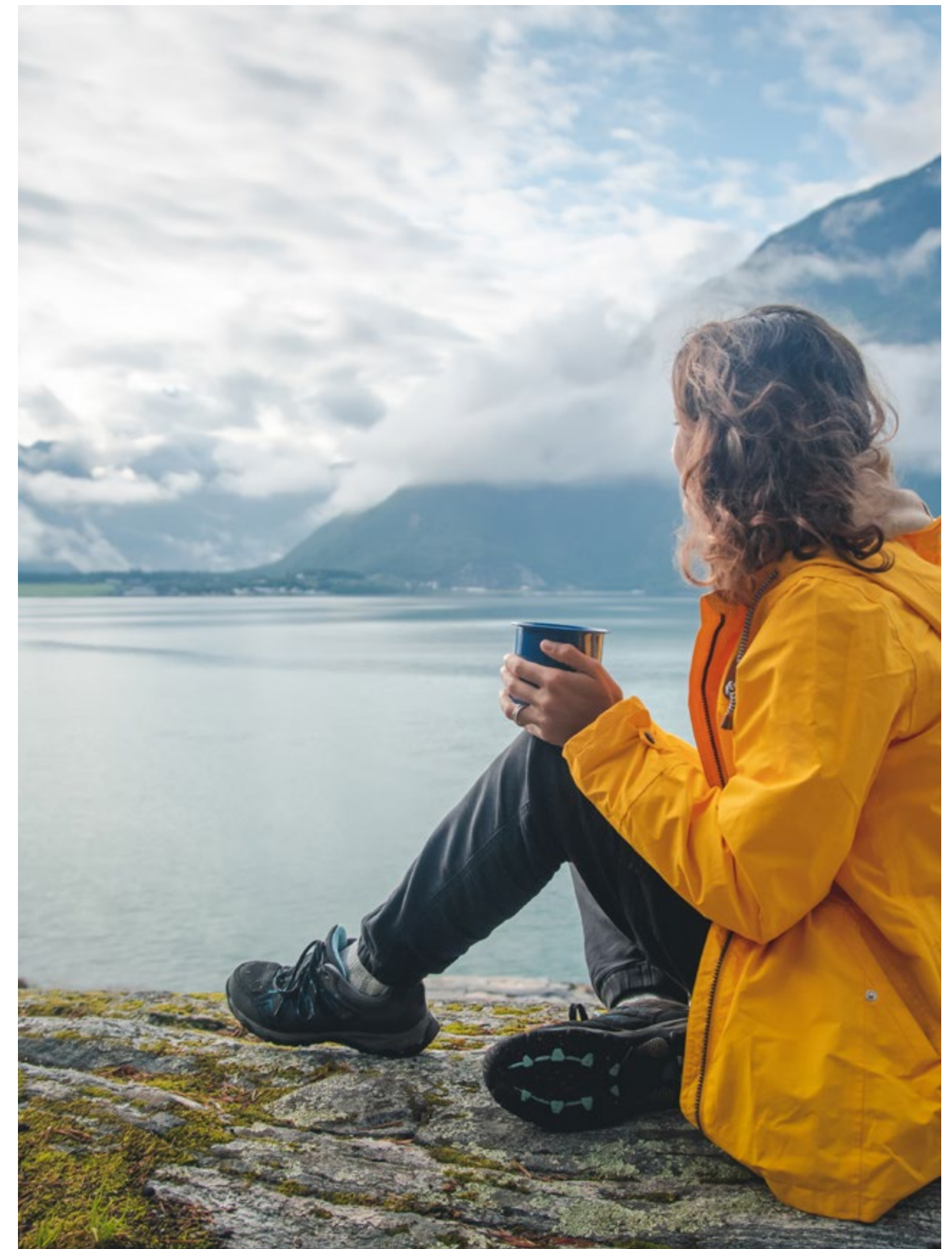
Compliance with generally accepted corporate governance guidelines is important because it contributes to:

- 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, organisation and management structures comply with good corporate governance principles.

Nekkar ASA (“Nekkar” or the “Company”) seeks to comply with the Norwegian Code of Practice for Corporate Governance (the “Corporate Governance Code”), last revised on 17 October 2018, which is available at the Norwegian Corporate Governance Committee’s website www.nues.no. The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the board of directors and executive management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

The following statement explains how Nekkar has addressed the 15 governance issues covered by the Code.



1. Implementation and reporting on corporate governance

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.

According to Nekkar’s own evaluation, the company deviates from the Corporate Governance Code on the following point:

- Item 14: Due to the unpredictable nature of a takeover situation, the Company has decided not to implement detailed guidelines on takeover situations. In the event of a takeover, the board of directors will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

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

2. Business

Nekkar (OSE: NKR) is an industrial technology group offering impact technologies combined with high-end software solutions. The group combines 50 years’ heritage from the world’s number one shiplift company, Syncrolift, with new investments into sustainable, digitalised technology businesses that aim to unlock growth within ocean-based industries such as offshore energy, renewables and aquaculture.

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 and related matters such as direct and indirect investments in companies carrying out industrial activity, as well as active ownership of the different companies.

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.

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

The company’s solidity is continuously assessed based on the company’s goals, strategies and risk profile. Total assets at the end of 2020 were NOK 558.1 million, and the company’s equity was NOK 203.5 million and hence the equity-to-assets ratio was 36.5 percent.

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.

The General Meeting has given the Board authorisations to increase the Company’s share capital. This may be used in connection with acquisitions of business or assets within the same or corresponding sectors as the Company, and in connection with issuing shares to leading employees of the Company. The General Meeting has also granted the Board authority to buy own shares for deletion or to use them as part of remuneration of leading employees. All these authorisations, except one, expire at the annual general meeting of the Company in 2021, and 30 June 2021 at the latest.

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 under the ticker symbol NKR. Each share carries one vote at the General Meeting.

In situations where normal preferential rights shall be deviated from, the Company’s Board is proposed to prepare grounds for such a decision in accordance with the Norwegian Code of Practice for Corporate Governance and shall present these to the General Meeting.

Own shares are purchased through ordinary trade on the Oslo Stock Exchange if applicable. On 28 April 2021, 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 the Code.

5. Share and negotiability

All Nekkar shares carry equal rights and are freely negotiable and the Company’s articles of association do not contain any form of restriction on negotiability.

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 2021 is scheduled on 27 May 2021.

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

- Adoption of income statement and balance sheet.
- Application of profit or coverage of deficit pursuant to the adopted income statement and balance sheet as well as distribution of dividends.
- Election of board of directors. The general meeting shall elect the chairman of the board and the vice-chairperson of the board.
- Other issues that pursuant to the provisions of the Norwegian laws and Articles of association are to be treated by the General Meeting.

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 one day 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 Leif Haukom and Anne-Grete Ellingsen. 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.

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.

In accordance with the General Meeting on 27 May 2020, the shareholders elected the following members to the Board:

NAME	ELECTION PERIOD	POSITION
Trym Skeie	2020 – 2022	Chairperson
Marit Solberg	2019 – 2021	Vice chairperson
Gisle Rike	2020 – 2022	Director
Ingunn Svegård	2019 – 2021	Director

Nekkar strive to ensure that the Board has a composition necessary to safeguard the interest of the shareholders. The Board considers 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.

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 Svegård are independent of the major shareholders and executive management. The Board does not include executive management.

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 and vice-chairperson of the Board should be elected by the GM. This is also stated in the company's Articles of Association.

Both Trym Skeie and Marit Solberg own shares in Nekkar. None of the Board members hold share options.

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.

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.

At present, the Board does not have a remuneration 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.

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 the 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 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.

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.

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 at 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 financial statements

NEKKAR PER 31 DECEMBER 2020

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Consolidated statement of comprehensive income

For the year ended 31 December

Amounts in NOK 1000	Notes	2020	2019
CONTINUED OPERATIONS			
OPERATING REVENUE			
Project revenue	2	359 467	266 614
Total revenue		359 467	266 614
OPERATING EXPENSES			
Cost of goods sold		198 368	144 952
Personnel costs	4, 5	57 966	52 338
Losses on accounts receivable	9	13 041	-
Other operating expenses	4, 14	18 710	18 041
Depreciation and amortisation	6, 7	2 746	3 026
Other losses / (gains)	16	-5 990	15 182
Total Operating Expenses		284 840	233 540
Operating profit / (loss)		74 626	33 074
FINANCIAL INCOME AND EXPENSES			
Financial income	18	2 357	12 107
Financial expense	18	5 267	12 080
Net Finance		-2 909	27
Profit / (loss) before tax		71 717	33 102
Income tax expenses / (- income)	13	896	-15 874
Profit/ (loss) from continued operations		70 821	48 976
DISCONTINUED OPERATIONS			
Profit / (loss) after tax for the period from discontinued operation	22	-103 718	148 116
Profit / (loss) for the period		-32 897	197 091
Attributable to equity holders of the company		-34 726	195 833
Attributable to non-controlling interests	21	1 829	1 259
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency differences for foreign operations		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		-32 897	197 091
Attributable to equity holders of the company		-34 726	195 833
Attributable to non-controlling interests		1 829	1 259
Earnings per share (NOK)	12	-0.33	2.06
Diluted earnings per share (NOK)	12	-0.33	1.90
Earnings per share - Continued operations (NOK)	12	0.65	0.50
Diluted earnings per share - Continued operations (NOK)	12	0.65	0.45

Consolidated statement of financial position

For the year ended 31 December

Amounts in NOK 1000	Notes	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Deferred tax assets	13	34 204	35 367
Goodwill	7	16 643	16 643
Other intangible assets	7	26 840	16 633
Property, plant and equipment	6	6 224	6 528
Right-of-use assets	6	6 076	584
Total non-current assets		89 987	75 754
CURRENT ASSETS			
Inventories	3, 10	5 412	6 885
Trade receivables	2, 9, 10	36 643	38 260
Other receivables	9, 10, 16	9 174	14 840
Accrued, non-invoiced production	2, 10	22 382	12 371
Derivative financial instruments	16	26 636	6 982
Bank deposits, cash in hand, etc.	10	367 850	260 948
Total current assets		468 097	340 286
Total assets		558 084	416 041

Consolidated statement of financial position

For the year ended 31 December

Amounts in NOK 1000	Notes	2020	2019
EQUITY AND LIABILITIES			
EQUITY			
Issued share capital	11	11 696	11 618
Treasury shares	11	-1	-1
Share premium	11	2 751	-
Other equity	11	171 152	205 878
Shareholders equity		185 598	217 495
Non-controlling interests	21	17 879	16 050
Total equity		203 477	233 545
NON-CURRENT LIABILITIES			
Deferred tax	13	599	675
Lease liabilities	6	4 550	-
Total non-current liabilities		5 149	675
CURRENT LIABILITIES			
Trade payables		24 616	14 005
Social Security and Employee taxes		5 092	3 740
Prepayments from customers	2	187 469	109 293
Derivative financial instruments	16	4 278	17 172
Current lease liabilities	6	950	600
Other current liabilities	17, 22	127 053	36 438
Total current liabilities		349 458	181 821
Total liabilities		354 607	182 496
Total equity and liabilities		558 084	416 041

Kristiansand, 28 April 2021
Board of Directors, Nekkarr



Trym Skeie
Chairman



Gisle Rike
Director



Marit Solberg
Director



Ingunn Svegård
Director



Preben Liltved
Interim CEO

Consolidated statement of changes in equity

For the year ended 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 1.1.2019		9 581	-1	151 724	196 399	357 703	156 528	514 230
Profit /(loss) for the period		-	-	-	195 833	195 833	1 259	197 091
Total comprehensive income		-	-	-	195 833	195 833	1 259	197 091
New Shares Issued	11	2 038	-	89 068	-	91 106	-	91 106
Acquisitions new subsidiaries	11, 21	-	-	-	-	-	14 699	14 699
Repayment of issued equity	11	-	-	-240 792	-181 658	-422 450	-	-422 450
Divestment of Non-Controlling Interests		-	-	-	-	-	-156 436	-156 436
Equity as of 31.12.2019		11 619	-1	-	205 878	217 495	16 050	233 544
Equity as of 1.1.2020		11 619	-1	-	205 878	217 495	16 050	233 544
Profit /(loss) for the period		-	-	-	-34 726	-34 726	1 829	-32 897
Total comprehensive income		-	-	-	-34 726	-34 726	1 829	-32 897
New Shares Issued	11	78	-	2 751	-	2 829	-	2 829
Acquisitions new subsidiaries	11, 20	-	-	-	-	-	-	-
Repayment of issued equity	11	-	-	-	-	-	-	-
Divestment of Non-Controlling Interests		-	-	-	-	-	-	-
Equity as of 31.12.2020		11 697	(1)	2 751	171 152	185 599	17 879	203 477

Consolidated statement of cash flows

For the year ended 31 December

Amounts in NOK 1000	Notes	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss) before tax		71 717	33 102
Adjustments for:			
Depreciation / impairment	6, 7	2 746	3 026
Interest expense	18	78	3 457
Interest income	18	-1 509	-7 259
Other Financial Items	18	4 341	3 775
Income tax paid	13	-245	-189
Changes in:			
Inventories	3	-4 580	-6 289
Trade receivables	9	1 616	37 004
Trade payables		10 611	4 290
Other receivables and other payables		49 090	-12 431
Net cash flow from operating activities		133 866	58 250
CASH FLOW FROM INVESTMENT ACTIVITIES			
Acquisition of Subsidiary - net of Cash acquired		-	-8 354
Acquisition and expenditures of fixed/intangible assets	6, 7	-12 083	-13 311
Cash distribution from divested companies		-	-59 346
Disposal of discontinued operation	22	-13 964	-
Proceeds from sale of investments	22	-	553 562
Net cash flow from investment activities		-26 046	472 551
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		2 829	2 092
Dividends paid		-	-422 450
Disbursement on short-term/ long-term debt		-	-198 375
Payment of lease liabilities		-837	-592
Interest received	18	1 509	7 259
Interest paid	18	-78	-3 457
Other Financial items	18	-4 341	-3 775
Net cash flow from financing activities		-918	-619 298
Net change in cash and cash equivalents		106 902	-88 498
Cash and cash equivalents at the start of the period		260 948	349 445
Cash and cash equivalents at the end of the period		367 849	260 948
Cash flow attributable to non-controlling interests		-389	482

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 Andøyfaret 31 in Kristiansand, Norway.

