



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

### Enheten

|                      |                                 |
|----------------------|---------------------------------|
| Organisasjonsnummer: | 917 327 122                     |
| Organisasjonsform:   | Aksjeselskap                    |
| Foretaksnavn:        | NAVICO GROUP AS                 |
| Forretningsadresse:  | Elganeveien 1<br>4373 EGRERSUND |

### Regnskapsår

|                         |                         |
|-------------------------|-------------------------|
| Årsregnskapets periode: | 01.01.2018 - 31.12.2018 |
|-------------------------|-------------------------|

### Konsern

|                           |    |
|---------------------------|----|
| Mørselskap i konsern:     | Ja |
| Konsernregnskap lagt ved: | Ja |

### Regnskapsregler

|  |                                    |
|--|------------------------------------|
| Regler for små foretak benyttet:                           | Nei                                |
| Benyttet ved utarbeidelsen av årsregnskapet til selskapet: | Regnskapslovens alminnelige regler |
| Benyttet ved utarbeidelsen av årsregnskapet til konsernet: | IFRS                               |

### Årsregnskapet fastsatt av kompetent organ

|  |                     |
|--|---------------------|
| Bekreftet av representant for selskapet: | Jeroe van de Polder |
| Dato for fastsettelse av årsregnskapet:  | 24.06.2019          |

### Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert  
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 03.11.2020



## Resultatregnskap

| Beløp i: USD                                 | Note | 2018            | 2017            |
|--|------|-----------------|-----------------|
| <b>RESULTATREGNSKAP</b>                      |      |                 |                 |
| <b>Kostnader</b>                             |      |                 |                 |
| Annen driftskostnad                          | 3    |                 | 54 000          |
| <b>Sum kostnader</b>                         |      |                 | <b>54 000</b>   |
| <b>Driftsresultat</b>                        |      |                 |                 |
|  |      |                 | <b>-54 000</b>  |
| Annen finanskostnad                          |      | 353 000         | 437 000         |
| <b>Sum finanskostnader</b>                   |      | <b>353 000</b>  | <b>437 000</b>  |
| <b>Netto finans</b>                          |      | <b>-353 000</b> | <b>-437 000</b> |
| <b>Ordinært resultat før skattekostnad</b>   |      | <b>-353 000</b> | <b>-491 000</b> |
| <b>Ordinært resultat etter skattekostnad</b> |      | <b>-353 000</b> | <b>-491 000</b> |
| Skattekostnad på ekstraordinært resultat     | 4    | 1 000           |                 |
| <b>Årsresultat</b>                           |      | <b>-354 000</b> | <b>-491 000</b> |



## Balanse

| Beløp i: USD                          | Note | 2018               | 2017               |
|---------------------------------------|------|--------------------|--------------------|
| <b>BALANSE - EIENDELER</b>            |      |                    |                    |
| <b>Anleggsmidler</b>                  |      |                    |                    |
| <b>Immaterielle eiendeler</b>         |      |                    |                    |
| <b>Finansielle anleggsmidler</b>      |      |                    |                    |
| Investering i datterselskap           | 1    | 272 080 000        | 246 080 000        |
| <b>Sum finansielle anleggsmidler</b>  |      | <b>272 080 000</b> | <b>246 080 000</b> |
| <b>Sum anleggsmidler</b>              |      | <b>272 080 000</b> | <b>246 080 000</b> |
| <b>Omløpsmidler</b>                   |      |                    |                    |
| <b>Varer</b>                          |      |                    |                    |
| <b>Fordringer</b>                     |      |                    |                    |
| Kundefordringer                       |      | 6 199 000          | 15 300 000         |
| <b>Sum fordringer</b>                 |      | <b>6 199 000</b>   | <b>15 300 000</b>  |
| <b>Sum omløpsmidler</b>               |      | <b>6 199 000</b>   | <b>15 300 000</b>  |
| <b>SUM EIENDELER</b>                  |      | <b>278 279 000</b> | <b>261 380 000</b> |
| <b>BALANSE - EGENKAPITAL OG GJELD</b> |      |                    |                    |
| <b>Egenkapital</b>                    |      |                    |                    |
| <b>Innskutt egenkapital</b>           |      |                    |                    |
| Aksjekapital                          |      | 906 000            | 595 000            |
| Overkurs                              |      | 284 072 000        | 258 383 000        |
| <b>Sum innskutt egenkapital</b>       |      | <b>284 978 000</b> | <b>258 978 000</b> |
| <b>Opptjent egenkapital</b>           |      |                    |                    |
| Udekket tap                           |      | 13 357 000         | 12 990 000         |
| <b>Sum opptjent egenkapital</b>       |      | <b>-13 357 000</b> | <b>-12 990 000</b> |
| <b>Sum egenkapital</b>                | 2    | <b>271 621 000</b> | <b>245 988 000</b> |



## Balanse

| <b>Beløp i: USD</b>             | <b>Note</b> | <b>2018</b>        | <b>2017</b>        |
|---------------------------------|-------------|--------------------|--------------------|
| <b>Sum langsiktig gjeld</b>     |             | <b>0</b>           | <b>0</b>           |
| <b>Kortsiktig gjeld</b>         |             |                    |                    |
| Leverandørgjeld                 |             | 17 000             | 31 000             |
| Annen kortsiktig gjeld          |             | 6 641 000          | 15 361 000         |
| <b>Sum kortsiktig gjeld</b>     |             | <b>6 658 000</b>   | <b>15 392 000</b>  |
| <b>Sum gjeld</b>                |             | <b>6 658 000</b>   | <b>15 392 000</b>  |
| <b>SUM EGENKAPITAL OG GJELD</b> |             | <b>278 279 000</b> | <b>261 380 000</b> |

**Konsernets resultatregnskap**

| <b>Beløp i: USD</b>                           | <b>Note</b> | <b>2018</b>        | <b>2017</b>        |
|---|-------------|--------------------|--------------------|
| <b>RESULTATREGNSKAP</b>                       |             |                    |                    |
| <b>Inntekter</b>                              |             |                    |                    |
| Salgsinntekt                                  | 6,7         | 372 857 000        | 327 198 000        |
| <b>Sum inntekter</b>                          |             | <b>372 857 000</b> | <b>327 198 000</b> |
| <b>Kostnader</b>                              |             |                    |                    |
| Varekostnad                                   | 9           | 194 452 000        | 166 209 000        |
| Lønnskostnad                                  | 11          | 77 006 000         | 62 522 000         |
| Avskrivning                                   | 12          | 47 814 000         | 44 055 000         |
| Annen driftskostnad                           | 10,13       | 22 459 000         | 31 680 000         |
| <b>Sum kostnader</b>                          |             | <b>341 731 000</b> | <b>304 466 000</b> |
| <b>Driftsresultat</b>                         |             | <b>31 126 000</b>  | <b>22 732 000</b>  |
| <b>Finansinntekter og finanskostnader</b>     |             |                    |                    |
| Annen finansinntekt                           | 14          | 12 021 000         | 1 582 000          |
| <b>Sum finansinntekter</b>                    |             | <b>12 021 000</b>  | <b>1 582 000</b>   |
| Annen finanskostnad                           | 14          | 24 349 000         | 30 798 000         |
| <b>Sum finanskostnader</b>                    |             | <b>24 349 000</b>  | <b>30 798 000</b>  |
| <b>Netto finans</b>                           |             | <b>-12 328 000</b> | <b>-29 216 000</b> |
| <b>Ordinært resultat før skattekostnad</b>    |             | <b>18 798 000</b>  | <b>-6 484 000</b>  |
| Skattekostnad på ordinært resultat            | 19          | 3 526 000          | -19 245 000        |
| <b>Ordinært resultat etter skattekostnad</b>  |             | <b>15 272 000</b>  | <b>12 761 000</b>  |
| <b>Årsresultat</b>                            |             | <b>15 272 000</b>  | <b>12 761 000</b>  |
| Minoritetsinteresser                          |             | -516 000           |                    |
| <b>Årsresultat etter minoritetsinteresser</b> |             | <b>15 788 000</b>  |                    |
| <b>Overføringer og disponeringer</b>          |             |                    |                    |
| Overføring til/fra annen egenkapital          |             | 15 272 000         | -12 761 000        |
| <b>Sum overføringer og disponeringer</b>      |             | <b>15 272 000</b>  | <b>-12 761 000</b> |



## Konsernets balanse

| Beløp i: USD                                     | Note  | 2018               | 2017               |
|--|-------|--------------------|--------------------|
| <b>BALANSE - EIENDELER</b>                       |       |                    |                    |
| <b>Anleggsmidler</b>                             |       |                    |                    |
| <b>Immaterielle eiendeler</b>                    |       |                    |                    |
| Forskning og utvikling                           | 15,16 | 65 508 000         | 57 913 000         |
| Konsesjoner, patenter, lisenser, varemerker o.l. | 15,16 | 159 291 000        | 154 402 000        |
| Utsatt skattefordel                              | 19    | 1 498 000          | 1 718 000          |
| Goodwill   | 15,16 | 205 538 000        | 201 712 000        |
| <b>Sum immaterielle eiendeler</b>                |       | <b>431 835 000</b> | <b>415 745 000</b> |
| <b>Varige driftsmidler</b>                       |       |                    |                    |
| Tomter, bygninger og annen fast eiendom          | 17    | 14 247 000         | 14 226 000         |
| Maskiner og anlegg                               | 17    | 27 360 000         | 27 054 000         |
| Driftsløsøre, inventar, verktøy, kontormaskiner  | 17    | 13 613 000         | 12 897 000         |
| <b>Sum varige driftsmidler</b>                   |       | <b>55 220 000</b>  | <b>54 177 000</b>  |
| <b>Finansielle anleggsmidler</b>                 |       |                    |                    |
| Lån til foretak i samme konsern                  | 20    |                    | 8 388 000          |
| Andre fordringer                                 | 20    | 2 921 000          | 2 428 000          |
| <b>Sum finansielle anleggsmidler</b>             |       | <b>2 921 000</b>   | <b>10 816 000</b>  |
| <b>Sum anleggsmidler</b>                         |       | <b>489 976 000</b> | <b>480 738 000</b> |
| <b>Omløpsmidler</b>                              |       |                    |                    |
| <b>Varer</b>                                     |       |                    |                    |
| Varer  | 21    | 84 174 000         | 78 308 000         |
| <b>Sum varer</b>                                 |       | <b>84 174 000</b>  | <b>78 308 000</b>  |
| <b>Fordringer</b>                                |       |                    |                    |
| Kundefordringer                                  | 22    | 62 623 000         | 60 524 000         |
| Andre fordringer                                 | 23    | 7 125 000          | 4 411 000          |
| <b>Sum fordringer</b>                            |       | <b>69 748 000</b>  | <b>64 935 000</b>  |
| <b>Bankinnskudd, kontanter og lignende</b>       |       |                    |                    |
| Bankinnskudd, kontanter og lignende              | 24    | 15 068 000         | 5 845 000          |
| <b>Sum bankinnskudd, kontanter og lignende</b>   |       | <b>15 068 000</b>  | <b>5 845 000</b>   |