As per 31 December 2020 Nekkar holds subsidiaries in Norway, USA and Singapore.

Today, Nekkar is an industrial technology group offering impact technologies combined with high-end software solutions. The group combines 50 years’ heritage from the world’s number one shiplift company, Syncrolift, with new investments into sustainable, digitalised technology businesses that aim to unlock growth within ocean-based industries such as offshore energy, renewables and aquaculture.

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](#).

1.2 BASIS OF PREPARATION

Nekkar’s consolidated financial statements 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 2021 have not been applied in preparing these consolidated financial statements.

The consolidated financial statements of the group for the year ended 31 December 2020 were approved by the Board of Directors on 28 April 2021.

The consolidated financial statements have been prepared on the basis of historic cost, however financial derivatives are measured at fair value.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances. 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

No changes in IFRS effective for the 2020 financial statements are relevant this financial year.

b) Current versus non-current classification

The group presents assets and liabilities in the consolidated statement of financial position as either current or non-current. An asset is classified as 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 is cash or cash equivalent. All other assets are classified as non-current.

A liability is classified as 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.

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. Non-controlling interests is presented separately as equity in the group’s consolidated statement of financial position.

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 sale of the marine and offshore businesses of TTS in 2019, the segment reporting in the group is limited to the Shipyard Solutions segment (SYS) and Digital.

group support functions from the parent company, Aquaculture and Renewables are presented as “Other”. Refer to [Note 1](#) for further details.

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 the functional and presentation currency of the parent company, and the presentation currency of 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.

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 (15 to 20 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). Public grants related to capitalized R&D projects, is recognized as a reduction of capitalized costs.

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 is exposed to fluctuations in foreign exchange rate which may affect the operating results. The group utilizes hedging of contractual income and cost in a foreign currency.

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 initial 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 depreciation 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. 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.

For 2020, the incremental borrowing rate is assessed to be 3,49% which is used in the calculation of right-of-use assets and the corresponding lease liability.

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

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

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 driver 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 2020, Nekkar has only defined contribution plans.

2.16 REVENUE RECOGNITION

IFRS 15 Revenue from contracts with customers was adopted on 1 January 2018. The 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. Recognized 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 obligation. 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, 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 a good 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
Shipyards solutions		
Construction contracts (Engineer-to-order)	<p>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.</p> <p>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.</p>	<p>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).</p> <p>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.</p> <p>Measure of progress is based on cost incurred relative to the total expected cost to satisfy the performance obligation.</p>
Construction contracts (Engineer-to-order)	<p>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 turnkey systems for shipyards around the world. The projects are highly specialized systems for each individual project, however there might be an alternative use for the company.</p>	<p>“Point-in-time” revenue recognition where revenue is recognized when the goods are delivered and have been accepted by the customer at their premises.</p>
Service- and after sales contracts	<p>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.</p> <p>For after sales contracts, in which is sale of components etc, revenue are recognized upon delivery.</p>	<p>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.</p> <p>Revenue from contracts with customers for after sales, are recognized at point-in-time upon delivery.</p>

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 obligation 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.

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

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.

3. Financial risk management

3.1 FINANCIAL RISK FACTORS

The group's activities entail various types of financial risk; 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 audit committee 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.

The group has a decentralized structure with operational supervision of the various business units, where the main management of financial risk is determined by the Board of Directors. This applies to areas such as currency risk, interest rate risk, credit risk and use of financial derivatives.

For the classification of financial assets and liabilities, reference is made to [Note 19](#).

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. Hedge accounting is used for FX contracts that qualify for hedge accounting. The remaining contracts are measured at fair value through profit and loss.

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 the net exposure in foreign currencies, which is mainly USD and EUR. Currency cash flow forecasts are reviewed on a regular basis and the group aims to hedge a portion of the forecasted net currency exposure that matures within a 24-months period.

Forward exchange contracts are used as hedging instruments and they are designated as hedges of firm commitments for those hedging relationships that qualify for hedge accounting. 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 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.

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

(NOK 1000)	Total	Not due	0-3 months overdue	3-6 months overdue	>6 months overdue
31.12.2020	36 643	3 959	25 450	2 706	4 528
31.12.2019	38 260	3 730	20 935	6 910	6 685

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. A large part of the overdue accounts receivables is related to invoiced milestones, i.e. prepayments for work not yet performed. Due to delays in delivery, a considerable gap between due date and payment date may arise.

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 19](#).

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.

The above table is presented net of bad debt provisions. As per 31 December 2020, a provision NOK 13 million is included due to uncertainty for payment in one project. Hence, the gross amount of accounts receivables > 6 months overdue is NOK 17 million.

Additional information on accounts receivable is available in [Note 9](#).

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.

As of 31 December 2020, the group's credit facilities include a guarantee facility of NOK 200 million and derivatives facility of NOK 150 million, both with Nordea. As per 31 December 2020, the group had drawn NOK 184 million 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 22](#), a global settlement agreement of the Cargotec / MacGregor arbitration was reached between Nekkar ASA and MacGregor 11 January 2021. The settlement resulted in a total payment of NOK 94 million from Nekkar to MacGregor, which comprises of payment of disputed items and previously withheld amount. The payment includes final agreement regarding the calculation of the purchase price as well as full and final settlement and release from warranties and obligations under the asset sale agreement.

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

Remaining period:

2020	< 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 installments on non-current liabilities	-	-	-	-	-
FX-derivatives	4 278	-	-	-	4 278
Prepayments for customers	-	187 469	-	-	187 469
Accounts payable and other current liabilities	144 398	-	-	-	144 398
Total financial obligations	148 676	187 469	-	-	336 145

2019	< 6 months	6-12 months	1-5 years	> 5 years	Total
LONG-TERM FINANCIAL OBLIGATIONS:					
Interest-bearing non-current liabilities	-	-	-	-	-
CURRENT FINANCIAL OBLIGATIONS:					
FX-derivatives	9 813	-697	1 074	-	10 190
Prepayments for customers	-	109 293	-	-	109 293
Accounts payable and other current liabilities	55 356	-	-	-	55 356
Total financial obligations	65 169	108 596	1 074	-	174 839

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 besides of 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 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 has 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 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 are 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:

- 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 to 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.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2020 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](#).
- 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 prepare 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 NOK 183 million (2019: NOK 234 million) of tax losses carried forward and recognized deferred tax assets as per 31 December 2020 is MNOK 35 (2019: MNOK 35). Further details on taxes are disclosed in [Note 13](#).

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 Shipyard solutions, the order backlog has improved significantly during 2020 and represents a solid operational foundation for the coming periods. Future demand for the current product portfolio depends on the shipyards' need to implement more efficient production lines. 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.

Offshore energy, renewables and aquaculture which represents the groups new investments, are early phase product development projects. For these business areas the risk factors mainly relate to commercialization of the products. Digital solutions (Intellilift) has proven commercialized technology and the products have been sold to both oil-gas related business and wind industry. However, a potential long-lasting downturn in the oil-gas market may impact the market outlook for some of these 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 segments. For disclosure regarding discontinued business, we refer to [Note 22](#).

The segments structure in Nekkar are as follows:

CONTINUED BUSINESS consist of

Shipyard Solutions (BU SYS):	The Shipyard Solutions segment includes shiplift and docking systems for shipyards.
Digital Solutions:	The Digital Solutions segment is the competence hub that serves both other business areas in Nekkar along with customers outside the group. The business segment possesses unique competence within engineering, electrification, digitalisation and automation. Intellilift AS is the driving force of this business segment. Intellilift AS was acquired 1 April 2019, hence the figures presented for 2019 includes the 9 months period from April to December.
Other/Eliminations	Includes group functions in the parent company, the development projects within Aquaculture and Renewables and group eliminations. In the Aquaculture business area, Nekkar is currently testing and developing game-changing technologies with high sustainability impact on aquaculture. Nekkar's "Starfish" is a fully automated, closed cage solution that has double protection against escapes, avoids problems with salmon lice due to water intake from deep waters below the cage, and are able to collect up to 90 % of biological waste. It is a solution that could reduce OPEX levels dramatically for the fish farming industry, while simultaneously improve fish health. In 2020 and 2019 capital expenditures related to the development of Starfish amounted to MNOK 6 and MNOK 3 respectively. Due to the current size of these business areas, they are not yet qualified as an operating segment, hence presented as Other.

	2020				2019			
	BU SYS	Digital	Other/ Elim	Total	BU SYS	Digital	Other/ Elim	Total
External revenue	342 889	14 964	1 614	359 467	250 121	12 845	3 648	266 614
Internal revenue	333	15 960	4 307	20 600	4 207	-	16 436	20 643
Total revenue	343 222	30 923	5 921	380 067	254 328	12 845	20 084	287 257
Intergroup eliminations	-333	-15 960	-4 307	-20 600	-4 207	-	-16 436	-20 643
Consolidated revenue	342 889	14 964	1 614	359 467	250 121	12 845	3 648	266 614
Earnings before depreciation, finance and tax (EBITDA)	88 239	5 023	-15 889	77 372	54 055	3 191	-21 146	36 100
Depreciation/amortisation	968	498	1 281	2 746	1 512	319	1 195	3 026
Operating profit/loss	87 271	4 525	-17 170	74 626	52 543	2 873	-22 342	33 074
Financial income	937	89	1 331	2 357	15 138	26	-3 057	12 107
Financial cost	4 456	20	790	5 267	4 909	1	7 170	12 080
Segment profit/loss before tax	83 752	4 593	-16 629	71 717	62 772	2 898	-32 569	33 102
Income tax expense	18 949	964	-19 018	896	10 886	329	-27 089	-15 874
Profit after tax	64 803	3 629	2 389	70 821	51 886	2 569	-5 480	48 976
This year's capital expenditures	501	5 043	6 540	12 083	385	3 045	3 059	6 489

Information about geographical areas

The activity are primarily distributed in the following regions:

Revenue	2020	2019
South Asia	126 761	60 821
Europe	101 502	158 400
South East Asia	66 714	7 667
North East Asia	43 093	4 703
West Asia	9 311	-
America	8 338	2 840
Africa	3 559	22 541
Australia	188	9 641
Total revenue	359 467	266 614

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

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

During 2020 BU SYS has five customers that each accounted for more than 10% of the segments revenue. These customers generated revenue of MNOK 66, MNOK 55, MNOK 44, MNOK 43 and MNOK 36 respectively.

Note 2 Revenue

Amounts in NOK 1000

Revenue streams

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

	2020	2019
Revenue from construction contracts recognized over time	305 536	212 746
Revenue from construction contracts recognized point in time	3 485	11 426
Revenue from service contracts	33 868	25 949
Other operating revenue	16 578	16 493
Total revenue from projects, classified as "Project revenue"¹⁾	359 467	266 614

Contract balances

	2020	2019
Trade receivable	36 643	38 260
Contract assets	22 382	12 371
Contract liabilities	187 469	109 293

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 consolidated statement of financial position. Contracts liabilities relates to advance consideration received from customer on work not yet completed. This is classified as prepayments from customer in the consolidated statement of financial position. Contract assets and contract liabilities are presented net on 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:

	2020	2019
Contracted revenue projects and long-term service contracts	1 984 319	1 311 098
Accumulated Revenue recognized per 31 December	838 474	532 846
Aggregated amount of the transaction price allocated to unsatisfied performance obligation	1 145 845	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

	2020	2019
Spare parts	2 536	833
Work in progress ¹⁾	2 876	6 053
Obsolescence	-	-
Total inventories	5 412	6 885

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

Note 4 Payroll expenses and employee information

Amounts in NOK 1000

Payroll expenses	2020	2019
Salaries	43 607	40 184
Employer's social security contribution	7 312	7 116
Pension cost	4 281	3 514
Other benefits	2 765	1 524
Total payroll expenses continued operations	57 966	52 338

Number of employees at the end of the year	54	50
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Payroll expenses of MNOK 7 has been capitalized as R&D in 2020 (Note 7) and MNOK 1.3 in public grants related to expensed R&D is recognized as cost reduction.

Board remunerations ¹⁾		2020	2019
Trym Skeie	Board member since 06.2008.	455	420
Gisle Rike ²⁾	Board member since 06.2015.	294	294
Ingunn Svegård	Board member since 10.2019	196	-
Marit Solberg	Board member since 10.2019	196	-
Leif Haukom	Board member until 10.2019	-	392
Britt Mjellem	Board member until 10.2019	-	448
Marianne Sandal	Board member until 10.2019	-	322
Morten Aarvik	Board member until 8.2019, employee representative	-	141
Rakel Simmenes	Board member until 8.2019, employee representative	-	141
Total		1 141	2 158

1) The Annual General Meeting determines the remuneration to the Board and Nomination committee from one General Meeting to the next. For the financial year 2020, the reported remuneration is related to the remuneration paid in 2020 based on the amounts determined by the Board at the Annual General Meeting for 2019.

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

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: Anne Grethe Ellingsen (Chair) and Leif Haukom. The nomination committee remuneration paid in 2020 was TNOK 42 for the chairman and TNOK 24.5 for the member, a total of TNOK 66.5.

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 two main components; Base salary and bonus.

- Base salaries is intended to be competitive and motivating, but 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 and is limited to 50 % of base salary for the CEO and other executives. Bonus payment reported in 2020 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2019. Bonus payments are based on individual employment contracts.

The former CEO, Toril Eidesvik, had a notice period of six months, and a severance pay equal to 6 months salary. Other senior executives have notice periods of six months, and severance pay periods of up to 6 months.

Remuneration and other benefits for the CEO and other Senior Executives employed during 2020

Amounts in NOK 1000

Name	Position	Base salary	Other benefits	Bonus paid	Pension cost
Toril Eidesvik	CEO - until 9.2020	1 845	10	675	131
Preben Liltved ¹⁾	Interim CEO - from 9.2020	744	-	-	-
Rolf-Atle Tomassen	EVP Shipyard Solutions	1 740	13	658	199
Mette Harv	EVP Aquaculture & Renewables	1 679	13	0	174
Kristoffer Lundeland ²⁾	CFO - Hire in from 4.2019	2 706	-	-	-

1) Hired in, salary equals amount invoiced from Eyde Mooring Solutions AS. Preben Liltved holds 24.7% of the shares in Eyde Mooring Solutions AS.