## Konsernets balanse

| Beløp i: USD                             | Note  | 2018               | 2017               |
|--|-------|--------------------|--------------------|
| Sum omløpsmidler                         |       | 168 990 000        | 149 088 000        |
| <b>SUM EIENDELER</b>                     |       | <b>658 966 000</b> | <b>629 826 000</b> |
| <b>BALANSE - EGENKAPITAL OG GJELD</b>    |       |                    |                    |
| <b>Egenkapital</b>                       |       |                    |                    |
| <b>Innskutt egenkapital</b>              |       |                    |                    |
| Aksjekapital                             |       | 906 000            | 595 000            |
| Overkurs                                 |       | 284 072 000        | 258 383 000        |
| <b>Sum innskutt egenkapital</b>          |       | <b>284 978 000</b> | <b>258 978 000</b> |
| <b>Opptjent egenkapital</b>              |       |                    |                    |
| Annen egenkapital                        |       | 3 741 000          | 3 815 000          |
| <b>Sum opptjent egenkapital</b>          |       | <b>3 741 000</b>   | <b>3 815 000</b>   |
| Minoritetsinteresser                     |       | 732 000            | 1 248 000          |
| <b>Sum egenkapital</b>                   | 25    | <b>289 451 000</b> | <b>264 041 000</b> |
| <b>Gjeld</b>                             |       |                    |                    |
| <b>Langsiktig gjeld</b>                  |       |                    |                    |
| Utsatt skatt                             | 19    | 31 590 000         | 29 954 000         |
| <b>Sum avsetninger for forpliktelser</b> |       | <b>31 590 000</b>  | <b>29 954 000</b>  |
| <b>Annen langsiktig gjeld</b>            |       |                    |                    |
| Gjeld til kredittinstitusjoner           | 26,28 | 221 880 000        | 234 732 000        |
| Øvrig langsiktig gjeld                   | 27    | 13 305 000         | 16 125 000         |
| <b>Sum annen langsiktig gjeld</b>        |       | <b>235 185 000</b> | <b>250 857 000</b> |
| <b>Sum langsiktig gjeld</b>              |       | <b>266 775 000</b> | <b>280 811 000</b> |
| <b>Kortsiktig gjeld</b>                  |       |                    |                    |
| Gjeld til kredittinstitusjoner           | 26,28 | 7 836 000          | 19 037 000         |
| Leverandørgjeld                          | 29    | 86 425 000         | 57 570 000         |
| Betalbar skatt                           | 19    | 1 148 000          | 899 000            |
| Annen kortsiktig gjeld                   | 30    | 7 331 000          | 7 468 000          |
| <b>Sum kortsiktig gjeld</b>              |       | <b>102 740 000</b> | <b>84 974 000</b>  |



## Konsernets balanse

| <b>Beløp i: USD</b>             | <b>Note</b> | <b>2018</b>        | <b>2017</b>        |
|---------------------------------|-------------|--------------------|--------------------|
| Sum gjeld                       |             | 369 515 000        | 365 785 000        |
| <b>SUM EGENKAPITAL OG GJELD</b> |             | <b>658 966 000</b> | <b>629 826 000</b> |



EY Note:  
Signed version of FS. EY performed check  
to assure in line with audited FS and noted  
no issues.

# navico

## 2018 Annual Report



LOWRANCE

SIMRAD

B&G

C MAP



# navico





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# A Message from the CEO

**2018 has been another successful year for Navico, with a focus on building our digital capability, integrating C-MAP and other acquisitions, a renewed focus on our core products and the 10th consecutive year of sales growth.**

By investing in our brands and our core product development we have been able to maintain a leadership position and deliver continued sales growth of 14%.

By 2019 nearly all major product families will have been refreshed, offering the consumer most up-to-date products in the market. At the same time we have continued to gear up for future growth, by investing in our digital and original equipment manufacturer (OEM) boat partner business, including the integration of our C-MAP and Yacht Defined businesses. Further evidence of the importance of our drive to an integrated boat system has been the record growth of our Naviop onboard, digital boat control system.

There has been a continued growth of our capabilities to support the requirement of our consumers who are increasingly expecting a seamless integrated and connected experience across their mobile devices and boating navigation system. Navico, together with its partners, is working on the integration of other systems across the boat into the Navico control system. Navico is aiming to create seamless digital experience across multiple platforms, such as on-board screens, mobile devices and tables, so that end-users can enjoy fully integrated services both on and off water. An important part of this is creating a unique relationship with the customer and to facilitate this we are creating a cloud based ecosystem. As a result, we have increased investment in innovation and established key initiatives with the objective of accelerating our delivery of integrated and connected solutions, that will greatly enhance the experience of owning and using boats.

The strategic merger with C-MAP has given its first successes and the integration with the Navico activities will continue into 2019. With C-MAP we aim to ensure that we continue to develop the quality of our charting, into a market leading position, which will provide a direct benefit to our hardware sales, and also generate revenue from other important OEM customers. The C-MAP platform has also been integrated with the Embark mobile app platform providing a strong base for future app development.

The Yacht Defined acquisition in late 2017 has also led to the development of user friendly boat interfaces, targeted at the OEM boat manufactures, the first output of which has been the Information Display, which was launched in November at METS, and was extremely well received by our boat building partners as well as being a finalist for the prestigious Dame Awards

Meanwhile our core business continues to perform strongly despite competitive pressure, with sales growing by 10% organically, from strong performances in all regions.

Simrad continues to grow significantly with 18% growth in 2018 the 4th year in succession that it has made double digit growth. In 2018, the brand also further consolidated its reputation with the introduction the Halo Dome Radar and the Information Display, the new glass display that takes its inspiration from the automobile sector and is designed with the needs of boat builders in mind. The Simrad Go series continues to be a major success expanding the Simrad range beyond the technical audience to a broader leisure cruising marketing. In 2019 Simrad will continue to offer premium well designed products that meet the consumers need for easy to use equipment.

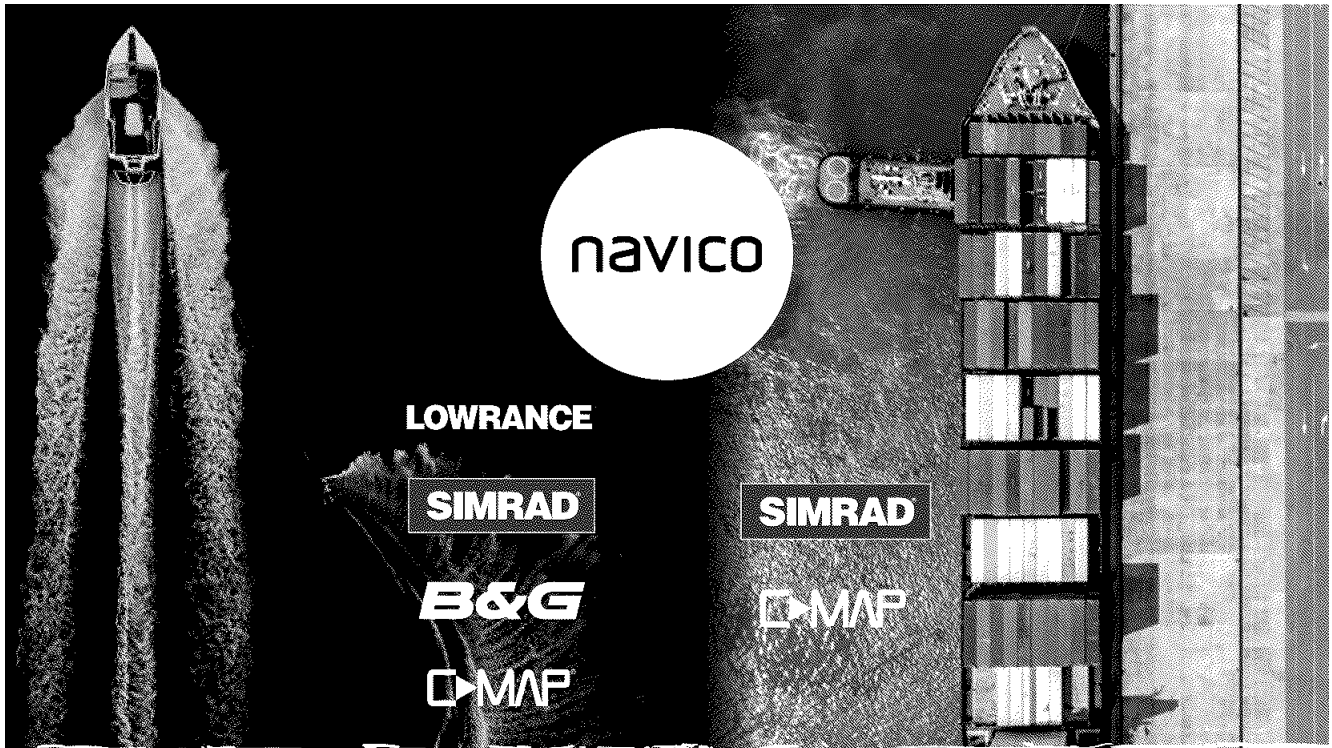
Lowrance continues to be the largest brand in the Navico portfolio and faced tough competitive pressure in 2018, however the launch of the new entry-level offering, HOOK<sup>2</sup> in late 2017 saw a return to strong orders in the entry level market. At the same time the mid-range Elite Ti and premium range HDS Carbon products were upgraded at the end of 2018 with the New Elite Ti<sup>2</sup> and HDS LIVE product ranges respectively. The combination of sell in orders for the new products and end of life sales for the 2017/18 models, saw a strong last quarter of sales in 2018. In 2019 the Lowrance portfolio, will all be under 18 months in age and be class leading. We are proud to say that, once again, Lowrance has won in the highly prestigious and widely respected champion's event, the Bassmaster Classic for the eighth year in a row, reinforcing Lowrance as the equipment of choice for professional competition anglers.

B&G continues to grow and perform as one of the world's most renowned sailing brands and remains committed to the needs of family cruisers, club racers and the high performance grand-prix racing circuit. June 2018 saw the closest finish of the Volvo Ocean Race ever and we were very proud to, once again, have been chosen as the official supplier, providing race support and full equipment on board every yacht. In 2018 we launched numerous innovations amongst which were the new Zeus<sup>3</sup> Glass Helm for blue water sailing, multihulls and superyachts, along with the Halo dome radar and the WS300 Series wireless wind sensors. Our Naviop control system also continues to be a popular solution for Sailing Boat Builders.

Navico will continue to drive forward with investment in R&D, front-end innovation and digital developments. With continually increasing focus on our consumers and customers, and our vision to lead marine electronics with outstanding solutions for performance, safety and enjoyment on the water, we believe we are in a position of strength to deliver further growth in 2019.

**Leif Ottosson**  
President & CEO





## Division Strategy

**Navico is a specialist electronics company; its brands deliver technology in mapping, sonar, radar and value added applications for the marine industry.**

The company is made up of two distinct business divisions:

### Recreational Marine Division

Navico's Recreational Marine Division is one of the world's largest providers of recreational marine electronics products. The business' key strength is its focus on three segmented brands that meet specific consumer needs: Lowrance is aimed at Fishing, particularly in freshwater and near coastal areas, Simrad is focused on Powerboat owners for cruising and sportfishing and B&G serves the Sailing market.

This focus on specific consumer groups per brand enables Navico to develop products with meaningful and practical features that provide a real benefit to the user. The approach drives an ambitious R&D programme, which includes a rigorous approach to development and production costs, ensuring that Navico products are both of outstanding quality and competitively priced.

In 2018, we established a digital services team to consolidate our efforts in the digital space. The focus of the team is building experiences to add value to our multi-functional display (MFD) consumer value proposition both from planning a boat trip from home to being on the water, to reliving experience after the trip.

We plan to launch these new app experiences as companion apps to our core hardware brands, namely Simrad, B&G and Lowrance during 2019.

We have also made some good progress on our navigation application "C-MAP Embark" with the objective of creating the best marine navigation and fishing maps in the industry whilst also helping boat owners navigate safely and easily. C-MAP is investing in enhancing the quality and coverage of our maps and this will be reflected in the "C-MAP Embark" app with regular releases of new updates for the improved experience of the users.

### Commercial Marine Division

Navico's Commercial division focuses on the commercial marine electronics market. Navico is unique in the combined breadth of "off-the-shelf" equipment alongside "type approved" equipment, certified to IMO mandated performance standards. Navico has a strong position in the light marine segment, where a mix of "off-the-shelf" equipment is often utilized. The comprehensive Simrad branded portfolio includes bridge equipment, such as radar, charting, steering and instrumentation systems. The business relies on a global team of Navico service technicians and 150 certified partner dealers spanning 40 countries.

Navico also has a significant role in the fleet conversion to e-navigation. In 2018, Navico integrated the C-MAP brand of commercial digital charts and value added services such as fleet management software, weather routing and voyage optimization. The C-MAP brand is well-recognized for innovation in charting and software solutions serving over 4,000 ships with subscription licenses.



## Brand Strategy

2018 saw the evolution of the brands into a more digital arena, focusing the brands on the consumer experience, and improving it via activity related features, connectivity and integration.

Lowrance is the world leader in marine electronics for fishing, developing original technology for anglers. From the beginning, Lowrance has used innovative design and leading sonar technologies to help anglers find and catch more fish.

Simrad specialises in powerboats and sportfishing, bringing its trademark professional-level products to the everyday boater and power enthusiast for essential peace of mind and reliability. Simrad products lead the way in integration and are incorporated seamlessly on a wide range of boats, from RIBs and racers to luxury motor yachts.

B&G is the world's most renowned and trusted sailing brand. It is the only marine electronics manufacturer to create products specifically for sailing and blends innovation with a rich heritage to support and inspire every type of sailor.

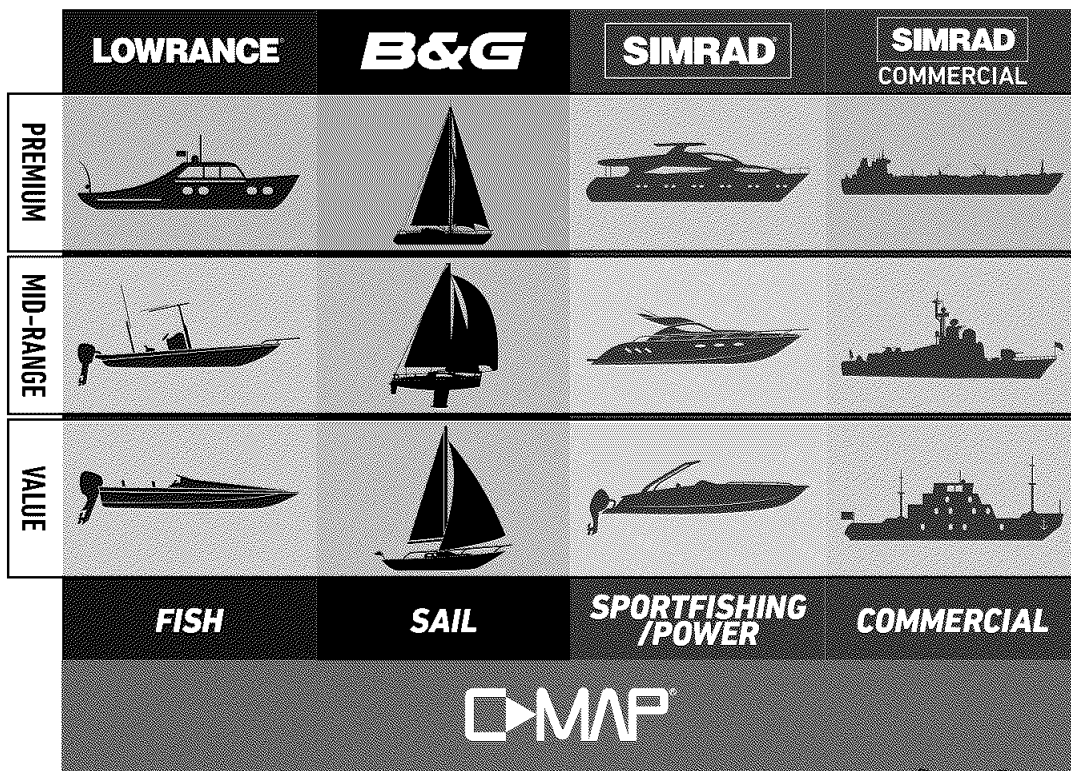
Simrad Commercial's vision is to supply unique navigation solutions for commercial marine that are dependable, adaptable and smart. With a focus on radar and autosteering, it covers the needs and regulations of tugs, patrol vessels, commercial fishing vessels, ferries, cruise ships, megayachts and merchant ships.

With the introduction of C-MAP's integrated digital services, the brand will focus on providing solutions for shipping companies to help improve their operational efficiencies as it relates to voyage planning and nautical information management, reducing cargo damage, improving safety and schedule predictability all while lowering fuel consumption and operational costs.

C-MAP has been a world leader in marine cartography and navigation solutions for more than 30 years, serving both the Commercial and Recreational marine industries. We are charting a new course into the future by empowering our customers to make smarter informed decisions both on and off the water. C-MAP will continue to expand, update and build relevant content driving more value to fisherman, sailors and cruisers alike. Leveraging our evolving digital marine services will see consumers benefit from world leading smart, user friendly solutions that are synonymous with innovation, accuracy and insight.

With the introduction of digital services, the brand focus has to develop and improve experiences of our consumers, further endorsing the brands' roles and ambitions in their respective arenas.

Although they are underpinned by Navico expertise, there is no 'one size fits all' product or technology across these markets. Now, whether chasing the next big catch, heading out on a powerboat adventure or in a global sailing race, customers can be sure they have the expertise and tailored solutions to keep them safe and on track to realise any boating ambition.





# LOWRANCE®

**Established in 1957, Lowrance is the leading electronics supplier in recreational fishing.**

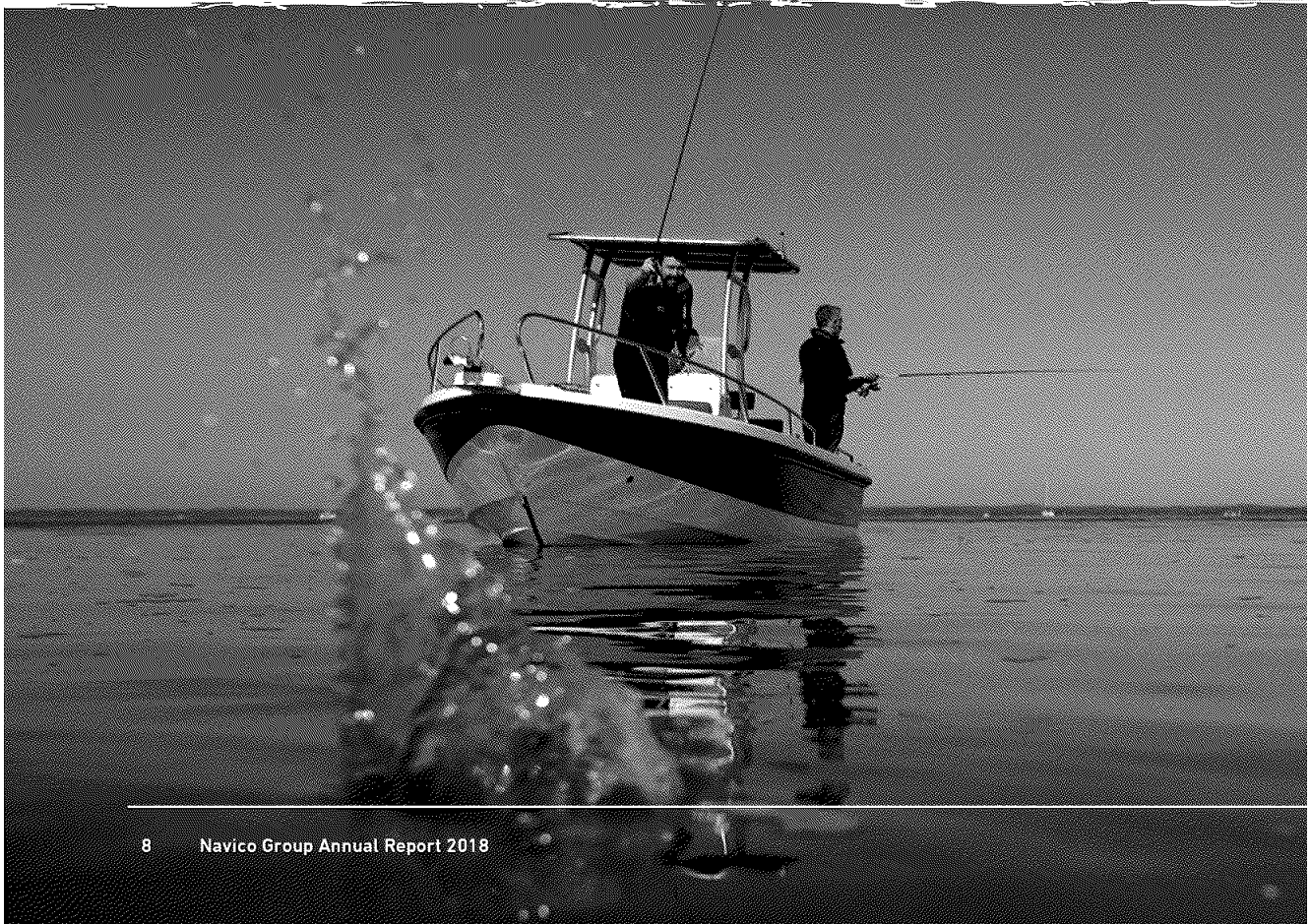
With a reputation for innovation and a loyal customer base, the products are a staple in fishing arsenals for all freshwater and coastal anglers. Equally at home on the bank as it is on kayaks and trailer boats, Lowrance is the leading player with weekend warriors, avid tournament professionals and search and recovery agencies.

The Lowrance customer audience comprises mainly inland/freshwater and in-shore / saltwater anglers. 2018 has been another strong year for Lowrance, continuing the pursuit of an ambitious product launch schedule and a targeted marketing message to reinforce its interest in its core customer base – fishermen. Testament to the success of its fishing products, Lowrance dominated the 2018 Bassmaster Classic with more professional anglers using Lowrance than all other brands combined and another Jordan Lee win marking the eighth consecutive championship for Lowrance as the marine electronics leader.

With this impressive dominance on the professional fishing circuit came Lowrance's proud new advertising slogan 'America's Number One Fishfinder', a testament to our dominance in our core market, as well as to our longstanding heritage and loyal customer base. 2018 saw the launch of both HDS LIVE and Elite Ti2, both products set to re-establish Lowrance as the choice of serious anglers.

HDS LIVE has seen early success and great reviews from professionals and consumers alike. The New Active Imaging sonar, featured on both HDS LIVE and Elite Ti2, provides industry leading clarity for sonar, at a greater range than all competitors. Live mapping, true smartphone integration and the announcement of LiveSight, technology that will let you fish in real-time in 2019, have fuelled interest and excitement around our latest superior innovation. Elite Ti2 also comes with wireless networking, an industry-first feature that enables anglers to sync two screens on their boat without the need for cables. With these, and many other innovations, we have continued to feed our most discerning consumers with highly attractive features that set our products apart from the competition.

Combined with the promotional programs schedule like Ultimate Upgrade and Free Chart campaigns, key sponsorship contracts with Bassmaster and Major League Fishing, not to mention planned innovations in brand new product categories, Lowrance is well positioned in a highly dynamic marketplace and for a strong year ahead.





## B&G

### B&G has been at the cutting edge of sailing innovation for over 60 years.

Understanding the need for reliable and relevant information whether the sailing is simply for relaxation on the water or the adrenalin of the race circuit; B&G combines precision marine electronics with extensive sailing knowledge to ensure trusted and dependable products.