2) Hired in, salary equals amount invoiced from Ernst & Young AS

Other benefits	Board remuneration, car, group life insurance, phone, newspaper, etc.
Bonus paid	Bonus paid to employee in current year

Remuneration of Auditor	2020	2019
Statutory audit	1 580	2 051
Other attestation services	31	55
Tax advisory	-	50
Other non-audit service	571	571
Expenses	-	166
Total	2 182	2 893

Note 5 Pensions

Amounts in NOK 1000

Total pension cost	2020			2019		
	Insured	Uninsured	Total	Insured	Uninsured	Total
+ Defined contribution plan	4 281	-	4 281	3 514	-	3 514
= Total pension cost	4 281	-	4 281	3 514	-	3 514
- of which recognized as payroll cost	4281		4 281	3 514		3 514
- of which recognized as finance cost	0	0	-	-	-	-

Note 6 Fixed assets

Amounts in NOK 1000

	Right-of-use asset	Furniture, office-equipment, etc.	Total
As of 31.12.2019			
Acquisition cost 31.12.	1 200	29 853	31 053
Accumulated depreciation and impairments as of 31.12.	-616	-23 325	-23 941
Book value as of 31.12.2019	584	6 528	7 112

2020 Financial year

Book value as of 1.1.	584	6 528	7 112
Additions	6 076	1 044	7 120
Disposals			-
Depreciation, amortization and impairments	-584	-1 347	-1 931
Book value as of 31.12.2020	6 076	6 224	12 300

As of 31.12.2020

Acquisition cost 31.12.	7 276	30 897	38 173
Accumulated depreciation and impairments as of 31.12.	-1 200	-24 673	-25 873
Book value as of 31.12.2020	6 076	6 224	12 300

Undiscounted lease liabilities and maturity of cash outflows ¹⁾

Lease payments 2021	1 029
Lease payments 2022-2024	4 052
Lease payments 2024 >	1 243
Total undiscounted lease liabilities at 31.12.2020	6 324

1) The lease liability does not include the 5 yr option period for the offices in Syncrolift. Yearly KPI adjustments are included in the rental contract, however not included in the calculation of lease liability. When calculating the Right-of-use asset, a discount rate of 3,49% is applied.

Lease expenses included in the profit and loss amounted to MNOK 1.2 and MNOK 2.1 in 2020 and 2019 respectively. The expensed leasing amount is related to short-term lease agreements and low value assets. No interests expenses is recognized in 2020 on the lease agreements included in Right-of-use assets.

Note 7 Intangible assets

Amounts in NOK 1000

	Customer portfolio	Patents, licences etc	Develop- ment costs	Tech- nology assets	Goodwill	Total
As of 31.12.2019						
Acquisition cost 31.12.	9 616	534	7 908	3 300	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	7 908	3 053	16 643	33 289
2020 Financial year						
Book value 1.1.	5 366	320	7 908	3 053	16 643	33 289
Additions ¹⁾			11 009			11 009
Disposals						-
Depreciation and amortization	-340	-144		-331		-815
Book value as of 31.12.2020	5 026	176	18 917	2 722	16 643	43 483
Useful life (years)						
	20 years	5-10	5-10	10 years	Infinite	
As of 31.12.2020						
Acquisition cost 31.12.	9 616	534	18 917	3 300	16 643	49 011
Accumulated depreciation and amortization as of 31.12.	-4 590	-358	-	-578	-	-5 526
Book value as of 31.12.2020	5 026	176	18 917	2 722	16 643	43 483

Development cost (R&D) includes capitalised development cost of MNOK 9.5 related to the closed fish cage solution Starfish. In addition, MNOK 9.3 is capitalised development cost related to product development in the Digital Solutions segment (Intellilift AS).

Technology assets and goodwill relates to the acquisitions of Intellilift AS, reference to [Note 20](#).

Total R&D expenditures in 2020 was MNOK 3, which is net of MNOK 1.3 in received public grant. The amount is included in other operating expenses in the consolidated statement of comprehensive income.

Allocation of Goodwill and impairment assessment

Recognized goodwill relates to the acquisition of Intellilift and amounts to MNOK 16.6 as of 31 December 2020. 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 20](#) 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 2020.

Goodwill is tested for impairment by groups of cash generating units (CGU) and Intellilift is assessed as one CGU. As of 31 December 2020, the recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections from the 2021 budget and a total forecast period of 5 years. The pre-tax discount rate applied to the cash flow projections is 14.7% 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 recognised as per 31 December 2020. The value in use is based on several key assumptions and is most sensitive to the following:

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

If these key assumptions are developing unfavorably it may cause a need for impairment of the recognised goodwill. However, management believes that only a significant change, e.g. 15pp. increase in pre-tax discount rate, in the assumptions used will lead to an impairment.

CGU Digital Solutions	2020	2019
Goodwill	16 643	16 643
Other intangible assets	11 722	7 410
Total	28 365	24 053

Development costs

The group performed its impairment assessment in December 2020. The recoverable amount has been determined based on a value in use calculation using 5 year cash flow projections. The impairment test indicated that the recoverable amount exceeds book value, hence no impairment is recognised as per 31 December 2020.

Note 8 Subsidiaries and investments in other companies

The following subsidiaries are basis for the consolidated accounts 31.12.20:

Subsidiary of Nekkar ASA	Registered office	Acquisition year	Ownership	Voting share	Local currency	Share capital in local currency
Syncrolift AS	Vestby, Norway	1994	100%	100%	NOK	950 000
Nekkar AS	Kristiansand, 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, Norway	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, Norway	2019	100%	100%	NOK	30 000

1) Represents Intellilift AS' share.

As per 31 December 2020 Nekkar does not hold any positions in other companies.

Note 9 Trade and other receivables

Amounts in NOK 1000

Trade receivables	2020	2019
Trade receivables	49 557	38 776
Loss provisions	-12 913	-516
Net trade receivables	36 643	38 260

Trade receivables (net) per currency:	2020	2019
Trade receivables (net) per currency:	20 893	22 125
USD	5 205	4 005
NOK	10 049	12 129
Other currencies	497	-
Total	36 643	38 260

For additional information on accounts receivables and associated risks, see Accounting Principles and sections 2.8, 3.1 and 4 and [Note 19](#).

Other short-term receivables	2020	2019
VAT	314	1 642
Prepayments	2 750	2 752
Fair value of firm commitment, effective hedging contracts	4 278	8 381
Other receivables	1 832	2 066
Other short-term receivables	9 174	14 840

For accrued, not invoiced revenue, see [Note 2](#) Revenue.

For receivables relating to derivatives and hedge accounting, see [Note 16](#) Derivatives.

Note 10 Assets pledged as security and guarantees

Amounts in NOK 1000

During 2019, the company's debt was settled as part of the completion of the asset sales agreement between Nekkar ASA and Cargotec / MacGregor. Post completion of the transaction, the remaining facilities consist of a guarantee facility with Nordea Norge ASA.

Nekkar has the following credit facilities through its facilitators:

	2020		2019	
	Limit	Drawn	Limit	Drawn
Guarantee limit for group (Nordea)	200 000	184 451	200 000	142 363

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 and advance payment bonds.

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

Assets pledged as collateral for secured debt:	2020	2019
Account/Group receivables	64 091	36 408
Inventory/Work in progress, including non-invoiced production	25 927	17 842
Property, plant and equipment	6 000	6 310
Assets pledged as collateral *	96 018	60 560

* Assets pledged as collateral only includes Nekkar ASA and Syncrolift AS. The pledged assets are presented in the balance sheet under the differencet 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 2020, MNOK 10 is held as a restricted deposit for FX- derivatives exposure in DNB.

Note 11 Share capital and shareholder information

Amounts in NOK

Date	Number of shares	Nominal value	Share capital
31.12.2020	106 327 129	0.11	11 695 984
31.12.2019	105 620 078	0.11	11 618 209

In 2020 there was an increase in share capital of NOK 77 776 and an increase in share premium of NOK 2 751 224. The capital increase was related to an share purchase program where 707 051 shares were issued.

Dividends paid and proposed:	2020	2019
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	0.00	4.00

Treasury shares:	Number of shares	Share capital (NOK 1 000)
Treasury shares as of 31.12.2019	6 632	1
Sale of treasury shares 2019		-
Treasury shares as of 31.12.2019	6 632	1
Sale of treasury shares 2020	-	-
Treasury shares as of 31.12.2020	6 632	1

Principal shareholders of Nekkar ASA as of 31.12.2020:	Number of shares	Ownership	Voting share ⁴⁾
Shareholder			
SKEIE TECHNOLOGY AS ^{1,3)}	26 568 237	24.99%	25.0%
RASMUSSENGRUPPEN AS	11 512 506	10.83%	10.8%
MP PENSJON PK	5 880 713	5.53%	5.5%
TIGERSTADEN AS	5 526 634	5.20%	5.2%
SKEIE CAPITAL INVESTMENT AS ^{1,3)}	4 907 586	4.62%	4.6%
AVANZA BANK AB	4 261 099	4.01%	4.0%
VINTERSTUA AS	2 672 200	2.51%	2.5%
FENDER EIENDOM AS	1 554 626	1.46%	1.5%
SKEIE CONSULTANTS AS ²⁾	1 507 243	1.42%	1.4%
MORGAN STANLEY & Co. INTERNATIONAL	1 483 824	1.40%	1.4%
ITLUTION AS	1 475 261	1.39%	1.4%
ROGER SEBASTIAN SEDAL	1 460 000	1.37%	1.4%
TIGERSTADEN INVEST AS	1 450 000	1.36%	1.4%
EINAR PEDERSEN	1 000 000	0.94%	0.9%
PIROL AS	1 000 000	0.94%	0.9%
NAWA INVEST AS	1 000 000	0.94%	0.9%
GUTTIS AS	1 000 000	0.94%	0.9%
TIGERGUTT INVEST AS	999 981	0.94%	0.9%
SONGA CAPITAL AS	871 507	0.82%	0.8%
Nordnet Bank AB	823 026	0.77%	0.8%
Total, 20 largest shareholders	76 954 443	72.4%	72.4%
own shares	6 632	0.0%	0.0%
Total other	29 366 054	27.6%	27.6%
Total	106 327 129	100.0%	100.0%

1) Shares owned or controlled by the Skeie family and companies directly or indirectly controlled by them: 31 475 823 shares, representing 29.6% of total shares.

2) Shares owned or controlled by Bjarne Skeie and companies directly or indirectly controlled by him: 1 507 243 shares, representing 1.4% of total shares.

3) Trym Skeie holds 428 111 shares in person, 804 828 via Skeie Kappa Invest AS and 250 000 shares via Skeie Alpha Invest AS. Total shares owned or controlled by Trym Skeie, and companies directly or indirectly controlled by him, are 1 482 939, representning 1.4% of total shares

4) Voting portion is calculated after eliminating shares held by Nekkar ASA

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

	Shares			Conversion rights from subordinated convertible loan		
	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
Board						
Trym Skeie ¹⁾	1 482 939	1 377 958	573 140	-	-	804 829
Marit Solberg	73 479	-	-	-	-	-
Group Executives						
Preben Liltved	74 979	-	-	-	-	-
Rolf-Atle Tomassen	150 000	150 000	-	-	-	-
Mette Harv	189 958	80 000	-	-	-	-

1) Trym Skeie holds 428 111 shares in person, 804 828 via Skeie Kappa Invest AS and 250 000 shares via Skeie Alpha Invest AS. Total shares owned or controlled by Trym Skeie, and companies directly or indirectly controlled by him, are 1 482 939, representning 1.4% of total shares

27 May 2020, the Annual General Meeting adopted a resolution to give the Board general authority to issue a maximum of 10 562 008 shares against cash or non-monetary redemption, including merger related activities 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 2021. During 2020, 707 051 shares have been issued in relation to a share employee program, hence the remaining share issue authority as per 31 December 2020 is 9 854 957 shares.

27 May 2020, the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 2 789 416 shares against cash

redemption for the benefit of the company's executive management. This authorization is valid until 27 May 2022. As per 31 December 2020, there are no share options in palce in the company.

27 May 2020, the Annual General Meeting adopted a resolution to give the Board authority to buy a maximum of 7 276 737 shares in Nekkar ASA within a price range of NOK 1 to NOK 25. The authority can be used to buy own shares for deletion or to use the shares as part of remuneration of leading employees. The authority is valid until the next Annual General Meeting or latest 30 June 2021. No shares have been bought on the basis of this authorization as of 28 April 2021.

Note 12 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.

	2020	2019
Net profit attributable to ordinary equity holders of the parent from continuing operations	68 993	47 717
Net profit attributable to ordinary equity holders of the parent from discontinued operations	-103 718	146 857
Net profit attributable to ordinary equity holders of the parent from total		
Weighted average of issued shares excluding own shares	105 679	94 506
Earnings per share - continuing operation (NOK per share)	0.65	0.50
Earnings per share - discontinued operation (NOK per share)	-0.98	1.55
Earnings per share - total (NOK per share)	-0.33	2.06

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 Bond 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.

	2020	2019
Profit used to calculate diluted earnings per share - continuing operation	68 993	47 717
Interest expense on convertible bond loan, net of tax*		-
Profit (loss) attributable to ordinary shareholders (diluted)	68 993	47 717
Profit used to calculate diluted earnings per share - discontinued operation	-103 718	146 857
Interest expense on convertible bond loan, net of tax		5 684
Profit (loss) attributable to ordinary shareholders (diluted)	-103 718	152 541
Profit used to calculate diluted earnings per share - total	-34 726	194 574
Interest expense on convertible bond loan, net of tax	-	5 684
Profit (loss) attributable to ordinary shareholders (diluted)	-34 726	200 258
Average of issued shares excluding own shares	105 679	105 613
Adjustment for share options	-	-
Adjustment for average of conversion right in convertible bond	-	-
Average number of ordinary shares for calculation of diluted earnings per share	105 679	105 613
Diluted earnings per share - continuing operation (NOK per share)	0.65	0.45
Diluted earnings per share - discontinued operation (NOK per share)	-0.98	1.44
Diluted earnings per share - total (NOK per share)	-0.33	1.90

* Interest expenses on the convertible bond loan for 2019 is allocated to discontinued operations, hence has no effect for continuing operations.