Proud that its technology helped Sir Francis Chichester single-handedly circumnavigate the globe, B&G has a unique history of contributing to many sailing accolades and Grand Prix race winners, this continued in 2018 with wins from B&G boats at Sydney Hobart, Single Handed Round the World Race and the Maxi Worlds to name a few. On board all Volvo Ocean Race competitors since the first race, June 2018, we saw another Volvo Ocean Race finish, with B&G once again at the heart of the race, as the Official Race Supplier, with all yachts fully equipped with a full suite of B&G Electronics.

B&G takes Grand Prix technology and develops and adapts it to benefit all sailors, from day sailors to blue water cruisers, round the can racers to round the world contenders, B&G offers a full suite of electronics to suit every user. In testament to this, B&G continues to be the choice of leading boat builders in X-yachts, Beneteau, Lagoon, Hanse and Bavaria to name a few

Continuous innovation and development at B&G guarantees consumers can access the equipment that best meets their requirements. From the complex and sophisticated WTP3 system, to the Vulcan 7 Chartplotter, B&G's industry-leading, dedicated sailing software enables navigators at all levels to meticulously plan their route. Combining marine electronic technology including radar, VHF, and sensors makes sure yachtsmen can see the whole picture, no matter what.

In 2018, B&G launched numerous innovations amongst which were the new WS320 Wireless Wind Sensor, offering an easy installation with no compromises in performance; or HAL024 that provides an almost real-time view with its industry-first 60 RPM operation. B&G has also modernized the look of its VHF range, with a newer low-profile design.

In 2019 B&G are delighted to be working with Sail GP and Team Ineos UK, to develop and test our products in the most challenging environments, and so continue to push innovation and strive to build products that all levels of sailor will rely on and trust. As we look ahead to the next 12 months developing easy to use solutions that focus on integration and connectivity, will be key in creating an improved user-friendly experience across all on board and mobile devices. B&G continues to aim to help sailors stay safe while going faster, making navigation easier to increase on- water enjoyment with an easily selectable range of dedicated sailing products, features and integrations.



## SIMRAD

### Simrad is the recreational marine electronics brand for powerboats and sportfishing.

The Simrad product range covers recreational vessels of all sizes, from small runabouts and sportfishing vessels up to luxury cruisers and superyachts, but they all have one thing in common – the need to go out on the water with confidence, whether cruising near the shore or heading out to open seas.

Simrad brand values focus around ease-of-use, quality and value for money and the brand continues to build on its range of solutions across both sportfishing and powerboating.

In 2018 the Simrad brand continued to grow at a significant rate. This growth came from across the product range, with continued success for the Go Series – a more affordable mid level product, and the NSS Evo3 – offering boaters an unprecedented level of built-in functionality, ultra-wide viewing angles, and precise control.

Our radar solutions expanded with the entry of HALO24, a new dome radar. HALO24 revolutionized radar by offering an almost real-time view, with industry-first 60 RPM operation at close range for the ultimate in collision avoidance. We also bundled VelocityTrack™ as standard, allowing our customers to identify hazards in an instant.

In the second half of 2018, Simrad also announced the new Information Display. Offering a sleek, custom automotive-like display capable of sharing information from all systems on board a boat. The days of cluttered dashes are numbered. Nominated for a DAME award, the Information Display combines a sleek design with a configurable interface that simplifies monitoring and control of all systems onboard.





**SIMRAD**

## COMMERCIAL

The Simrad brand is a leader in electronics technology for commercial vessels. Over the past sixty years we have developed our systems for the benefit of commercial vessels.

In 2018, the commercial market experienced renewed optimism with growth in new building and project business. Simrad's focus on smaller vessels and workboat type vessels paid dividends in 2018, with many partner dealers seeing growth in Multi-Function Displays, Radars, Autopilots and instruments.

Simrad launched new products in AIS and Radar technology. The Simrad V3100 AIS and Simrad R5000 Radar system both provide increased situational awareness and safety, are compliant with the latest regulations and have fresh GUI (graphical user interfaces) that require less operator specific training.



**Whether sailing, cruising, or fishing, our customers can better plan, navigate, and enjoy their journeys thanks to our best-in-class data and insights. We use the most accurate, reliable, and multi-source data to create our electronic charts. With C-MAP Genesis, we are building the most powerful social mapping service in the world and giving anglers everywhere the ability to make decisions based on the most accurate data.**

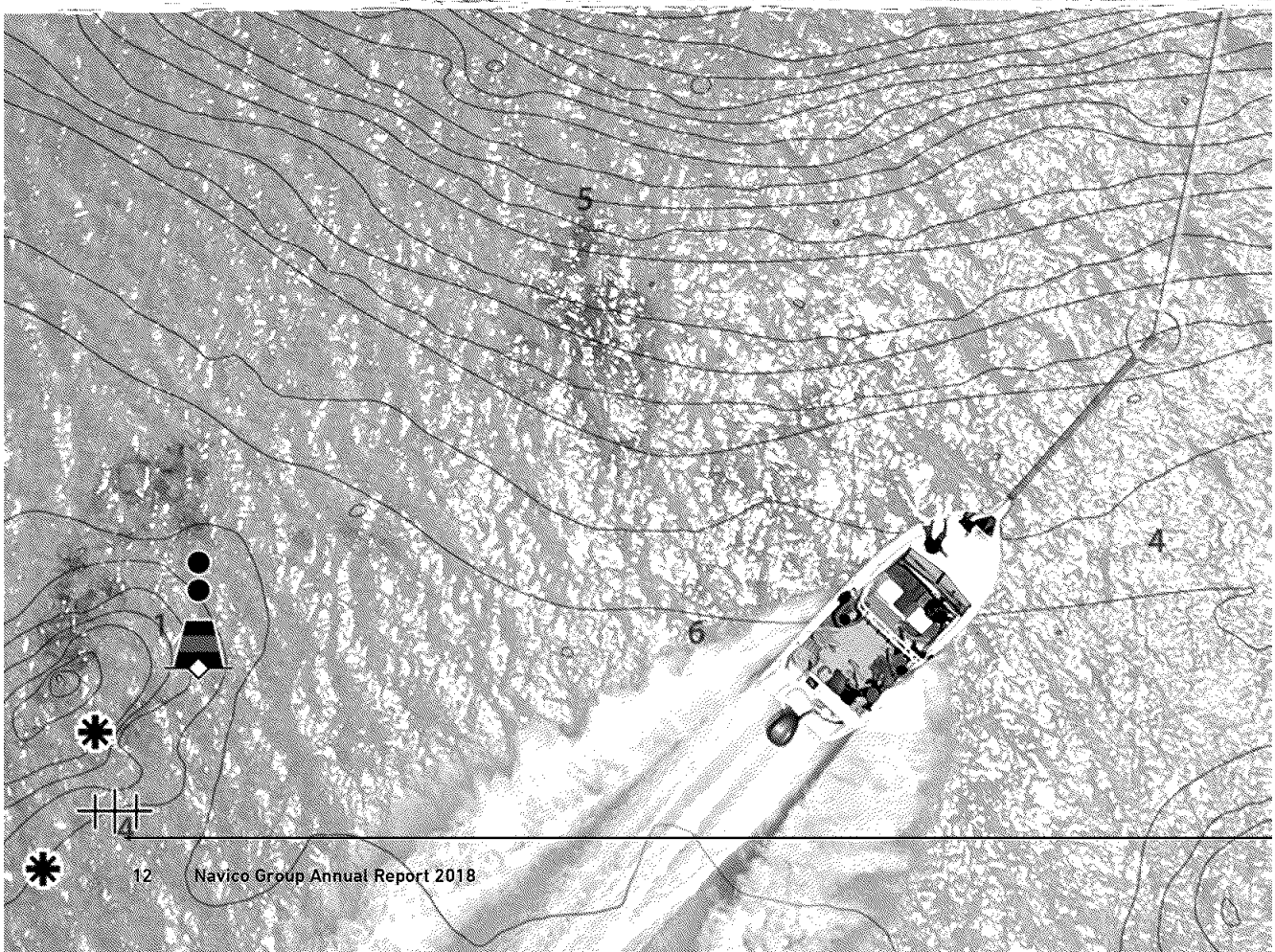
2018 saw the launch of C-MAP first's dedicated inland survey team, surveying over 20 lakes in high detail, the reprocessing of over 9000 US & 1300 Swedish lakes and updating over 6300 ports and marinas globally. Other important milestones include the reprocessing of high resolution bathymetric data in key areas to provide saltwater fishers with better nearshore and offshore detail in US, Australia, New Zealand and Europe. Over 12 million acres of Genesis data was added

into the MAX-N+ database giving users easier access to crowd sourced surveys. A positive 2018 revenue performance in the Recreational market was primarily due to increased chart volumes embedded into Navico equipment, and stable sales of other charting technology for OEMs and Retailers.

2019 will see ongoing content and presentation improvements to port plans, lake reprocessing, high resolution bathymetry along with regular updating of hydrographic office data. Further innovation and investment in our US Inland survey team will see an acceleration of data collection by deploying multi-beam survey technology. Additional benefits of deploying multi-beam technology will enable the development of 3D high resolution US lake maps not yet seen on the market thus giving our customers unparalleled levels of data to improve their fishing experience.

Improvements in data mining and internal processing tools will provide further gains to nearshore and offshore bathymetric data enabling C-MAP to provide significantly enhanced next generation products. In parallel to improved bathymetric data, C-MAP will also be launching 3D Seafloor maps in select regions (US, NZ and other areas) where high quality data is available.

The restructuring of C-MAP databases and distribution tools in 2019 will enable customers to easily access, share and synchronise data across multiple platforms and devices giving customers a seamless data experience. In 2019 C-MAP will continue to strive forward building content and services helping fisherman, cruisers and sailors make smarter informed decision using updated, market leading mapping content in a user friendly environment.





## COMMERCIAL

**During 2018, Navico added the C-MAP commercial portfolio to the Commercial group.**

C-MAP is a leader in electronic navigational charts ("ENCs"), fleet management solutions and voyage optimization services. C-MAP helped pioneer the shipping industry transition from paper charts to the adoption of digital charting. Working with national hydrographic agencies and maritime regulatory agencies, C-MAP has provided digital charting technology to most of the original equipment manufacturers ("OEMs") of commercial charting systems.

C-MAP has a range of chart solutions based on the type of vessel, sailing area and regulatory requirements. The C-MAP Admiralty ENC Service ("CAES") is its most popular product offering, providing official global coverage from the United Kingdom Hydrographic Office ("UKHO"). The C-MAP extended ENC Service ("CEES") adds additional coverage that makes it the industry's most complete global solution in a single subscription.

C-MAP also offers an Integrated Maritime Suite ("IMS") software packages that provides route planning and fleet management to shipping companies, in order to improve their operational efficiencies, reduce cargo damage and improve safety and schedule predictability, while lowering the customer's consumption and operational costs.

These digitalized services are streamlined to simplify passage planning for larger fleets, which provide accurate, extensive insights into the customer's fleet status and performance.

C-MAP currently provides charting services to approximately 4,000 vessels worldwide, with over 800 of these vessels utilizing C-MAP's voyage planning and route optimization systems, which include leading major oil & gas companies, who utilize C-MAP's fleet management systems.



## Awards

Navico continues to lead and innovate in marine electronics and following several high profile awards in the last few years, the recognition continued in 2018 with a number of awards and special mentions, including:

Information Display and HDS Live

B&G Wireless Wind Sensor

Lowrance HDS Carbon won

Lowrance Elite-5 Ti won

Lowrance HDS Gen3 won

GoFree Track and Vessel won

Simrad Go With Confidence Video Campaign won

Simrad G09 won

Navico Trade Marketing Team won

Simrad won

Dame Awards Finalist

British Yachting Awards Shortlisted

2018 Northern Wholesale Product of the Year

2018 Fish Alaska's Editor's Choice Award

2017 Fish Alaska's Editor's Choice Award

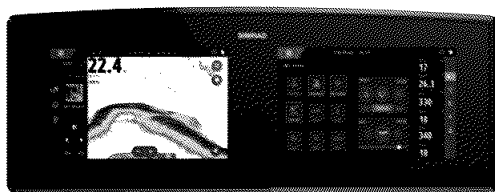
2017 Sail Magazine's Freeman K. Pittman Award

2017 Neptune Award

2017 West Marine Best Product of the Year

2017 West Marine Best In-Store Support

2017 Chaparral/Robalo Outstanding Vendor Partner

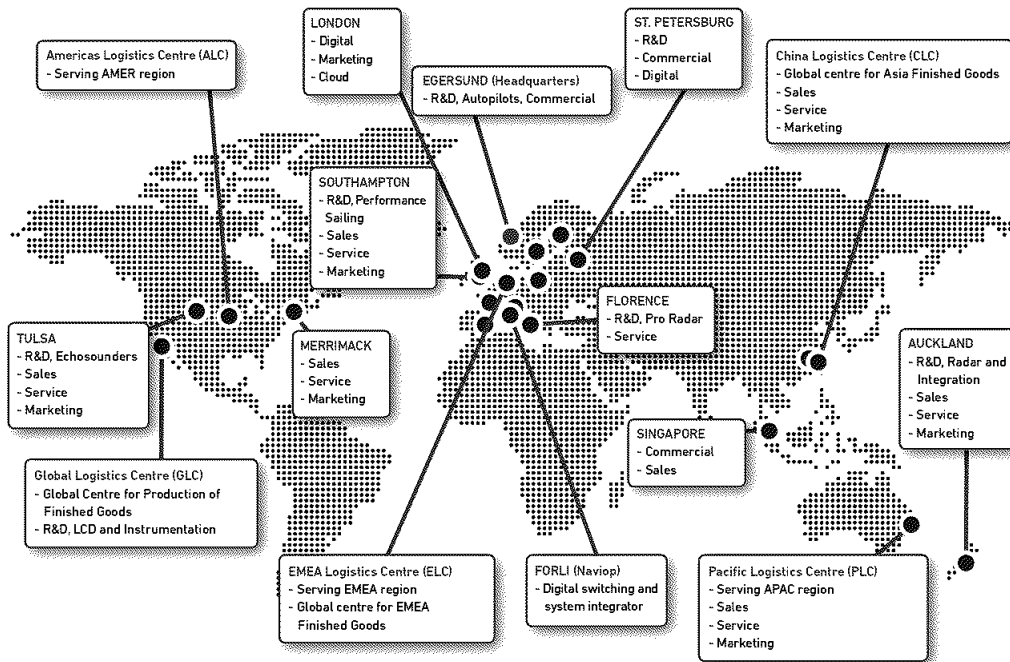




## Joint Services

Navico is a fully integrated business with in-house R&D, product management, production, sales, service and marketing. Employing over 1900 people, it operates directly in 21 countries and has product distribution in more than 100.

### Navico Global Presence





## Financial Summary

| (USD millions)                          | 2014*       | 2015*       | 2016*       | 2017        | 2018        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Income statement</b>                 |             |             |             |             |             |
| Net sales                               | 294.7       | 308.8       | 317.8       | 327.2       | 372.9       |
| Gross profit                            | 138.3       | 149.4       | 151.9       | 161.0       | 178.4       |
| Adjusted EBITDA**                       | 44.1        | 61.7        | 67.1        | 77.1        | 74.6        |
| Adjusted EBIT***                        | 18.8        | 34.9        | 42.2        | 48.6        | 43.6        |
| <b>Balance sheet</b>                    |             |             |             |             |             |
| Inventories                             | 63.8        | 61.4        | 59.4        | 78.3        | 84.2        |
| Trade and other receivables             | 51.8        | 52.3        | 61.0        | 64.9        | 69.7        |
| Total assets                            | 281.2       | 279.0       | 593.2       | 629.8       | 659.0       |
| Shareholders' equity                    | (96.8)      | (97.4)      | 244.8       | 264.0       | 289.4       |
| <b>Cash flow and investments</b>        |             |             |             |             |             |
| Cash flow from operating activities     | 38.2        | 43.7        | 35.7        | 54.3        | 79.6        |
| Net investments                         | 32.1        | 28.2        | 23.5        | 39.7        | 31.1        |
| <b>Performance ratios (%)</b>           |             |             |             |             |             |
| Gross margin                            | 46.9%       | 48.4%       | 47.8%       | 49.2%       | 47.8%       |
| Operating margin (EBITDA)               | 15.0%       | 20.0%       | 21.1%       | 23.6%       | 20.0%       |
| <b>Adjusted EBITDA reconciliation</b>   |             |             |             |             |             |
| Operating result as per annual report   | 18.8        | 27.5        | 16.8        | 22.7        | 31.1        |
| Separately disclosed items              | -           | 7.3         | 21.6        | 10.3        | (4.3)       |
| Amortization and depreciation (PPA)     | -           | -           | 3.8         | 15.6        | 16.8        |
| <b>Adjusted EBIT</b>                    | <b>18.8</b> | <b>34.9</b> | <b>42.2</b> | <b>48.6</b> | <b>43.6</b> |
| Amortization and depreciation (regular) | 25.3        | 26.8        | 25.1        | 28.5        | 31.0        |
| <b>Adjusted EBITDA</b>                  | <b>44.1</b> | <b>61.7</b> | <b>67.3</b> | <b>77.1</b> | <b>74.6</b> |

\* Pro-forma numbers to reflect actual Navico activities. The years up to and including 2016 relate to consolidated financial statements of Navico Holding AS.

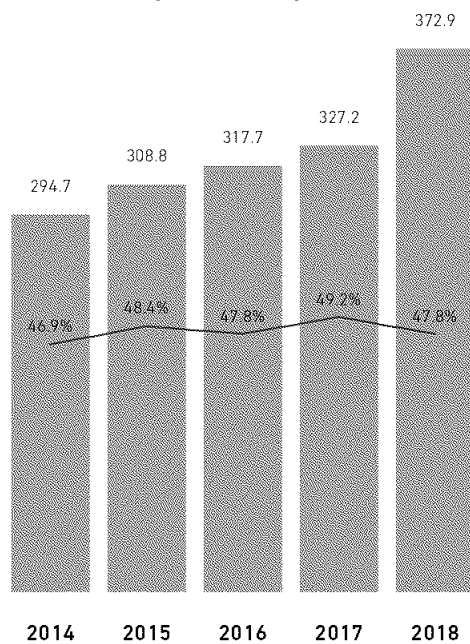
Numbers are not adjusted for IFRS 16 impact.

\*\* before separately disclosed items.

\*\*\* before separately disclosed items and before PPA depreciation and amortization.

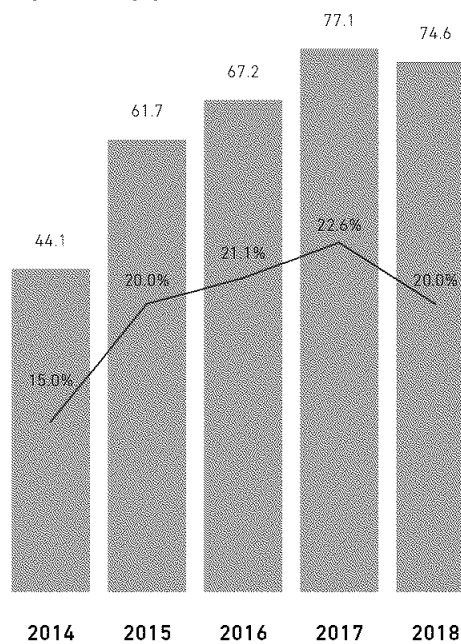


Sales and gross margin



■ Net sales (MUSD) — Gross margin %

Operating profit



■ Operating profit (EBITDA)\*\* — Operating margin (EBITDA)\*\*



## President & CEO

**Leif Ottosson**

*President & Chief Executive Officer*

Leif holds a BSc (magna cum laude) in Finance and Mathematics from Northern Arizona University and an MBA from Harvard University. Prior to Navico he successfully built three companies within manufacturing, software and consulting. Before that, Leif was a board member and the CFO of a large UK-based metals-and-minerals company and the Head of Finance of Skanska, a major global construction company.

## Management Team

**Jim Brailey**

*Supply Chain*

Jim Brailey has been with Navico since his employer Simrad® joined the fold. Responsible for all manufacturing operations, planning, distribution, logistics and sourcing, he previously worked in EMEA logistics and offshore, marine and military industries.

**Alan Davis**

*Business Unit  
Devices*

Alan is responsible for the Devices Business Unit. Alan joined Navico in 2005, previously holding a range of roles at B&G - now a Navico brand - covering technical sales, service management and product management. Alan is a lifelong boating enthusiast with a background of competitive sailing.

**Matt Vranich**

*Business Unit  
Boat builder*

Matt joined Navico in 2013 as Director of OEM sales, in addition to leading recreational sales efforts in Latin America. Prior to that, he spent several years with Brunswick Corporation in various leadership roles in sales, marketing and business development in Europe and the Americas. Matt also has experience in telecommunications and banking, where he held sales, general management and consulting positions in Brazil and India. Matt holds an MBA in Finance and Marketing from the University of Chicago.

**Stephen Thomas**

*Product Office*

Steve joined Navico in 2009. He leads the global Product Office and is responsible for shaping and managing Navico's product portfolio and driving consumer informed product development. Steve has over 25 years experience bringing new products to market in high technology and consumer electronic industries, as well as previously serving as Product Line Director for Navico's Lowrance and Simrad Recreational brands. Steve holds a degree in Electrical and Computer Engineering from Kansas State University.





**Tom Edvardsen**

*CTO*

Tom Edvardsen joined Navico at its inception in 2005. Based in the Norwegian office, Tom is responsible for all Research and Development activities. Previously a Naval engineer in the Norwegian Navy, Tom is also a Cand scient graduate of Physics from Bergen University.

**Jeroen van de Polder**

*CFO*

Jeroen van de Polder joined Navico in 2012. He is responsible for all Finance and IT activities within the Group. He previously held a variety of roles at EY in the international audit practice. He is a licenced public auditor in The Netherlands.

**Mike Fargo**

*Business Unit Commercial*

Mike joined Navico in 2007 and is today responsible for leading the Commercial Marine Business Unit. He has 25 years of experience in technology sales management, business development and product management. Mike has twice lived and worked in Europe as well as the US. He has a BS in Engineering, and an MBA in Operations from Northeastern University.

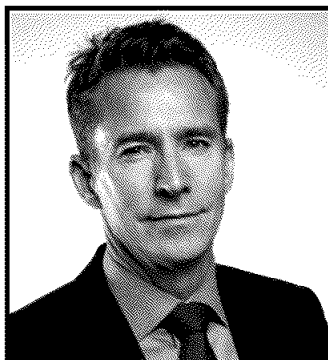
**Knut Frostad**

*Business Unit Digital*

Knut was the CEO of Volvo Ocean Race for six years, and has held a variety of director and advisor positions with numerous international companies. While today he is a recognised motivational speaker, business teambuilding and training provider, he was previously a professional sportsman and sailor, competing in the Volvo Ocean Race four times, twice as skipper, and in the Olympic Games.



## Board of Directors



**Hugo Maurstad (Chairman)**

Hugo is a partner at Altor Equity Partners, the investment advisor for the Altor funds. Hugo's career has seen him work across a variety of strategic and operational projects, mainly with Nordic and Swiss clients including a 13-year career at McKinsey & Company.