For 2019, 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 (150 for 2019), the effect is considered antidilutive.

Share structure	2020	2019
Issued shares	106 327	105 620
Own shares	7	7
Unused share options that can be settled by issue	-	150
Conversion right related to convertible bond loan	-	-

Note 13 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 assets of MNOK 34.2 (2019: MNOK 35.4) have been recognized as per 31 December 2020.

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 are 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 does 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:	2020	2019
Payable tax on profit	-196	245
Payable withholding taxes, taxes outside Norway	-	-74
Not allocated tax losses	-	-
Change in deferred tax ^{*)}	7 291	17 911
Changes in unrecognised deferred tax asset	-6 199	-34 339
Tax expense on continued operations	896	-15 874

^{*)} Includes TNOK -73 related to deferred tax on excess values from the acquisition of Intellilift in 2019.

Reconciliation of the effective tax rate	2020	2019
Profit before tax	71 717	33 102
Expected income tax according to income tax rate in Norway (22 %)	15 778	7 282
This year's losses, and change in prior year's losses, not recognised	-14 882	-23 156
Tax expense in the profit and loss statement	896	-15 874

Payable tax including withholding taxes	0	170
Effective tax rate	< 22%	< 22%

Origin of tax expense payable:	2020	2019
Norway	896	245
China	-	-74
Payable tax expenses	896	171

Tax payable in the balance sheet	2020	2019
Tax payable, (including withholding taxes)	-	574
Prepaid tax	-	-
Total tax payable in balance sheet at year end	-	574

Deferred tax assets:	2020	2019
Fixed assets	862	-269
Current assets	2 841	-114
Other temporary differences / provisions	-4 094	-3 037
Tax losses to be carried forward	40 617	51 009
Gross deferred tax asset	40 226	47 589

- Unrecognized tax losses	-6 022	-12 221
Net recognized deferred tax assets¹⁾	34 204	35 367

- Deferred tax assets to be recovered after 12 months	26 286	30 686
- Deferred tax assets to be recovered within 12 months	7 918	4 681
Net recognized deferred tax assets	34 204	35 367

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

Note 14 Other operating expenses

Amounts in NOK 1000

	2020	2019
Premises and office expenses	1 684	3 683
IT costs	4 030	3 238
Marketing and travel expenses	3 162	2 975
Consultancy and external services	7 424	5 038
Other expenses	2 410	3 108
Total other operating expenses	18 710	18 041

Note 15 Related parties

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

The subsidiaries (Note 8), members of the Board (Note 4) and members of the Senior Executive Group (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 in 2020. All the transactions have been carried out as part of the ordinary business and on an arm's length basis. For the year ended 31 December 2020, the group has not recorded any impairment of receivables relating to the amounts owed by related parties (2019: MNOK 0). The CEO, Preben Liltved is hired in from Eyde Mooring Solutions AS. The expensed amount in 2020 was MNOK 1.2 and includes the period from 1 June to 31 December.

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.

Information on Board and Senior Executive Group's shares and options are included in Note 11.

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 2020.

Note 16 Derivatives

Amounts in NOK 1000

	2020			2019		
	Assets	Liabilities	Net market value	Assets	Liabilities	Net market value
Forward currency contracts - Market values						
Forward currency contracts - effective hedging contracts	13 313	-4 278	9 035	6 982	-8 381	-1 399
Forward currency contracts - ineffective hedging contracts - included in other liabilities/assets ¹⁾	13 324	-	13 324	-	-8 791	-8 791
Forward currency contracts - market value	26 636	-4 278	22 358	6 982	-17 172	-10 190

	Total MTM values	Total MTM values
Maturity distribution of currency contracts and MTM:		
Within 3 months	6 692	-9 351
> 3 months, < 6 months	-239	-463
> 6 months, < 9 months	961	697
> 9 months, < 12 months	2 346	0
> 12 months, < 24 months	12 598	-1 074
> 24 Months	-	0
Total	22 358	-10 190

1) FX contracts designed for hedging, but do not qualify for hedge accounting.

Nominal value currency contracts, original currency	2020		2019	
Amounts in EUR 1000	Sold	Bought	Sold	Bought
NOK	20 487	344 208	5 309	499 922
USD	30 700	1 993	42 027	-
EUR	5 383	-	14 184	516

Other balance sheets effects	2020	2019
FV of firm commitment, classified as other receivable	4 278	8 381
FV of firm commitment, classified as other short term debt	13 313	6 982
Capitalized cost relating to prolonging of effective hedge relationship, classified as cash	12 735	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, [Note 19](#).

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 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. In 2020, a gain of MNOK 6 is recognised in the consolidated statement of comprehensive income related to FX contracts not qualifying for hedge accounting. In 2019, this amounted to a loss of MNOK 15.

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 corresponding risks, please refer to Accounting principles, and see section 2.8 and 3.1.

Note 17 Liabilities and accruals

Amounts in NOK 1000

	2020	2019
Provision for unpaid wages and salaries	1 546	3 508
Provision for holiday pay	5 061	4 487
Provision settlement agreement	94 102	-
Other accrued expenses	26 344	28 443
Total other current liabilities	127 053	36 438

On 11 January 2021, a global settlement agreement in the arbitration between Nekkar ASA and MacGregor, a subsidiary of Cargotec Oyj, was reached. The settlement resulted in a net payment of MNOK 94 from Nekkar ASA to MacGregor. The payment includes final agreement regarding the calculation of the purchase price as well as full and final settlement and release from warranties and obligations under the asset sale agreement.

During 2020, guarantee provisions of MNOK 2.9 has been reversed.

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 18 Financial items and foreign currency gains/losses

Amounts in NOK 1000

	2020	2019
Interest income	1 509	7 259
Agio	848	3 490
Other financial income	-	1 358
Financial income	2 357	12 107
Interest expenses	116	3 457
Disagio	4 189	4 798
Other financial expenses	961	3 825
Financial expenses	5 267	12 080
Net finance	-2 909	27

Note 19 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, 2.10, 2.12, 2.13 and 2.14. 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	Financial derivative contracts not designated for hedging / ineffective hedges	Financial derivative contracts designated for hedging	Loans and receivables	Total
2020				
Current financial assets:				
Trade receivables	-	-	36 643	36 643
Other current receivables	-	-	9 174	9 174
Acquired, non-invoiced production	-	-	22 382	22 382
Derivatives ¹⁾	13 324	13 313	-	26 637
Cash and cash equivalents	-	367 850	-	367 850
Total financial assets	13 324	381 163	68 200	462 686

2019

Current financial assets:

Trade receivables	-	-	38 260	38 260
Other current receivables	-	-	14 840	14 840
Acquired, non-invoiced production	-	-	12 371	12 371
Derivatives ¹⁾	-	6 982	-	6 982
Cash and cash equivalents	-	260 948	-	260 948
Total financial assets	-	267 930	65 471	333 401

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.

Classification of financial liabilities:	Financial derivative contracts not designated for hedging / ineffective hedges	Financial derivative contracts designated for hedging	Loans and receivables	Total
2020				
Current financial liabilities				
Prepayments from customers	-	-	187 469	187 469
Derivatives ¹⁾	-	4 278	-	4 278
Accounts payable and other financial debt	-	-	152 483	152 483
Total financial liabilities	-	4 278	344 230	348 508

2019

Current financial liabilities

Prepayments from customers	-	-	109 293	109 293
Derivatives ¹⁾	8 791	8 381	-	17 172
Accounts payable and other financial debt	-	-	54 783	54 783
Total financial liabilities	8 791	8 381	164 075	181 247

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:

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

	2020				2019			
	Overall	Level 1	Level 2	Level 3	Overall	Level 1	Level 2	Level 3
Assets measured at fair value								
Foreign exchange contracts - hedging	13 313	-	13 313	-	6 982	-	6 982	-
Foreign exchange contracts - non-hedging	13 324	-	13 324	-	-	-	-	-
Liabilities measured at fair value								
Foreign exchange contracts - hedging	4 278	-	4 278	-	8 381	-	8 381	-
Foreign exchange contracts - non-hedging	-	-	-	-	8 791	-	8 791	-

Note 20 Business combination

Amounts in NOK 1000

Acquisition and divestments in 2020

There have been no acquisitions or divestments in 2020.

Acquisition and divestments in 2019

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 addition, 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.

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 North and South America.

Divestments

Nekkar ASA signed an asset sale agreement on 8 February 2018 with MacGregor, a subsidiary of Cargotec Oyj, where the company agreed to sell its Marine and Offshore business. As the disposal group represented a major line of business for the group, net profits were classified as discontinued business in accordance with IFRS 5. Completion of the transaction took place 31 July 2019. Refer to [Note 24](#) for further details.

Note 21 Non controlling interest (NCI)

Amounts in NOK 1000

The following table summarizes the information relating to Nekkar ASA's subsidiaries that have material non controlling interest, before intra group eliminations. Non-current assets includes goodwill and technology assets arising from the PPA, totalt amount of MNOK 19.4 .

2020	Total	
Number presented on 100% basis	Intellilift AS	
Non current assets	28 645	28 645
Current assets, excluding cash	11 225	11 225
Cash and cash equivalents	6 168	6 168
Non current liabilities	-1 763	-1 763
Short term liabilities to financial institutions	-	-
Current liabilities	-7 788	-7 788
Net assets	36 487	36 487
Revenue	30 923	30 923
Profit after tax	3 732	3 732
Other comprehensive income (OCI)	-	-
Total comprehensive income	3 732	3 732
Net change in cash and cash equivalents	-794	-794
NCI percentage	49%	49%
Net assets attributable to NCI	17 879	17 879
Profit after tax allocated to NCI	1 829	1 829
OCI allocated to NCI	-	-
2019	Total	
Number presented on 100% basis	Intellilift AS ¹⁾	
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
Net change in cash and cash equivalents	983	983
NCI percentage	49%	49%
Net assets attributable to NCI	16 050	16 050
Profit after tax allocated to NCI	1 259	1 259
OCI allocated to NCI	-	-

1) PL amounts relates to the period from 1 April when control of the company was obtained

Note 22 Discontinued Business

MacGregor / Cargotec Transaction

Nekkar ASA signed an asset sale agreement on 8 February 2018 with MacGregor, a subsidiary of Cargotec Oyj, where the company agreed to sell its Marine and Offshore business. As the disposal group represented a major line of business for the group, net profits were classified as discontinued business in accordance with IFRS 5. Completion of the transaction took place 31 July 2019 and Nekkar received 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 2019 according to procedures provided in the transaction agreement.

Following the transaction, there was a dispute between the parties related to the purchase price calculation, and Cargotec / MacGregor claimed a downward purchase price adjustment of approximately MNOK 240. In the 2019 financial statements, the profit from discontinued business was MNOK 148, of which gain on sale of discontinued

operations was MNOK 98. No provision related to the disputed amount was included in the financial statements as of 31 December 2019 as the outcome could not be determined with sufficient reliability (IAS 37.25). During 2020, arbitration proceedings were initiated.

On 11 January 2021, a global settlement agreement of the Cargotec / MacGregor arbitration was reached between Nekkar ASA and MacGregor. The settlement resulted in a total payment of MNOK 94 from Nekkar to MacGregor, which comprises of payment of disputed items and previously withheld amount. The payment includes final agreement regarding the calculation of the purchase price as well as full and final settlement and release from warranties and obligations under the asset sale agreement.

MNOK 103.7 is recognized as loss from disposal of subsidiaries in the profit and loss statement for 2020. The amount includes the global settlement of MNOK 94 plus transaction related expenses such as legal- and consultancy fees and internal costs.

Note 23 Contingent liabilities / Material disputes

Cargotec / MacGregor arbitration

At the time of reporting, the Cargotec / MacGregor arbitration does not represent a contingent liability as a global settlement agreement was reached on 11 January 2021. Reference is made to [Note 22](#).

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.

Note 24 Subsequent events

Events regarding Nekkar are as follows:

On 11 January 2021, a global settlement agreement of the Cargotec / MacGregor arbitration was reached between Nekkar ASA and MacGregor, a subsidiary of Cargotec Oyj. The settlement resulted in a net total payment of MNOK 94 from Nekkar to MacGregor, which comprises of payment of disputed items and previously withheld amount. The payment includes final agreement regarding the calculation of the purchase price as well as full and final settlement and release from warranties and obligations under the asset sale agreement.

On 7 April 2021, Nekkar was awarded a MNOK 21 grant from Innovation Norway to progress with the development of a disruptive installation technology that could significantly reduce the cost and environmental footprint associated with wind turbine installations. The solution – called SkyWalker – uses active heave compensation derived from offshore lifting systems combined with digital solutions that allows for remote controlled and automated solutions.