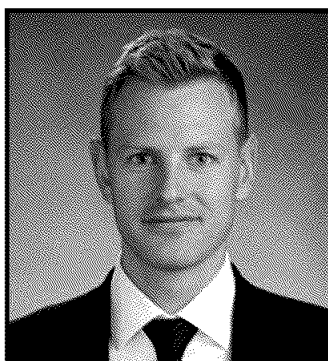
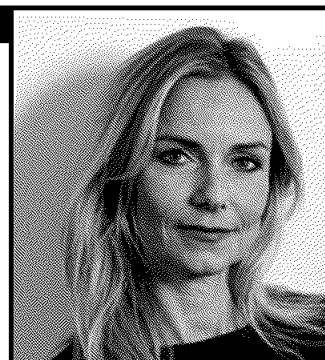
Hugo is the Chairman of the Board of Rossignol Group and Health and Fitness Nordic, and he serves on the boards of Nova Austral and Skandiabanken. A Norwegian national, Hugo has a Masters in General Economics and sits on the boards of several multinational companies.

**Malou Aamund**

Malou is the Country Director for Google Denmark. She has previously held international leadership positions at Microsoft and IBM in Europe, EMEA and Americas.

She currently serves on the board of DeIC (Danish e-Infrastructure Cooperation) under the Ministry of Science, Innovation and Higher Education.

In January 2018, she was appointed Chairman of the Board of the Environmental Technology Development and Demonstration Program (MUDP) in Denmark. Malou was a Member of Parliament for four years and acted as a spokesperson on science, technology and innovation. She holds a M.Sc. in Economics and Business (1995).



**Michael Bruun**

Michael is a managing director in the Merchant Banking Division (MBD) in London, responsible for corporate European healthcare and nutrition investing, corporate investing in Scandinavia and co-head of India corporate investing. He is a member of the MBD Corporate Investment Committee. Michael has been with MBD since 2010 and has worked in London and New York. Previously, he was an associate in the Nordic Mergers & Acquisitions team in the Investment Banking Division (IBD). Michael joined Goldman Sachs in 2004 as an analyst in the Fixed Income, Currency and Commodities Division and transferred to IBD in 2005. He became a vice president in 2010 and was named managing director in 2013 and partner in 2016. Michael serves on the boards of Hamlet Protein, HRA Pharma, Navico, Noveltech, ReNew Power and Trackunit. He is a founder and board member of the Human Practice Foundation.

Michael earned a BA in Economics from the University of Copenhagen in 2002 and an MSc in Economics from University of Copenhagen and Cornell University in 2004.

**Live Haukvik**

Live Haukvik is currently the CFO of Komplett Group and has been COO and CFO in the company since 2012. Live is currently chairman of Komplett Bank ASA and board member in Fjordkraft ASA and has extensive board experience from several blue-chip companies.

Live has wide experience as an executive director of a diverse range of listed, fast-growing companies. She also has experience as partner at Considium Consulting Group and for KPMG.

Live holds a Master of Finance (liz.rer.pol.) from Université de Fribourg, Switzerland, and a Master of Management from The Norwegian Business School (BI).





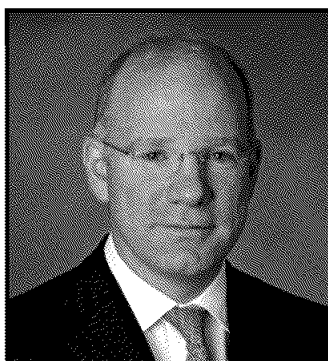
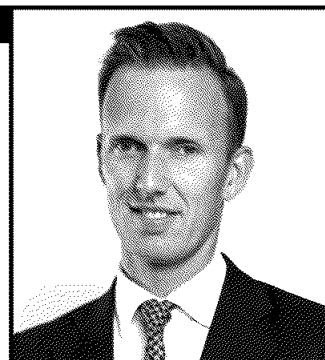
## Karl-Thomas Neumann

Karl-Thomas (KT) Neumann has a PhD in Electrical Engineering and 30 years of experience working in the auto industry.

In 1993, he joined Motorola as an engineer, and rose to Director of Automotive Strategy. In 1999, he moved to Volkswagen AG, where he headed the group-wide electronics strategy. In 2004, KT worked as CTO and Board Member at Continental Automotive Systems, where he oversaw the acquisition of Siemens-VDO, making Continental the second-largest supplier of automotive electronics in Germany. He was then promoted to CEO in 2008. He returned to VW in 2009, taking a newly created position of leading the company's electric propulsion initiatives. He later became President & CEO of the Volkswagen Group China. From 2013 to 2017, he was CEO of Adam Opel AG, where he was widely noted for improving the image of the 155-year-old carmaker. KT joined Canoo in May 2018 to lead the company's connected car experience, mobility concepts, marketing and the European market. Being a passionate sailor he crossed the Atlantic in 2017.

## David Hess

David is a director at Altor Equity Partners (AEP), the investment advisor for the Altor funds. David joined AEP in 2008 and has worked in Stockholm and Copenhagen. David previously worked for global investment bank Morgan Stanley in London, focusing on M&A, primarily for clients within energy-related industries. David also serves as a board member of Marine Innovations Group AS. David has a BSc in International Business and an MSc in Finance and Accounting from the Copenhagen Business School.



## Martin Hintze

Martin is a managing director in the Merchant Banking Division and co-heads the corporate equity investing business in Europe. He is a member of the MBD Corporate Investment Committee. Martin joined Goldman Sachs in 1999 in the Investment Banking Division in Frankfurt and joined the Principal Investment Area in the London office in 2000. He was named managing director in 2005 and partner in 2008.

Martin serves on the boards of Continental Bakeries, Flint Group, Navico Group AS and Xella International.

Martin earned a BA from European Business School in 1992 and an MS and a PhD from Technical University Berlin in 1994 and 1998, respectively. He is a CFA charterholder.



## Board of Directors' Report 2018

Navico Group AS ("Navico" or "the Company") is a holding company for businesses which develop, manufacture and sell electronics for recreational boats and commercial vessels, together with its subsidiaries, referred to as "the Group" or "Navico Group".

### An eventful year

Navico Group delivered continued revenue growth and solid earnings in 2018, driven by strong demand and a favourable market position. Total Group revenues amounted to USD 373 million and grew by 14% of which 10% organically and the merger of the C-MAP activities as per 30 June 2018 drives the additional 4% into Navico Group AS. Stable operational performance contributed to stable profitability, with EBITDA amounting to USD 75 million. The board will propose not to pay out a dividend, but to invest the capital into further product development.

(All amounts in brackets are comparative figures for 2017 unless otherwise specifically stated)

The market for maritime electronics used in recreational boats has proven to be relatively stable over the last few years. During 2018 Navico has achieved 14% growth in sales with 10% organic growth, which is above the market growth pace for the same period.

The Group's individual brands each have a strong heritage in the marine industry that stretch back over several decades. Along with the consolidation of brands and products, Navico Group continued to invest heavily in its R&D capabilities with a relentless focus on cost efficient design initiatives, driving down direct costs and reaching high pace of the new product introductions. The Group's brand strategy, paired with its efficient, high quality products, fostered the Company's fast paced growth.

The successful merger and integration of C-MAP activities expanded the Navico Group product offering to cartography products, fleet management solutions, and voyage optimization services in 2018.

The Group achieved an operating result of USD 31.1 million (USD 22.7 million) for the year. Net Sales for the Group in 2018 increased to USD 373 million from USD 327 million in the previous year due to continuing product development and extended product portfolio.

R&D resources were increased to be able to support the ambitious programs for new product introductions. This continued strong focus on research and development resulted in new products, which represented innovation and technological development, better functionality, more efficient design. Throughout the last couple of years, Navico Group has received a large number of awards for Innovation. The awards were received for a wide number of different products showing the strength of the Group's product portfolio.

As per May 2018 Navico's bank financing was re-priced at a lower interest rate. Navico Group has met all its covenants and the Board is of the opinion that this will be the case for 2019 as well.

### Overview of the business

Navico has its statutory seat in Egersund, Norway. The Group has manufacturing facilities in Mexico and Italy and had a total of 1,931 employees at 31 December 2018 (1,655).

Navico Group is a specialist electronics company; its brands deliver technology in mapping, sonar, radar and value-added applications for the marine industry. The Group is made up of two distinct business divisions: Recreational Marine and Commercial Marine.

Navico's Recreational Marine Division is one of the world's largest providers of recreational marine electronics products. The business' key strength is its focus on four segmented brands that meet specific consumer needs: Lowrance is aimed at Fishing, particularly in freshwater and near coastal areas, Simrad is focused on Powerboat owners for cruising and sportfishing, B&G serves the Sailing market and C-MAP provides digital charting solutions used in the three other brands, but also externally. This focus on specific consumer groups per brand enables Navico to develop products with meaningful and practical features that provide a real benefit to the user. The approach drives an ambitious R&D programme, which includes a rigorous approach to development and production costs, ensuring Navico products are both of outstanding quality and competitively priced.

Navico's Commercial Marine Division is exclusively focused on the commercial marine electronics market. Its global team addresses the needs of fleet owners by offering a comprehensive portfolio of navigation solutions under the Simrad brand and C-MAP brand that covers auto-steering, radar, ECDIS, positioning, and fishing equipment to digital charts and voyage optimization services. These solutions are supported 24/7 by a global network of Navico technicians and 150 certified partner dealers spanning across over 40 countries. The division has a strong position in the light marine segment. It continues to strengthen its position in this segment and also expand its offering into the high seas segment, by introducing new solutions.

### 1. Highlights 2018

- Revenue growth of 14% year over year of which 10% organically
- Successful merger and integration of the C-MAP activities
- Stable and solid operational earnings versus prior year
- Successful new product introductions in the last quarter of 2018 to drive continued growth
- Key strategic investments into new products to be launched

### 2. Financial review

The following financial review is based on the consolidated financial statements of Navico Group AS and its subsidiaries. The statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as the Norwegian accounting legislation.



In the view of the board, the income statement, the statements of comprehensive income, changes in equity and cash flow, the balance sheet and the accompanying notes provide satisfactory information about the operations, financial results and position of the Group and the parent company at 31 December 2018.

## Consolidated statement of income and comprehensive income

In 2018 the consolidated operating revenues amounted to USD 373 million (USD 327 million). The 14% increase primarily reflects organic growth of 10%, where the additional 4% is attributable to the C-MAP activities merged into Navico mid-2018. The organic growth was mainly driven by strong growth in our Simrad brand and B&G brand.

Cost of goods sold amounted to USD 194 million (USD 166 million). Operating expenses before depreciation, amortisation, impairment charges and separately disclosed items came to USD 104 million (USD 84 million). The increase was mainly related to the merger of the C-MAP activities in the middle of 2018, combined with further investments into product development, marketing and the organization. Operating profit before depreciation, amortisation and separately disclosed items (Adjusted EBITDA) amounted to USD 74.6 million (USD 77.1 million).

Operating result (EBIT) for the year was USD 31.1 million (USD 22.7 million). The EBIT margin was positively impacted by the separately disclosed items (see note 13 for further details).

Net financial items amounted to USD 22.8 million (USD 29.2 million), impacted by the refinancing done in 2017 and the successful repricing of the finance structure done in May 2018.

Profit before income taxes came to USD 8.3 million (USD 6.5 million negative) and net profit for the period was USD 7.7 million (USD 12.8 million).

## Financial position, financing and liquidity

Total non-current assets amounted to USD 490 million (USD 481 million) at 31 December, the increase was mainly driven by the C-MAP merger.

Total current assets came to USD 167 million (USD 149 million), the increase being attributed to an increase in inventories and cash and cash equivalents. Working capital, consisting of inventories, receivables and prepayments, less trade and other payables, amounted to USD 67 million (USD 86 million). The decrease is mainly attributable to the C-MAP merger (negative working capital), combined with a slightly higher accounts payable position.

Total shareholders' equity was USD 281 million (USD 263 million) at 31 December 2018, mainly affected by the C-MAP merger, the profit for the year and the impact of other comprehensive income.

Total liabilities were USD 376 million (USD 366 million). Total interest-bearing debt amounted to USD 240 million (USD 254 million). The parent company has a revolving credit facility of USD 25 million.

## Cash flow

Net Cash flow from operating activities was USD 79.6 million (USD 54.3 million), the increase is mainly due to higher operating profit before tax resulting from growth in revenues as well as a lower level of working capital due to improved working capital management.

Net cash flow used in investing activities was USD 31.1 million (USD 39.7 million), mainly related to the development of the new products and investment in technology.

Net cash flow used in financing activities was USD 39.7 million (USD 16.2 million), mainly related to interest paid and repayment of debt.

## 3. Research and development (R&D)

The development of new products is key within the Group. The R&D activities are distributed across different competence centers around the world where we leverage small dedicated teams with core knowledge, together with a global organization. In accordance with IFRS we capitalize when a project reaches the development-stage (prior to development in the research phase the costs are expensed in the income statement). Spending on the Group's R&D projects in 2018 totalled USD 36.9 million (USD 19.8 million). USD 23.6 million (USD 16.6 million) has been capitalized as development costs in the balance sheet.

## 4. Risk and risk management

### Credit risk

The risk of counterparties not having the economic ability to fulfil their obligations has proven quite low over the last few years. Nevertheless, the Group has hedged against this risk through a credit insurance program. The risk is also limited because the Group's total amount of receivables is distributed across many customers. At the same time there is a continued focus in the Group on collecting receivables in order to reduce the exposure further and improve liquidity.

### Currency risk

The Group is exposed to fluctuations in the exchange rates, as revenue in Europe is mainly in Euro and revenue in Australia is in AUD, while only a minor part of the Group's administrative expenses is in Euro, AUD, and other non-USD currencies. The main part of the Group's expenses is in USD. The Company entered into forward contracts in 2018 to limit the currency risks versus Euro, AUD and MXN.

### Liquidity risk

The Company's liquidity strengthened by the enhanced business performance, and improved controls over working capital.

### Accounting estimates risk

The Company is exposed to accounting estimates risk where on each balance sheet date certain estimates will bear a risk of applying incorrect estimates, which could affect the income-statement and balance sheet. Management is responsible for these estimates and obtains consistency in applying these estimates throughout the years.

### Interest-rate risk

The Company is exposed to interest-rate risk as the Company's finance structure is based on a variable interest component. However the interest bearing debt has largely been hedged from a variable interest to a fixed interest by an Interest Rate Swap which will be effective to late 2020. The Company hasn't applied for any hedge accounting.



## 5. Going concern

The annual accounts have been prepared on a going concern assumption. The board has confirmed that this assumption can be made based on the Group's budgets and long-term forecasts.

## 6. Parent company results and allocation of net profit

The annual financial statements for the parent company are prepared in accordance with the Norwegian Accounting Act. The parent company's loss before income taxes amounted to USD 0.4 million (USD 0.5 million), while net profit was USD 0.4 million negative (USD 0.5 million negative).

The board proposes that the statutory Navico Group AS negative annual result of USD 0.4 million is deducted from the retained earnings.

## 7. Corporate social responsibility

Corporate social responsibility (CSR) is about running the business in a responsible and sustainable manner over time, and in a way which contributes to a positive, trusting relationship between Navico and the Group's stakeholders. Navico Group has identified ethics, anti-corruption and health, safety and the environment (HSE) as particularly relevant components of the Group's CSR, and structured efforts are being made to strengthen these areas.

Considerations relating to the working environment, sickness absence and occupational injuries are covered in the section on employees and the organisation.

### Ethics and anti-corruption

Navico Group has zero tolerance of corruption and a well-developed anti-corruption programme. All employees take a dedicated e-learning programme with dilemma training to help them become better equipped for dealing with circumstances which may be difficult to handle. All employees have signed Navico Group's ethical code of conduct, and a handbook on anti-corruption has been composed.

### Natural environment

Navico Group's goal is to enhance environmental awareness among all its employees throughout the entire organization and in the production phases.

Navico Group monitors the following performance indicators at the factory in Mexico:

- Annual energy consumption: kW/h 4.3 million in 2018 and 2017 combined with the increased production.
- Waste recycling: since 2010 Navico Group started a recycling project for special handling waste (cardboard, paper, plastic, metal, wood). During 2018, kg 371 thousand of waste was recycled (2017: kg 341 thousand). Navico Group production processes do not include the burning of fossil fuels, and the generation of greenhouse gases is due to the consumption of electricity and the use of vehicles owned by the company.
- Navico Group generates limited volume of hazardous waste (waste contaminated with chemicals, solder dross and electronics waste). The waste with chemicals is disposed as hazardous waste according to Mexican regulations and the rest is recycled. All electronic waste is recycled (26 thousand kg in 2018 compared to 29 thousand kg in 2017). Solder dross recovery process has allowed Navico Group to reduce the generation of the waste (681 kg in 2018 compared to 1,191 kg in 2017).

Navico Group holds ISO 14001:2015 (specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance) and OHSAS 18001-2007 (Occupational Health and Safety Management Certification which provides a framework to identify, control and decrease the risks associated with health and safety within the workplace).

### Local community

Navico Group also contributes to the local community by sponsorship the federal agency for the protection of minors, donation of GPS to units for the fire department, supporting the local museum, donations for the elderly house, and donations for dogs association.

## 8. Employees, organisation and equal opportunities

Navico Group is a specialist electronics company, based on knowledge and technology, and the Group had 1,931 well-qualified employees at 31 December 2018 (2017: 1,655 employees). This team develops the company's brands which operate in navigation, fish-finding equipment and value-added applications for the marine industry.

As a result of the C-MAP merger in 2018, 210 employees joined Navico Group. Increased business activity and creation of new departments during 2018 also contributed to a rise in number of employees.

### Employees and expertise

Recruitment capability, employee satisfaction and expertise development are important conditions for Navico Group's success. This is reflected in the company's day-to-day operations.

Navico Group has a constant need to strengthen its expertise and capacity, both in line management and in project management. Great emphasis is accordingly given to the development of managers, and substantial resources are devoted to such work.

### Structural capital

Navico Group has modern and efficient offices throughout the world. Office capacity is expanded step by step to ensure growth opportunities.



## Working environment

The board considers the working environment and collaboration with union officials to be good. Employee participation is ensured at several levels in the Group.

## Sickness absence and injuries

Navico Group works systematically with HSE management and makes concerted efforts to mitigate health risks and prevent injuries. No serious occupational injuries or accidents that resulted in material damage or personal injury were reported during the year. Sick leave is limited and monitored on a regional basis.

## Equal opportunities

The purpose of Norway's Anti-Discrimination Act is to promote equal opportunities and rights, and to prohibit discrimination on the grounds of ethnicity, skin colour, language, religion and beliefs. Navico Group works actively to promote the objectives of the Act in the Group.

The Group aspires to provide a workplace in which full equality exists between men and women. The Group has introduced conditions to its policies so as to assure no discrimination occurs based on gender in areas such as salaries, promotions, or recruitment.

The company board at 31 December 2018 consisted of two female and five male directors. The Group is working to recruit more female employees in executive positions.

Navico Group aims to be a workplace with no discrimination on the grounds of disability. Active efforts are made to design and customise physical conditions so that the Group's various functions can be used by as many as possible. Workplaces and jobs are customised on an individual basis for employees or job applicants with disabilities.

Over 95% per cent of employees in Navico Group had a mother tongue other than Norwegian at 31 December 2018, with more than 20 different languages represented.

The Group does not discriminate on the grounds of gender, disability, ethnicity, religion or the like. The board and the executive management are conscious of this in recruitment, appointment, pay and customisation of working conditions, and in work on developing attitudes.

## Changes to the board and the executive management

The board has been strengthened with key knowledge during 2018 and early 2019 by the appointment of Karl-Thomas Neumann and Live Haukvik as independent members of the board of directors.

## Dividends

The board of directors have suggested to not distribute dividends for 2018, in order to pursue growth opportunities within the Company

## External auditor

The annual General Meeting has appointed Erik Søreng (EY) as the Group's external auditor.

## 9. Outlook

The Group strategy has been further developed during 2018 with a 2022 strategy plan within the Board of Directors and the Corporate Executive Committee, and is strongly focussed on the further development of our key strengths and markets, but also by extending the product portfolio. We expect these initiatives to further drive growth.

As the marine electronics industry shifts away from solely offering hardware to offering an array of crucial services that work across all screens, including MFDs, smartphones and tablets, Navico Group is taking steps to ensure that it offers services to help consumers have an improved marine experience both on and off the boat.

Forward looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances in the future.



## 10. Events after balance sheet date

### Acquisition of GeoMind LLC

On 11 April 2019 C-MAP Italy acquired 100% of the issued shares in GeoMind LLC, a designer and developer of new technologies and software products for GIS-based applications, with a particular specialization in the field of 3D visualization, for consideration of USD 2.0m.

The acquisition and successful integration of GeoMind's technologies is expected to further contribute to Navico Group's growing portfolio of online digital and mobile platforms and marine navigation services.

The financial effects of this transaction have not been recognised at 31 December 2018. The operating results and assets and liabilities of the acquired company will be consolidated from 11 April 2019.