Parent company financial statements

NEKKAR ASA PER 31 DECEMBER 2020

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Profit and loss

For the year ended 31 December

Amounts in NOK 1000	Notes	NGAAP 2020	NGAAP 2019
OPERATING INCOME			
Operating income		1 614	3 648
Group service fee from subsidiaries	11	4 307	15 105
Total operating income		5 921	18 753
OPERATING COSTS			
Personnel cost	1, 2	14 108	16 155
Depreciation on tangible fixed assets	3	681	1 195
Other operating costs	1, 12	8 012	13 273
Total operating costs		22 801	30 623
Operating profit		-16 880	-11 869
FINANCIAL INCOME AND EXPENSES			
Income from investments in subsidiaries	11, 13	71 348	59 647
Interest income	13	1 355	20 556
Other financial income	13	475	24 004
Interest expenses		77	19 772
Other financial expenses	10, 13, 14	110 380	30 533
Net financial items		-37 279	53 902
Profit before tax		-54 159	42 032
Tax	9	-	-16 203
Profit for the year		-54 159	58 235
Provision dividend		-	-
Transferred to other equity		-54 159	58 235

Balance sheet

For the year ended 31 December


Amounts in NOK 1000	Notes	NGAAP 2020	NGAAP 2019
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Deferred tax assets	9	34 000	34 000
Intangible assets	3	9 545	3 257
Total intangible assets		43 545	37 257
FIXED ASSETS			
Furniture, office and computer equipment	3	4 897	5 201
Total fixed assets		4 897	5 201
FINANCIAL FIXED ASSETS			
Shares in subsidiaries	4	125 233	125 233
Loans to companies in the group	5, 11	16 835	16 033
Total financial fixed assets		142 068	141 266
Total non-current assets		190 510	183 724
CURRENT ASSETS			
CURRENT RECEIVABLES			
Trade receivables	5	165	3 747
Intra-group accounts receivable	5, 11	1 039	1 732
Other receivables	5	3 925	2 553
Other intra-group receivables	5, 11	71 348	13 122
Total current receivables		76 477	21 154
Bank deposits	8	307 178	208 729
Total current assets		383 655	229 883
Total assets		574 165	413 608

Balance sheet

For the year ended 31 December

Amounts in NOK 1000	Notes	NGAAP 2020	NGAAP 2019
EQUITY AND LIABILITIES			
EQUITY			
PAID UP EQUITY			
Share capital	7	11 696	11 618
Treasury shares	7	-1	-1
Share premium	7	2 751	-0
Total paid up equity		14 446	11 617
RETAINED EARNINGS			
Other equity		183 570	237 740
Total retained earnings		183 570	237 740
Total equity		198 017	249 358
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Pension liabilities		-	-
Convertible subordinated bond loan		-	-
Liabilities to financial institutions		-	-
Total other non-current liabilities		-	-
CURRENT LIABILITIES			
Trade payables		6 034	4 965
Intra-group trade payables	11	375	-
Social security and employees' tax deduction		1 343	1 594
Income tax payable	9	-	-
Other intra-group liabilities	8, 11	262 823	143 676
Other current liabilities	10, 13, 14	105 573	14 016
Total current liabilities		376 149	164 251
Total liabilities		376 149	164 251
Total equity and liabilities		574 165	413 608


Kristiansand, 28 April 2021
Board of Directors, Nekkar ASA


Trym Skeie
Chairman of the board


Gisle Rike
Director


Marit Solberg
Director


Ingunn Svegård
Director


Preben Liltved
Interim CEO

Equity

For the year ended 31 December

Amounts in NOK 1000	Share capital	Treasury shares	Share premium	Other equity	Total
Equity as of 1.1.2019	9 580	-1	151 724	361 192	522 496
New share issued	2 038		89 068		91 106
Dividend paid			-240 792	-181 658	-422 450
Net profit for the year				58 235	58 235
Equity as of 31.12.2019	11 618	-1	0	237 740	249 358
Equity as of 1.1.2020	11 618	-1	0	237 740	249 358
New share issued	78		2 751		2 829
Net profit for the year				-54 159	-54 159
Equity as of 31.12.2020	11 696	-1	2 752	183 570	198 017

Cash flow

For the year ended 31 December

Amounts in NOK 1000	Notes	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		-54 159	42 032
Dividend from investments in subsidiaries		-71 348	-59 647
Depreciation		681	1 195
Gain(-)/Loss(+) from disposal of shares	14	-	-18 658
Net interest costs		-1 278	-784
Change in current receivables and current liabilities		109 664	1 267
Net cash flow from operating activities		-16 429	-34 594
CASHFLOW FROM INVESTMENTS			
Cash distribution from divested companies		-	-59 346
Additional equity into subsidiaries		-	-46 525
Proceeds from sale shares in subsidiaries	14	-14 034	553 562
Net contribution received from subsidiaries		13 122	59 647
Expenditures of tangible and intangible assets	3	-6 664	-10 238
Proceeds to and repayment from intra-group loans		-802	-246
Net cashflow from investments		-8 378	496 854
CASHFLOW FROM FINANCING			
Proceeds from issuance of share capital	7	2 829	2 092
Disbursement on short-term/ long-term debt		-	-198 375
Net change overdraft facility / cash pool		119 147	363 519
Disbursements of dividends		-	-422 450
Sale treasury shares		-	-
Net interest costs		1 278	784
Net cashflow from financing		123 254	-254 430
EFFECTS OF EXCHANGE-RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS			
Net change in cash and cash equivalents		98 448	207 830
Cash and cash equivalents (opening balance)		208 729	898
Cash and cash equivalents (closing balance)		307 178	208 729
This consists of:			
Bank and cash pool deposits		307 178	208 729
Available unused overdraft facility		-	-

Reporting 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 associates are valuated 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 and equipment
Property, plant and equipment 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 the non-current asset exceeds the estimated recoverable amount, the asset is impaired to the recoverable amount. The recoverable amount is greater of the net value and value in use. When assessing value in use a DCF-model on the cash flow from the asset is applied.

Pensions
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 company 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 rate	2020	2019
EUR	10.47	9.86
USD	8.57	8.78

Cash flow statement
The cash flow statement is presented using the indirect method. Cash and cash equivalents include 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:	2020	2019
Salaries	9 010	11 865
Employer's social security contribution	2 341	3 336
Pension costs	1 379	1 450
Other benefits	1 378	-496
Total payroll expenses¹⁾	14 108	16 155

1) Payroll expenses of MNOK 5 has been capitalized as R&D in 2020 (Note 3) and MNOK 1.3 in public grants related to expensed R&D is recognized as cost reduction.

Number of employees at the end of the year	13	12
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Board remunerations ¹⁾	2020	2019
Trym Skeie	455	420
Gisle Rike ²⁾	294	294
Ingunn Svegård	196	-
Marit Solberg	196	-
Leif Haukom	-	392
Britt Mjellem	-	448
Marianne Sandal	-	322
Morten Aarvik	-	141
Rakel Simmenes	-	141
Total	1 141	2 158

1) The Annual General Meeting determines the remuneration to the Board and nomination committee from one General Meeting to the next. For the financial year 2020, the reported remuneration is related to the remuneration paid in 2020 based on the amounts determined by the Board at the Annual General Meeting for 2019.

2) Gisle Rike represents Rasmussengruppen AS and the board fee is paid to Rasmussengruppen AS.

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: Anne Grethe Ellingsen (Chairman) and Leif Haukom.

The nomination committee remuneration paid in 2020 was TNOK 42 for the chairman and TNOK 24.5 for the member, a total of TNOK 66.5.

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 two main components; Base salary and bonus.

- Base salaries is intended to be competitive and motivating, but 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 and is limited to 50 % of base salary for the CEO and other executives. Bonus payment reported in 2020 is based on the evaluation of the relevant performance criteria for the fiscal year ending 31.12.2019. Bonus payments are based on individual employment contracts.

The former CEO, Toril Eidesvik, had a notice period of six months, and a severance pay equal to 6 months salary. Other senior executives have notice periods of six months and severance pay periods of up to 6 months.

Remuneration and other benefits for the CEO and other Senior Executives

Name	Position	Base salary	Other benefits	Bonus paid	Pension cost
Toril Eidesvik	President & CEO - until 30.09.2020	1 845	10	675	131
Preben Liltved ¹⁾	Interim President & CEO - from 01.10.2020	744	-	-	-
Mette Harv	EVP Aquaculture & Renewables	1 679	13		174
Kristoffer Lundeland ²⁾	CFO - Hire in from 4.2019	2 706	-	-	-

1) Hired in, salary equals amount invoiced from Eyde Mooring Solutions AS. Preben Liltved holds 24.7% of the shares in Eyde Mooring Solutions AS.

2) Hired in, salary equals amount invoiced from Ernst & Young AS

Remunerations	Taxable remuneration
Other benefits	Board remuneration, car, group life insurance, phone, newspaper, etc.
Bonus paid	Bonus paid in current year

Auditors' fees (excl. VAT)	2020	2019
Statutory audit	1 285	1 781
Other attestation services	31	200
Tax advisory	-	35
Other assistance	511	557
Total	1 827	2 573

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	2020	2019
Service cost	1 379	1 450
+ Payroll tax of net pension cost	194	204
= Net periodic pension cost	1 573	1 655

Note 3 Tangible and intangible assets

Amounts in NOK 1000

	Intangible assets, R&D	Furniture and office equip.	Total
Book value as of 31.12.2018	-	11 659	11 659
As of 31.12.2019			
Acquisition cost 31.12.	3 257	22 931	26 188
Accumulated depreciation as of 31.12.	-	-17 730	-17 730
Book value as of 31.12.2019	3 257	5 201	8 458
2020 Fiscal year			
Book value as of 1.1.	3 257	5 201	8 458
Additions	6 288	376	6 664
Disposals	-	-	-
Depreciation, amortization and impairments 1)	-	-681	-681
Book value as of 31.12.2020	9 545	4 897	14 442
As of 31.12.2020			
Acquisition cost 31.12.	9 545	23 307	32 852
Accumulated depreciation as of 31.12.	-	-18 411	-18 411
Book value as of 31.12.2020	9 545	4 897	14 442
Depreciation schedule	None	Linear	
Depreciation period		3-10 years	

The company has no leases classified as financial lease.

Development costs / R&D:

The book value of R&D assets, TNOK 9 545, includes development expenses incurred in connection with the development of a closed cage for fish farming, Starfish. Government grants of TNOK 3 226 are received in 2020 and the additions is presented net of grants received.

Total R&D expenditures in 2020 was MNOK 3, which is net of MNOK 1.3 in received public grant. The amount is included in other operating expenses in the consolidated statement of comprehensive income.

Impairment assessment:

The company performed its impairment assessment in December 2020. The recoverable amount has been determined based on a value in use calculation using 5 year cash flow projections. The impairment test indicated that the recoverable amount exceeds book value, hence no impairment is recognised as per 31 December 2020.

Operating lease agreements:

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

Total lease payment in 2020 is TNOK 476.

Note 4 Subsidiaries and joint ventures

Amounts in NOK 1000

Nekkar ASA

Investments in subsidiaries valued at cost:

Subsidiary	Registered office	Acqui- sition date	Owner- ship	Voting share	Cur- rency	Share capital	Number of shares	Equity 31.12.2020	Net Result 2020	Cost	Net book value 2020	Net book value 2019
Syncrolift AS	Vestby, Norway	1994	100%	100%	NOK	950 000	95 000	112 709	67 184	125 203	125 203	125 203
Nekkar AS	Kristiansand, Norway	2018	100%	100%	NOK	30 000	30 000	-1 529	-801	30	30	30
Total								111 180	66 383	125 233	125 233	125 233

At yearend 2020, Nekkar ASA received a gross group contribution of MNOK 71,3 from Syncrolift AS. The group contribution is recognized as financial income in the profit and loss statement.

Note 5 Trade and other receivables

Amounts in NOK 1000

	2020	2019
Trade receivables	165	3 747
Group fee/trade receivables within group	1 039	1 732
Group contribution	71 348	13 122
Other receivables, including prepayments	3 925	2 553
Short-term receivables	76 477	21 154
Receivables maturing at over one year:		
Other receivables	-	-
Loans to subsidiaries ¹⁾	16 835	16 033
Total	16 835	16 033

1) Intercompany loan to Nekkar AS.

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

Note 6 Assets pledged as security and guarantees

Amounts in NOK 1000

During 2019, the company's debt was settled as part of the completion of the asset sales agreement between Nekkar ASA and Cargotec / MacGregor. Post completion of the transaction, the remaining facilities consist of a guarantee facility with Nordea Norge ASA.

Nekkar has the following credit facilities through its facilitators:

	2020		2019	
	Limit	Drawn	Limit	Drawn
Guarantee limit for group (Nordea)	200 000	184 451	200 000	142 363

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 performance guarantees and advance payment guarantees.

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

Assets pledged as collateral for secured debt - Group values:	2020	2019
Account/Group receivables	64 091	36 408
Inventory/Work in progress, including non-invoiced production	25 927	17 842
Property, plant and equipment	6 000	6 310
Assets pledged as collateral*	96 018	60 560

* Assets pledged as collateral only includes Nekkar ASA and Syncrolift AS. The pledged assets are presented in the balance sheet under the different categories.

Note 7 Share capital and shareholder information

Amounts in NOK 1000

Date	Number of shares	Nominal value	Share capital
31.12.20	106 327 129	0.11	11 695 984
31.12.19	105 620 078	0.11	11 618 209

In 2020 there was an increase in share capital of NOK 77 776 and an increase in share premium of NOK 2 751 224.

The capital increase was related to a share purchase program where 707 051 shares were issued.

Dividends paid and proposed:	2020	2019
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	0.00	4.00

Treasury shares:	Number of shares	Share capital
Treasury shares as of 31.12.2019	6 632	1
Sale of treasury shares 2019		-
Treasury shares as of 31.12.2019	6 632	1
Sale of treasury shares 2020	-	-
Treasury shares as of 31.12.2020	6 632	1

Principal shareholders of Nekkar ASA as of 31.12.2020:

Shareholder	Number of shares	Ownership	Voting share ⁴⁾
SKEIE TECHNOLOGY AS 1,3)	26 568 237	25.0%	25.0%
RASMUSSENGRUPPEN AS	11 512 506	10.8%	10.8%
MP PENSJON PK	5 880 713	5.5%	5.5%
TIGERSTADEN AS	5 526 634	5.2%	5.2%
SKEIE CAPITAL INVESTMENT AS 1,3)	4 907 586	4.6%	4.6%
AVANZA BANK AB	4 261 099	4.0%	4.0%
VINTERSTUA AS	2 672 200	2.5%	2.5%
FENDER EIENDOM AS	1 554 626	1.5%	1.5%
SKEIE CONSULTANTS AS 2)	1 507 243	1.4%	1.4%
MORGAN STANLEY & Co. INTERNATIONAL	1 483 824	1.4%	1.4%
ITLUTION AS	1 475 261	1.4%	1.4%
ROGER SEBASTIAN SEDAL	1 460 000	1.4%	1.4%
TIGERSTADEN INVEST AS	1 450 000	1.4%	1.4%
EINAR PEDERSEN	1 000 000	0.9%	0.9%
PIROL AS	1 000 000	0.9%	0.9%
NAWA INVEST AS	1 000 000	0.9%	0.9%
GUTTIS AS	1 000 000	0.9%	0.9%
TIGERGUTT INVEST AS	999 981	0.9%	0.9%
SONGA CAPITAL AS	871 507	0.8%	0.8%
Nordnet Bank AB	823 026	0.8%	0.8%
Total, 20 largest shareholders	76 954 443	72.4%	72.4%
own shares	6 632	0.0%	0.0%
Total other	29 366 054	27.6%	27.6%
Total	106 327 129	100.0%	100.0%

1) The Skeie family and companies directly or indirectly controlled by them hold 31 475 823 shares, representing 29.6% of total shares.
2) Bjarne Skeie and companies directly or indirectly controlled by him hold 1 507 243 shares, representing 1.4% of total shares.
3) Trym Skeie holds 428 111 shares in person, 804 828 via Skeie Kappa Invest AS and 250 000 shares via Skeie Alpha Invest AS. Total shares owned or controlled by Trym Skeie, and companies directly or indirectly controlled by him, are 1 482 939, representning 1.4% of total shares
4) Voting portion is calculated after eliminating shares held by Nekkar ASA

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

	Shares			Conversion rights from subordinated convertible loan		
	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
Board members						
Trym Skeie ¹⁾	1 482 939	1 377 958	573 140	-	-	804 829
Marit Solberg	73 479					
Group Executives						
Preben Liltved	74 979					
Rolf-Atle Tomassen	150 000	150 000				
Mette Harv	189 958	80 000				

1) Trym Skeie holds 428 111 shares in person, 804 828 via Skeie Kappa Invest AS and 250 000 shares via Skeie Alpha Invest AS. Total shares owned or controlled by Trym Skeie, and companies directly or indirectly controlled by him, are 1 482 939, representning 1.4% of total shares

27 May 2020, the Annual General Meeting adopted a resolution to give the Board general authority to issue a maximum of 10 562 008 shares against cash or non-monetary redemption, including merger related activities 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 2021. During 2020, 707 051 shares have been issued in relation to a share employee program, hence the remaining share issue authority as per 31 December 2020 is 9 854 957 shares.

27 May 2020, the Annual General Meeting adopted a resolution to give the Board authority to issue a maximum of 2 789 416 shares against cash

redemption for the benefit of the company’s executive management. This authorization is valid until 27 May 2022. As per 31 December 2020, there are no share options in palce in the company.

27 May 2020, the Annual General Meeting adopted a resolution to give the Board authority to buy a maximum of 7 276 737 shares in Nekkar ASA within a price range of NOK 1 to NOK 25. The authority can be used to buy own shares for deletion, or to use the shares as part of remuneration of leading employees. The authority is valid until the next Annual General Meeting or latest 30 June 2021. No shares have been bought on the basis of this authorization as of 28 April 2021.

Note 8 Cash and cash equivalents
Amounts in NOK 1000

	2020	2019
Bank deposits, cash etc. as per 31.12. ¹⁾	44 354	31 120
Deposits (+)/withdrawals (-) from cash pool account system as at 31.12.	262 823	177 609

1) Restricted bank deposits per 31 December 2020 were TNOK 1 500 and is related to employee’s tax withholding.

Note 9 Tax

Amounts in NOK 1000

Change in deferred tax assets and deferred tax liabilities:

	1.1.2019	Changes 2019	31.12.2019	Changes 2020	31.12.2020
Deferred tax					
Fixed assets	834	-2 026	-1 192	769	-424
Pension fund / liabilities	-	-	-	-	-
Credit deduction carried forward	-	-	-	-	-
Allowance carried forward	-	-	-	-	-
Convertible debt	1	-1	-	-	-
Tax loss carry forward	-65 286	16 336	-48 950	8 675	-40 275
Gross deferred tax (assets = - / liabilities = +)	-64 451	14 309	-50 142	9 444	-40 698
Unrecognized deferred tax assets related tax losses	47 414	-30 937	14 950	-8 675	6 275
Unrecognized deferred tax assets related to other temp. differences	-834	2 026	1 192	-769	423
Net deferred tax reported (assets = - / liabilities = +)	-17 871	-14 602	-34 000	-0	-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, Syncrolift AS, and Nekkar 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 of 31 December 2020.

Breakdown of differences between profit before tax as per the accounts and tax basis for year:	2020	2019
Result before tax	-54 159	42 032
Permanent differences	105 483	4 945
Change to temporary profit/loss differences	-769	2 026
Reversed group contribution from subsidiaries	-71 348	-59 647
Tax basis for the year before group contribution	-20 793	-10 644

Breakdown of tax costs:	2020	2019
Tax payable		
Withholding tax from activities outside Norway		-74
Effect of group contribution on deferred tax	15 697	13 122
Effect of tax on issue costs netted directly with deferred tax assets		
Not allocated deferred tax related to tax losses	-	-
Unrecognized change in other temp.differences	-769	2 026
Changes to deferred tax assets	-14 928	-30 937
Tax cost	-	-16 203

Note 10 Other current liabilities

Amounts in NOK 1000

	2020	2019
Provision for unpaid wages and salaries	163	238
Provision for holiday pay	1 410	1 763
Provision for settlement of the Cargotec / MacGregor arbitration	94 102	-
Other accrued expenses	9 899	12 015
Total other current liabilities	105 573	14 016

Note 11 Related parties

Amounts in NOK 1000

Subsidiaries ([Note 4](#)) and members of the Board ([Note 1](#)) and members of the Senior Executive Group are considered as related parties. Nekkar ASA is involved in various transactions with associated companies where all transactions are based on normal course of business and at arm's length prices.

	2020	2019
SALES, ROYALTIES, SALES FEES, GROUP FEE:		
Subsidiaries	4 307	15 105
COST OF SALES:		
Subsidiaries	-	-
BALANCE SHEET ITEMS RELATED TO PURCHASE AND SALE OF GOODS AND SERVICES:		
Receivables		
Loans to group companies	16 835	16 033
Accounts receivables	1 039	1 732
Other short term receivables	71 348	13 122
Current liabilities		
Accounts payable to subsidiaries	375	-
Other short term payables to subsidiaries	262 823	143 676
Short term payables to Joint ventures	-	-

The CEO, Preben Liltved, is hired from Eyde Mooring Solutions AS. See [Note 1](#) for details.

Information on the Board and Senior Executive Group's shares is stated in [Note 7](#).

In addition to the above mentioned transactions and [Note 7](#), there are no further agreements or commitments between the group and the related parties.

Note 12 Other operating costs

Amounts in NOK 1000

	2020	2019
Cost of premises	466	1 453
IT costs	2 761	1 850
Marketing, travel	79	1 399
Consultancy, hire-ins and external services	3 989	6 407
Other expenses	717	2 163
Total other operating costs	8 012	13 273

Note 13 Financial items and exchange rate gains/losses

Amounts in NOK 1000

	2020	2019
Contribution from subsidiaries	71 348	59 647
Gain/loss(-) from sale of subsidiaries / shares in financial investments ¹⁾	-106 688	-4 808
Interest income from companies in same group	802	17 259
Other financial income	553	4 628
Interest paid to companies in same group	-	-3 900
Interest paid to financial institutions	-	-15 872
Other financial costs	-3 768	-3 750
Net exchange rate gains (losses)	475	698
Total	-37 279	53 902

1) See [Note 14](#)

Exchange rate gains/losses:

Currency differences booked to income and costs in the profit and loss account are as follows:	2020	2019
Currency exchange income	1 042	22 673
Currency exchange costs	-567	-21 975
Total	475	698

Note 14 Gain-/loss calculation disposal of shares

Amounts in NOK 1000

MacGregor / Cargotec Transaction

Nekkar ASA signed an asset sale agreement on 8 February 2018 with MacGregor, a subsidiary of Cargotec Oyj, where the company agreed to sell its Marine and Offshore business. Completion of the transaction took place 31 July 2019 and Nekkar received 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 2019 according to procedures provided in the transaction agreement.

Following the transaction, there was a dispute between the parties related to the purchase price calculation, and Cargotec / MacGregor claimed a downward purchase price adjustment of approximately MNOK 240. In the 2019 financial statements, the accounting of the transaction resulted in a loss of MNOK 4.8. The claim presented by Cargotec / MacGregor was not adequately substantiated nor sufficiently documented, hence no provision related to the disputed amount

was included in the financial statements as of 31 December 2019 as the outcome could not be determined with sufficient reliability (IAS 37.25). During 2020, arbitration proceedings was initiated.

On 11 January 2021, a global settlement agreement of the Cargotec / MacGregor arbitration was reached between Nekkar ASA and MacGregor. The settlement resulted in a total payment of MNOK 94 from Nekkar to MacGregor, which comprises of payment of disputed items and previously withheld amount. The payment includes final agreement regarding the calculation of the purchase price as well as full and final settlement and release from warranties and obligations under the asset sale agreement.

MNOK 106.7 is recognized as loss from disposal of subsidiaries in the profit and loss statement for 2020. The amount includes the global settlement of MNOK 94 in addition to transaction-related expenses such as legal- and consultancy fees. Internal costs of MNOK 3.7 is included in the amount.

Note 15 Subsequent events

Amounts in NOK 1000

Subsequent events regarding Nekkar ASA are listed in [Note 24](#) in Nekkar's consolidated financial statement.

Auditors' report



KPMG AS
Kanalveien 11
Postboks 4 Kristianborg
5822 Bergen

Telephone +47 45 40 40 63
Fax +47 55 32 11 66
Internet www.kpmg.no
Enterprise 935 174 627 MVA

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 2020, profit and loss 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 2020, 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 2020, 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 2020, 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.

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knaresund	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund



Nekkar ASA

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

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 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.

How the matter was addressed in our audit

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 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.



Nekkar ASA

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 a true and fair view 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 true and fair view 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



Nekkar ASA

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 a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements 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, 28 April 2021
KPMG AS

Knut Olav Karlsen
State Authorised Public Accountant



A better future

ESG REPORT 2020

Contributing towards **a better future** for coming generations is a shared responsibility that Nekkar is proud to take.

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Disruptive technologies, sustainable results

Contributing towards a better future for coming generations is a shared responsibility that Nekkar is proud to take. By having a conscious approach to sustainability and the effects our operation has on our surroundings, we not only make the world a better place, but also make our company more profitable.



“A growing global population needs more proteins and the world needs more renewable energy.”

In this sustainability report, we present the main social, societal, and environmental challenges Nekkar faces, and how we approach them. However, sustainability is not primarily about this report. Sustainability is a business approach that aims to create long-term value for both shareholders and our surroundings by carefully considering the environmental, social and societal landscape we operate within. Because we believe that adopting such strategies fosters company longevity.

Although Nekkar's three priority areas – health and safety, ethics and anti-corruption and the environment – are universal for many companies around the world, I believe it is key for each company to find its own way to integrate sustainability in its business strategy.

In Nekkar we have identified our path. We possess world-leading competence within engineering, electrification, automation and digitalisation. We apply this competence as levers to develop new technologies that can make high growth industry sectors more productive, profitable and sustainable.

In practice, it means that we take the unique competence that our employees have built up in other industries and transfer it across to other high-growth industry sectors, such as aquaculture and renewable energy. A growing global population needs more proteins and the world needs more renewable energy. Our employees' competence can help achieve this in an even more sustainable manner.

To find out more about how Nekkar utilises ESG as topic to generate long-term value creation for society and shareholders, please have a look at the following pages.

Preben Liltved

Preben Liltved
CEO of Nekkar

About this report

This is Nekar ASA’s (Nekar) sustainability report for the reporting period 1 January to 31 December 2020.

For information about this report and its content, please contact Nekar’s CEO, Preben Liltved.

This report is prepared for Nekar and is inspired by the Oslo Stock Exchange (OSE) Euronext guidelines for sustainability reporting.

The report has been reviewed and approved by Nekar’s Board of Directors. It has not been audited by a third party.



About Nekkar

Nekkar is a company that utilises electrification, automation and digitalisation competence as levers to make sub-industrialised sectors more efficient, profitable and sustainable.

Key figures

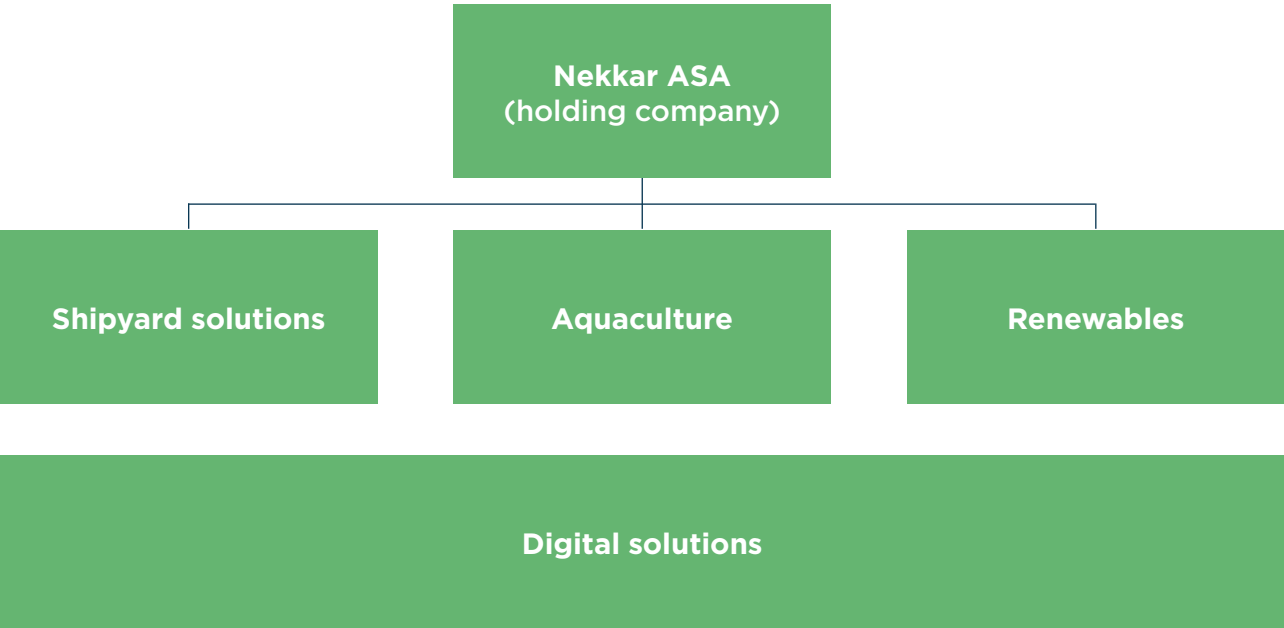


The company’s operations are divided into three business areas – Shipyard Solutions (Syncrolift), Aquaculture and Renewables – that are all supported by Nekkar’s Digital Solutions business unit which applies its unique competence within electrification, automation, and digitalisation across the entire Nekkar group.

Nekkar has extensive industrial experience and a strong legacy within product development and project execution from both the former TTS brand, which grew from a small business to a multi-billion global company, and the internationally recognised “drilling bay” in Kristiansand, Norway. Our highly competent employees have a long track record of innovation and product development.

Nekkar is an ASA company listed on the Oslo Stock Exchange (ticker: NKR).

Nekkar company structure



Locations

Nekkar (the holding company, as well as the Aquaculture, and Renewables and Digital business areas) is headquartered in Kristiansand, on the South coast of Norway. Shipyard Solutions is located in Vestby, with subsidiaries in Singapore and the US. The company also has a sales and service representative in Dubai.



At the end of 2020, Nekkar had 54 employees and 8 hired personnel (project-based). 17% of the company's employees are women and 83% are men.

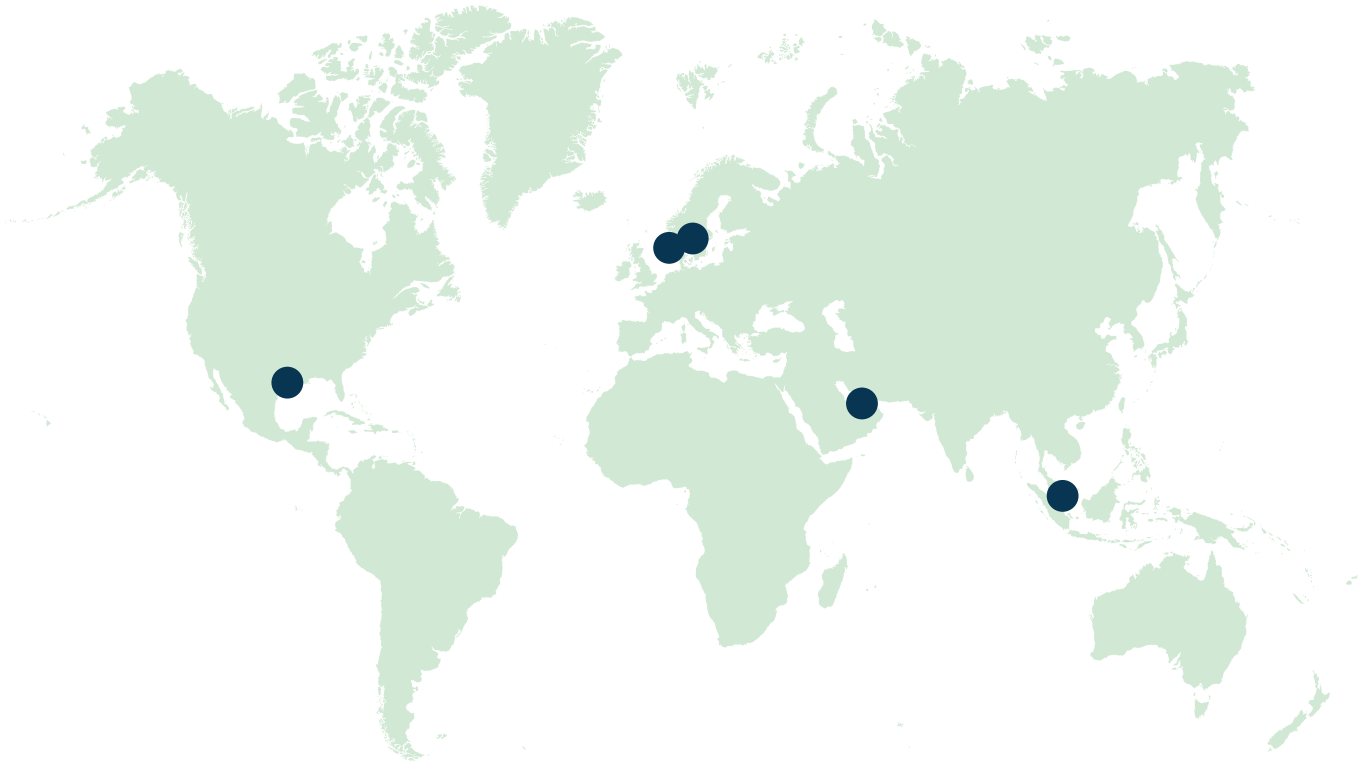
Employees by location

Location	Employee total
Kristiansand (Aquaculture, Renewables and Digital)	23
Vestby (Shipyard Solutions)	27 + 7 (project based)
Singapore (Shipyard Solutions subsidiary)	3
US (Shipyard Solutions subsidiary)	1
Dubai (Shipyard Solutions)	1 (project based)

54
EMPLOYEES

17
FEMALE EMPLOYEES
PERCENT

83
MALE EMPLOYEES
PERCENT



Corporate governance and sustainability approach

For Nekkar, adhering to good corporate governance standards is a prerequisite for long-term value creation.

The company strives to ensure that its internal control mechanisms, organisation and management structures comply with good corporate governance principles, including the Norwegian Code of Practice for Corporate Governance (NUES). Nekkar is also committed to OECD’s Guidelines for Multinational Enterprises and contributing to the improvement of international business standards and practices, especially with regards to questions of corruption, labour relations and the global environment. The company and its employees should at all times operate in an ethically and lawfully manner.

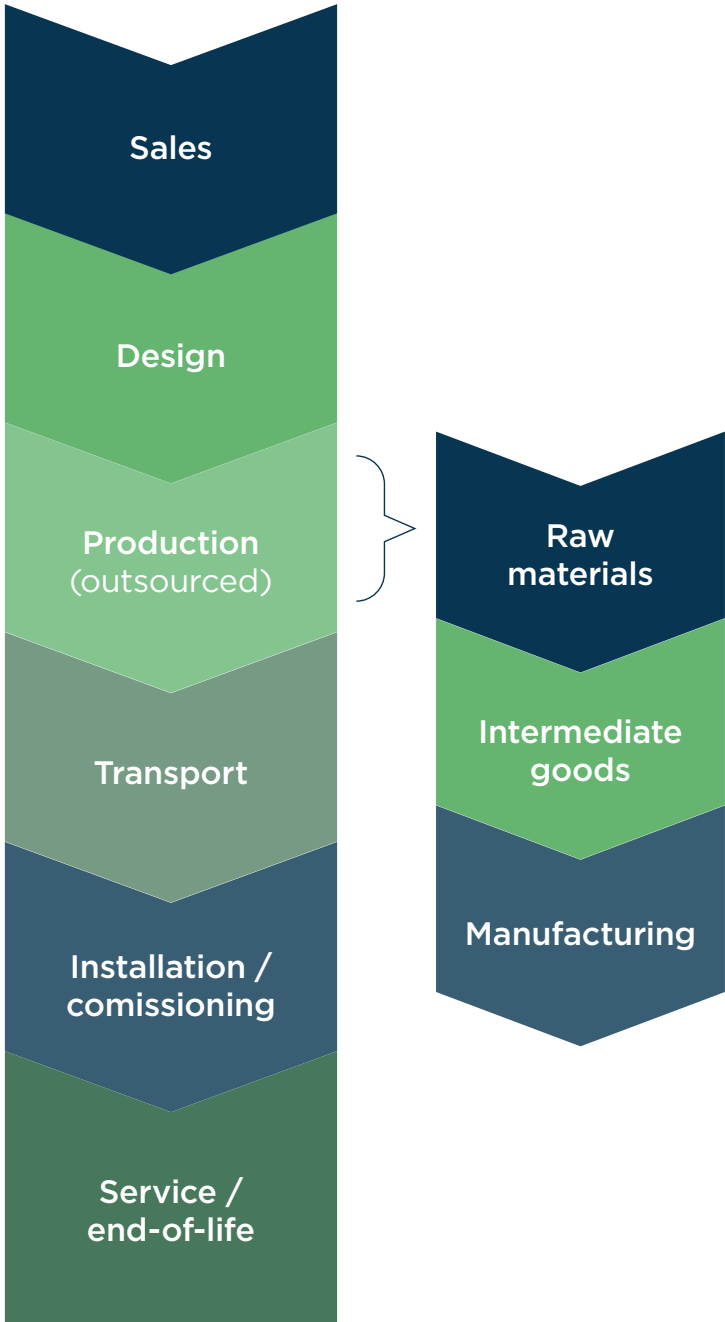
“The company and its employees should at all times operate in an ethically and lawfully manner.”

Nekkar’s governance structure shall ensure a systematic approach to corporate social responsibility. The Annual General Meeting (AGM) is Nekkar’s supreme governing body and where stakeholders can influence how sustainability is practiced. The Board of Directors (“the Board”) is responsible for ensuring that the company is organised, managed, and controlled in an appropriate and satisfactory manner in full compliance with applicable laws and regulations. The sustainability report has also been reviewed and approved by the Board. Corporate Executive Management bears the ultimate responsibility for the company’s strategy, development, and day-to-day work.

Nekkar’s main governing document is the company’s Code of Conduct, in addition to the Code of Conduct for Business Partners and the company’s Articles of Association.

Supply chain and sectors served

Nekkar’s business operations are mainly related to ocean-based industries and segments such as ports and harbours, aquaculture and renewable energy. Nekkar has global presence with projects all over the world.



Stakeholders

Investors

Nekkar’s investors and owners are primary stakeholders and directly affect the company’s priorities and strategic direction. Ensuring value for shareholders is one of the main priorities for the company.

Customers

Nekkar’s customers directly affect the company economically and the company’s ability to offer attractive products at acceptable cost is decisive for customer retention. Furthermore, an increased ESG awareness among customers is part of driving Nekkar’s sustainability priorities.

Employees

Nekkar’s employees are directly affected by the company’s internal policies and activities. The company is greatly dependent on its employees and the ability to attract and retain skilled talent.

Business partners/suppliers

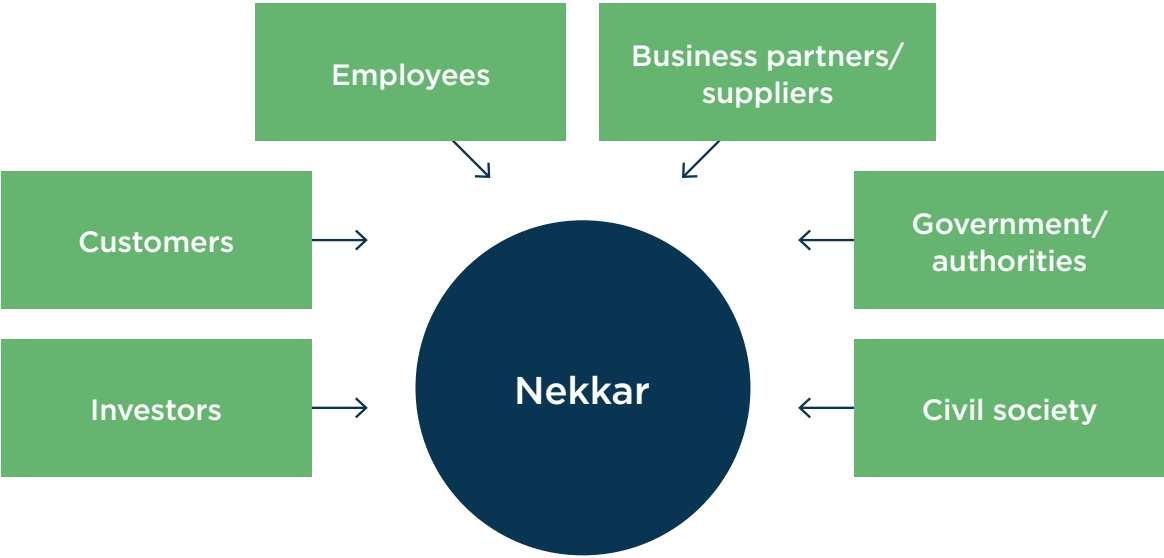
Suppliers are important stakeholders for Nekkar and are directly affected economically by the company. Also, suppliers’ responsibility is indirectly affected by Nekkar’s focus on responsible business practices as well as the expectations placed on them by the company.

Government/authorities

Nekkar is directly affected by government regulations in the countries in which it operates, and the company’s operating conditions is directly and indirectly affected by regulatory authorities. As a listed company, Nekkar is also bound by the Oslo Stock Exchange’s regulations.

Civil society

Local communities are indirectly, socially, environmentally and economically, affected by Nekkar’s activities in terms of job creation and tax contribution. Civil society is also environmentally impacted by the company’s products.



Defining Nekkar’s material topics

Inspired by the Oslo Stock Exchange (Euronext) guidelines for sustainability reporting, Nekkar conducted a materiality assessment in 2019.

The materiality assessment was based on interviews and reports from various business areas and departments within the Nekkar group as well as discussing and reviewing feedback from customers and other stakeholders where available and relevant. The results from the materiality assessment are presented in the below materiality matrix.

These topics can be narrowed down to the following three priority areas for Nekkar:

- Health and safety
- Ethics and anti-corruption
- Environment (product innovation, emissions and waste management)

For the 2021 reporting cycle the company is planning to undertake external stakeholder dialogue and a materiality assessment according to the General Reporting Initiative (GRI) Standards and/or the Euronext guidelines to ensure that it is reporting on relevant topics going forward.

Materiality assessment			
	Environment	Social	Governance
Internal	Innovation Waste and recycling <ul style="list-style-type: none">• Energy consumption• Travel emissions	Health and safety Employee satisfaction <ul style="list-style-type: none">• Development and appraisals	Code of conduct compliance Whistleblowing procedure ESG as part of bid review Data security
Suppliers	Supplier audits <ul style="list-style-type: none">• Emissions• Waste handling	Supplier audits <ul style="list-style-type: none">• Human and labour rights• Health and safety	Supplier audits <ul style="list-style-type: none">• CoC for Suppliers compliance
Customers	Innovation <ul style="list-style-type: none">• Semi-closed fish cage• Energy saving solutions• Waste water solutions	Site safety – planning and audit	

UN Sustainable Development Goals

In addition to reporting on material topics, the company supports the UN's Sustainable Development Goals (UN SDGs). Nekkar is implementing activities and initiatives relating to four of the SDGs, where the company has the potential to make the biggest contribution, including:



Nekkar promotes equal opportunities for employees regardless of their gender, age, ethnic or cultural background. All of Nekkar's employees should be treated with respect and the company shall ensure a safe and healthy working environmental for everyone.



Designing and adapting our products to foster innovation and the development of sustainable technology is a key consideration in Nekkar's product development. Nekkar is currently developing the 'Starfish' cage, which aims to improve the sustainability of fish farming by improving fish welfare and eliminating the sea lice and waste problem associated with fish farming.



The ocean represents a highly significant resource in terms of food, energy and value creation and have a high priority in our efforts to ensure a sustainable future. Nekkar's business operations are closely linked to the sea as our products are designed for the maritime and marine industries. Our goal is to design and produce products that can contribute positively to the development in the marine areas.



Nekkar aims to promote and maintain the highest ethical standards to create a trust-based relationship with our stakeholders. Nekkar shall comply with laws and regulations, act in an ethical, sustainable and socially responsible manner and otherwise practice good corporate governance.

Reporting themes and topics for 2020

In the next chapters, each of the suggested overarching sustainability topics and their relevance to Nekkar are discussed in detail.

Health and safety

Nekkar strives to create a safe and secure working environment for all personnel, and the company, its management and employees shall at all times comply with applicable rules and regulations in order to prevent accidents, injuries and damage to people, assets or the environment.

Employees are a key stakeholder group being directly affected by and having a high impact on Nekkar’s operations and business activities.

“Nekkar strives to create a safe and secure working environment for all personnel.”

Working at Nekkar could potentially involve health and safety risks to employees and the risks differ depending on whether employees are working in one of the company’s office locations or onsite. For employees doing production follow-up from suppliers or onsite inspections and installation supervision, there are work hazards that require special attention, including lifting, working at heights, working with scaffolding, dropped objects, trapping, entanglement, burns and other hazards arising from equipment use. Specific project risk assessments are regularly carried out for the work sites, which mainly relates to Shipyard Solutions’ projects. At our office locations, risks are mainly associated with sedentary work.

Nekkar has implemented an occupational health and safety management system at our location in Vestby which builds upon the Norwegian Working Environment Act, and a similar system is currently in planning for the headquarter in Kristiansand. The CEO as well as HR have the overall responsibility for health and safety at Nekkar, in addition to individual health and safety representatives for each business unit. All managers have a particular responsibility to monitor and mitigate any safety risks and report conditions that may impact quality, safety, environment or assets. Employees have a duty to

follow the company’s health and safety guidelines, prevent unsafe actions and otherwise promote good safety behaviour.

Nekkar’s policies and guidelines regarding health and safety are described in the company’s Health and Safety Handbook to which all employees have been onboarded. Employees also regularly receive training on work-related hazards, including fire safety. Service personnel undergo on the job training guided by experienced co-workers upon hiring, and they also attend specific health and safety training organised by clients to receive work permits before entering a work site.

In order to minimise health and safety risks, the company has taken a number of precautions. In addition to the guidelines outlined in the Health and Safety Handbook, the company has invested in ergonomic desks/chairs at the office locations, and also regularly conduct employee surveys through Motivati. At the work sites we carry out Safe Job Analysis, use personal protective equipment and carry out safety rounds with actions to prevent incidents and injuries. In 2020, the company conducted 6 safety rounds on-site.

Shipyard Solutions has been certified according to ISO 45001 Occupational Health and Safety, and employees working here have access to employee health services, such as massage/physiotherapy to minimise the risk of ergonomic health issues. In 2020 the company has implemented precautionary measures relating to the Covid-19 pandemic for all business units, following recommendations from national and local authorities. These measures include for instance increased cleaning of our offices and having employees work from home.

Health and safety requirements for our suppliers have until now followed the legislation and standards in the supplier’s home country. Suppliers can register injuries and work-related incidents through a manual system for non-conformities. Nekkar aims at increasing its effort with respect to suppliers’ compliance with our Code of Conduct in the time to come.

We continuously work towards our zero injuries vision; however, it is of critical importance to have full overview of any adverse event at Nekkar’s sites in order to be able to work on prevention and ensure a healthy and safe workplace. Injuries are registered at site level and all employees are encouraged to immediately report incidents or dangerous occurrences. Injuries and incidents are registered through the HSE web portal at Landax.no and in a mobile app, in addition to immediate internal notification to CEO, HR or nearest line manager. Examples for incidents to report include:

- Near incidents/ incidents, accidents, epidemic disease at office location, during site work, service or travelling
- Influence of damage/hazardous conditions
- Breaches of health and safety regulations
- Missing or evacuation of personnel
- Security breaches or criminal acts towards Nekkar and employees
- Spill/release of products which require notification to authorities and local response

In 2020, Nekkar had zero work incidents. The absence due to illness in the reporting period was 1.62%.

0

WORK ACCIDENTS

1.62%

ABSENCE DUE TO ILLNESS

The following goals and targets have been set for health and safety in 2021:

- Facilitating personnel development focusing on follow up of each employee through a systematic use of development appraisals
- Further improve health and safety processes and follow-up
- Implement revised process for follow-up of the health and safety of subcontractors
- Re-establish Nekkar Emergency Response Team

Governance, ethics and anti-corruption

The company’s ability to create value depends on the ability to promote and maintain a high ethical standard and create a trust-based relationship with stakeholders. However, as a global company, Nekkar is both directly and indirectly exposed to ethical risks throughout its value chain.

The company and its employees shall comply with applicable laws and regulations, act in an ethical, sustainable and socially responsible manner and otherwise practice good corporate governance. All our business should be conducted in a manner that respects internationally recognised human and labour rights. The company oppose from all forms of discrimination, human trafficking, forced labour and illicit forms of child labour in our operations or value chain.

“All our business should be conducted in a manner that respects internationally recognised human and labour rights.”

Nekkar is committed to follow internationally recognised business standards and practice and follows OECD’s guidelines for Multinational Businesses. The company adheres to international and national laws and regulations, including (but not limited to) the Human Rights Act, the Money Laundering Act, and the Penal Code with related regulations. Our guidelines for ethics, anti-corruption and conflict of interest are described in the company’s Code of Conduct, which sets the expectation for personal conduct and business practice.

The company does not have an ethics committee as of today, but the Management Group is responsible for communication about and compliance with the Code of Conduct, and all employees are expected to read, understand and comply with this. The Nekkar Code of Conduct is shared with all new employees as part of the onboarding process and joint information meetings are held whenever the Code of Conduct is updated. In 2019 Code of Conduct workshops were held at all our business locations as well as workshops focused on raising ethical awareness.

Nekkar has developed a Business Partners Code of Conduct, which is part of our standard terms and conditions in contracts with business partners. New business partners usually sign contracts where our anti-corruption policies are stated, and the company itself or a third party on our behalf conducts risk assessments in relation to financial and illicit activities for new suppliers, customers and sales representatives. Shipyard Solutions also uses a supplier evaluation questionnaire, which is required to be filled in order to become an approved supplier. The evaluation form includes questions on sustainability, ethical standards, environmental management and health and safety.

The company does not tolerate any form of corruption, which is clearly stated in our Code of Conduct. The highest risks are considered to be related to Shipyard Solutions’ activities as the company delivers projects to countries which,

according to the Transparency International’s Corruption Perception Index, has a heightened risk of corruption, including China and Vietnam, the Middle East, Africa and South America. However, based on the risk assessment carried out by the company, risk exposure is considered to be limited. The remainder of Nekkar’s operation takes place in countries where the risk of corruption is considered to be low.

The company does not have an anonymous whistleblowing channel as of today, however, all conditions, which give rise to ethical issues or is considered a breach of the Code of Conduct

is expected to be reported to an employee’s closest line manager or to the HR department and registered, so that necessary follow-up can be done, and suitable measures implemented. Examples of concerns related to Nekkar’s business practices that may be reported include al-legations such as:

- Criminal activities
- Violations of health, safety or the environment
- Infringements of Nekkar’s Code of Conduct
- Violation of generally accepted rules/standards

There were zero confirmed incidents of corruption in 2020.



The following goals and targets have been set for governance, ethics and anti-corruption in 2021:

- Revise procurement routines and procedures for Nekkar’s employees and management group
- Ensure regular information and training on ethics and anti-corruption, for example through townhall meetings
- Follow-up the Code of Conduct for Business Partners, making sure that this is well known and complied with by new business partners
- Re-establish an anonymous whistle-blowing channel for reporting irregularities/concerns
- Get employees to sign for having read and understood the company’s Code of Conduct

Environmental and climate impact

As a manufacturing business, Nekkar’s business activities have both direct and indirect impact on climate and the environment.

As Nekkar’s business activities are mainly related to the marine and maritime industries, our company has both an impact and responsibility to ensure sustainable use of our oceans, and the company recognises the ocean as a highly important resource in terms of biodiversity, food, energy and value creation in general. As a global industrial company with several offices and employees all around the world, Nekkar also has a direct and indirect impact on the environment through greenhouse gas emissions and waste generation.

Reducing our environmental footprint is a key objective and in order to succeed, the company needs to engage all our employees in the process. In 2020 the company introduced “Green Days”, which is a creative workshop for all employees where we get together to discuss and develop sustainable ideas. Nekkar also started a project where we aim to have a closer cooperation with our suppliers, increasing their awareness around issues related to emissions and waste.

Although the company aims to avoid any negative environmental impact of its operations, there is still room for improvement. Nekkar takes several measures to ensure that operations are conducted in accordance with applicable environmental standards, limiting or reducing our environmental footprint as much as possible. This includes designing and developing sustainable and environmentally friendly products, reducing emissions where we can (including energy consumption at our offices, transport of products/ equipment and employee business travel), as well as implementing good waste management procedures (take-back schemes, reuse, and recycling of products and equipment).

Designing and offering sustainable and environmentally friendly products

Nekkar aims to contribute to the sustainable use and development of marine resources through its innovative products. New business opportunities focus on impact technology solutions combined with high-end software solutions that will positively contribute to increased sustainability. In our digital solutions the focus is technology enabling electrification and reduced energy consumption in general, which thereby contributes to reduced greenhouse gas emissions.

Nekkar is currently in the process of developing “Starfish”, a semi-closed fish cage designed to improve fish welfare and reduce the lice and waste problem associated with fish-farming. The fish cage will be manufactured in light and eco-friendly materials, where the inner canvas will be recyclable and made of materials that remove the need for chemicals during cleaning. The goal is to collect at least 90% of the waste and develop environmentally friendly solutions for waste management instead of exposing the sea water. The waste consists of dead fish or feed remains that can be reused as fertiliser.

Shipyard Solutions contributes to reducing unwanted emissions into the sea. The ship lifts are designed to provide better control than a traditional dock, and in 2019 the first closed system for collecting wastewater was delivered. This year an upgraded version where the wastewater is cleaned will be delivered. Shipyard Solutions is also investigating solutions for regenerating energy made during the lifting operations into the subsequent transfer of the ship.

Reducing emissions

Nekkar has no emissions from sources that are owned or controlled by the company (scope 1 emissions). The heating and ventilation of office buildings in Norway and Singapore is the main source of indirect emissions (scope 2 emissions). As our offices in Norway are quite old and in need for an upgrade, the company has in 2020 discussed specific plans to relocate to more environmentally friendly offices. Shipyard Solution moved into new and modern premises in Vestby 1 April 2021, while the company plans to relocate Nekkar’s headquarter in Kristiansand within 2021.

Our largest source of indirect GHG emissions is through outsourced global production, particularly in terms of steel manufacturing and the transportation from suppliers to the installation sites. Although business travel was significantly reduced due to the Covid-19 pandemic, this is something that would normally have a significant impact on the company’s indirect GHG emissions. The company has not been able to collect data for CO₂ emissions from sources outside our financial or operational control in 2020 but aims to start climate accounting on all three scopes in 2021.

The below data on greenhouse gas emissions includes the following sources of CO₂ emissions:

- Scope 2 indirect emissions: electricity consumption

Energy use by location

Location	Energy use 2020
Kristiansand	55.435 MWh
Drøbak ¹⁾	146.223 MWh
Singapore	4.080 MWh
Group total	205.738 MWh

1) Syncrolift moved into a new office location in Vestby, 1 April 2021.

Waste management, recycling and reuse

One of our key focus areas is to reduce the amount of waste we produce from our business activities. Nekkar’s products are mainly made out of steel, electro components, hydraulic and paint. Although our products have a long lifetime (approximately 25 years), the company facilitate recycling and reducing waste for our customers when using our products.

When products are upgraded the old steel assemblies as well as wooden decking, old rail systems, wire ropes, and hydraulic oil are scrapped and recycled. Motors and wire sheaves are usually refurbished and reinstalled.

Waste from our in-house operations is relatively limited.

The following goals and targets have been set for environment and climate in 2021:

- Introduce climate accounting on both scope 1, 2 and 3
- Arrange another “Green Day” creative workshop for employees
- Further develop existing and new products that can contribute positively to the development in the marine areas, including completion of the Starfish cage
- Review material use and recycling of Nekkar products

Statement on compliance

Today, the Board of Directors and the CEO has reviewed and approved the 2020 Annual Report which includes the Board of Directors’ report and the consolidated and separate financial statements related to Nekkar ASA as of 31 December 2020.

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 2020 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 2020 has been prepared in accordance with the Norwegian Accounting Act and Norwegian Accounting Standards

Kristiansand, 28 April 2021
The Board and Management of Nekkar ASA

 Trym Skeie Chairman	 Gisle Rike Director	 Marit Solberg Director
 Ingunn Svegård Director	 Preben Liltved Interim CEO	





Contact Nekkar

Address: Andøyfaret 31
4623 Kristiansand, Norway

Email: info@nekkar.com

Web: nekkar.com