Egersund, 30 April 2019

Board of Directors

Mr. Hugo Maurstad - Chairman

Mrs. Malou Aamund

Mr. Michael Bruun

Ms. Live Haukvik

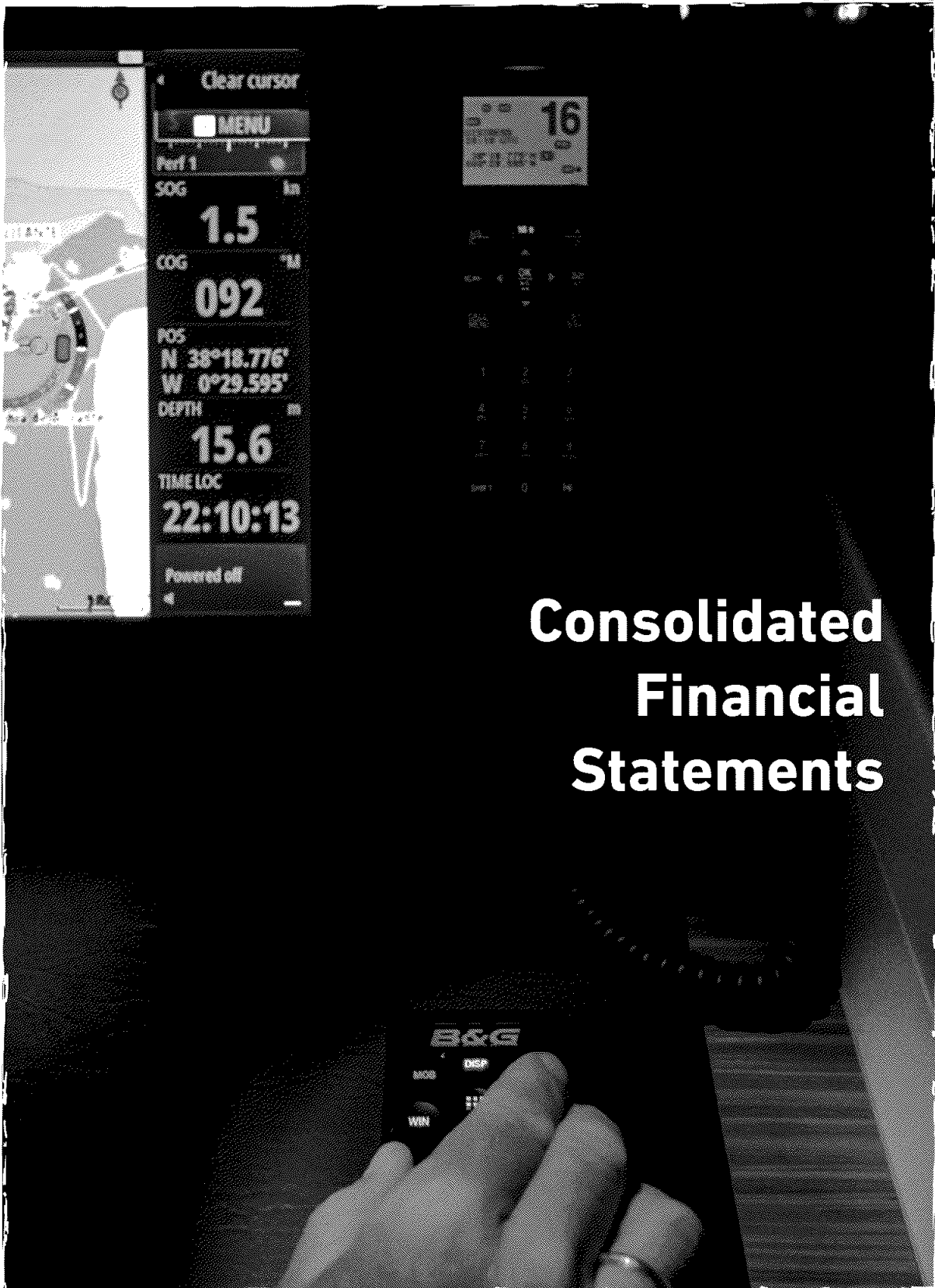
Mr. Karl-Thomas Neumann

Mr. David Hess

Mr. Martin Hintze

### President & CEO

Mr. Leif Ottosson



# Consolidated Financial Statements



## Consolidated Statement of Income

| <i>USD (thousands)</i>                    | <b>Notes</b> | <b>2018</b>     | <b>2017</b><br>Restated | <b>6 June - 31 Dec</b><br>2016 Restated |
|---|--------------|-----------------|-------------------------|---|
| <b>Revenue</b>                            | 6, 7         | <b>372.857</b>  | 327,198                 | 74,744                                  |
| Cost of sales                             | 9            | (194,452)       | (166,209)               | (39,937)                                |
| <b>Gross profit</b>                       |              | <b>178.405</b>  | 160,989                 | 34,807                                  |
| Other operating expenses                  | 10           | (26,784)        | (21,393)                | (3,668)                                 |
| Employee benefit expenses                 | 11           | (77,006)        | (62,522)                | (14,069)                                |
| Depreciation, amortization and impairment | 12           | (47,814)        | (44,055)                | (10,532)                                |
| Separately disclosed items                | 13           | 4,325           | (10,287)                | (15,390)                                |
| <b>Results from operating activities</b>  |              | <b>31.126</b>   | 22,732                  | (6,852)                                 |
| Finance income                            | 14           | 2,890           | 896                     | 3,676                                   |
| Finance expense                           | 14           | (20,658)        | (28,794)                | (4,382)                                 |
| Net foreign exchange gains & losses       | 14           | (3,691)         | 686                     | (1,602)                                 |
| Other income                              | 14           | 9,131           | (2,004)                 | (1,66)                                  |
| <b>Net finance costs</b>                  |              | <b>(12,328)</b> | (29,216)                | (2,475)                                 |
| <b>Profit / (loss) before tax</b>         |              | <b>18,798</b>   | (6,484)                 | (11,326)                                |
| Income tax benefit / (expense)            | 19           | (3,526)         | 19,245                  | 1,203                                   |
| <b>Profit / (loss) for the year</b>       |              | <b>15,272</b>   | 12,761                  | (10,123)                                |
| <b>Profit / (loss) attributable to:</b>   |              |                 | -                       | -                                       |
| Equity holders of the parent              |              | 15,788          | 12,761                  | (10,123)                                |
| Non-controlling interests                 |              | (516)           | -                       | -                                       |

## Consolidated Statement of Comprehensive Income

| <i>USD (thousands)</i>   | <b>2018</b>   | <b>2017</b><br>Restated | <b>6 June - 31 Dec</b><br>2016 Restated |
|--|---------------|-------------------------|---|
| <b>Profit / (loss) for the year</b>  | <b>15,272</b> | 12,761                  | (10,123)                                |
| <b>Other comprehensive income</b>  |               |                         |   |
| Exchange differences on translation of foreign operations  | (921)         | 1,765                   | (601)                                   |
| <b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b> | <b>(921)</b>  | 1,765                   | (601)                                   |
| <b>Other comprehensive income / (loss)</b>   | <b>(921)</b>  | 1,765                   | (601)                                   |
| <b>Total comprehensive income / (loss) for the year</b>  | <b>14,351</b> | 14,526                  | (10,724)                                |
| <b>Total comprehensive income / (loss) attributable to:</b>                                      |               |                         |   |
| Equity holders of the parent   | 14,867        | 14,526                  | (10,724)                                |
| Non-controlling interests  | (516)         | -                       | -                                       |



## Consolidated Balance Sheet

| USD (thousands)                                    | Notes     | 31 December<br>2018 | 31 December<br>2017 Restated | 31 December<br>2016 Restated |
|--|-----------|---------------------|------------------------------|------------------------------|
| <b>Assets</b>                                      |           |                     |                              |                              |
| Intangible assets                                  | 15, 16    | 430,336             | 414,027                      | 411,955                      |
| Property, plant and equipment                      | 17        | 55,220              | 54,177                       | 51,301                       |
| Other non-current assets                           | 20        | 2,921               | 10,816                       | 1,162                        |
| Deferred tax assets                                | 19        | 1,498               | 1,718                        | 13,313                       |
| <b>Total non-current assets</b>                    |           | <b>489,975</b>      | <b>480,738</b>               | <b>477,731</b>               |
| Inventories  | 21        | 84,174              | 78,308                       | 59,402                       |
| Trade and other receivables                        | 22        | 62,623              | 60,524                       | 56,231                       |
| Prepayments  | 23        | 7,125               | 4,411                        | 4,779                        |
| Cash and cash equivalents                          | 24        | 15,068              | 5,845                        | 6,175                        |
| <b>Total current assets</b>                        |           | <b>168,990</b>      | <b>149,088</b>               | <b>126,587</b>               |
| <b>Total assets</b>                                |           | <b>658,966</b>      | <b>629,826</b>               | <b>604,318</b>               |
| Total equity attributable to owners of the Company |           | 288,718             | 262,794                      | 244,775                      |
| Non-controlling interests                          |           | 732                 | 1,248                        | -                            |
| <b>Total equity</b>                                | <b>25</b> | <b>289,450</b>      | <b>264,042</b>               | <b>244,775</b>               |
| <b>Liabilities</b>                                 |           |                     |                              |                              |
| Interest-bearing loans and borrowings              | 26, 28    | 221,880             | 234,732                      | 226,868                      |
| Other non-current liabilities                      | 27        | 13,305              | 16,125                       | 8,384                        |
| Deferred income tax liabilities                    | 19        | 31,590              | 29,954                       | 63,243                       |
| <b>Total non-current liabilities</b>               |           | <b>266,775</b>      | <b>280,811</b>               | <b>298,495</b>               |
| Interest-bearing loans and borrowings              | 26, 28    | 7,836               | 19,037                       | 7,526                        |
| Trade and other payables                           | 29        | 86,425              | 57,570                       | 45,906                       |
| Provisions   | 30        | 7,331               | 7,468                        | 6,790                        |
| Current income tax liabilities                     | 19        | 1,148               | 899                          | 826                          |
| <b>Total current liabilities</b>                   |           | <b>102,740</b>      | <b>84,974</b>                | <b>61,048</b>                |
| <b>Total liabilities</b>                           |           | <b>369,516</b>      | <b>365,785</b>               | <b>359,543</b>               |
| <b>Total equity and liabilities</b>                |           | <b>658,966</b>      | <b>629,826</b>               | <b>604,318</b>               |



## Consolidated Statement of Changes in Equity

| USD (thousands)   | Attributable to owners of the parent |                |                   |                     |                | Non-controlling interest | Total equity   |
|---|--------------------------------------|----------------|-------------------|---------------------|----------------|--------------------------|----------------|
|   | Issued capital                       | Share premium  | Retained Earnings | Translation reserve | Total          |                          |                |
| Balance at 1 January 2018 Restated                        | 595                                  | 258,383        | 2,660             | 1,156               | 262,794        | 1,248                    | 264,042        |
| Capital contribution from shareholders                    | 311                                  | 25,689         | -                 | -                   | 26,000         | -                        | 26,000         |
| C-MAP Group merger through pooling of interest            | -                                    | -              | (14,396)          | (31)                | (14,427)       | -                        | (14,427)       |
| <b>Total comprehensive income for the year</b>            |                                      |                |                   |                     |                |                          |                |
| Profit / (loss) for the year                              | -                                    | -              | 15,272            | -                   | 15,272         | -                        | 15,272         |
| <b>Other comprehensive income</b>                         |                                      |                |                   |                     |                |                          |                |
| Exchange differences on translation of foreign operations | -                                    | -              | -                 | (921)               | (921)          | -                        | (921)          |
| <b>Other comprehensive income for the year</b>            | -                                    | -              | -                 | (921)               | (921)          | -                        | (921)          |
| <b>Total comprehensive income for the year</b>            | -                                    | -              | 15,272            | (921)               | 14,351         | -                        | 14,351         |
| <b>Changes in ownership interests in subsidiaries</b>     |                                      |                |                   |                     |                |                          |                |
| Movement in non-controlling interest                      | -                                    | -              | -                 | -                   | -              | (516)                    | (516)          |
| <b>Balance at 31 December 2018</b>                        | <b>906</b>                           | <b>284,072</b> | <b>3,536</b>      | <b>204</b>          | <b>288,718</b> | <b>732</b>               | <b>289,450</b> |

| USD (thousands)   | Attributable to owners of the parent |                |                   |                     |                | Non-controlling interest | Total equity   |
|---|--------------------------------------|----------------|-------------------|---------------------|----------------|--------------------------|----------------|
|   | Issued capital                       | Share premium  | Retained Earnings | Translation reserve | Total          |                          |                |
| Balance at 1 January 2017 Restated                        | 296                                  | 255,182        | (10,101)          | (602)               | 244,775        | -                        | 244,775        |
| Capital contribution from shareholders                    | 299                                  | 3,201          | -                 | -                   | 3,500          | -                        | 3,500          |
| <b>Total comprehensive income for the year</b>            |                                      |                |                   |                     |                |                          |                |
| Profit / (loss) for the year                              | -                                    | -              | 12,761            | -                   | 12,761         | -                        | 12,761         |
| <b>Other comprehensive income</b>                         |                                      |                |                   |                     |                |                          |                |
| Exchange differences on translation of foreign operations | -                                    | -              | -                 | 1,758               | 1,758          | -                        | 1,758          |
| <b>Other comprehensive income for the year</b>            | -                                    | -              | -                 | 1,758               | 1,758          | -                        | 1,758          |
| <b>Total comprehensive income for the year</b>            | -                                    | -              | 12,761            | 1,758               | 14,519         | -                        | 14,519         |
| <b>Changes in ownership interests in subsidiaries</b>     |                                      |                |                   |                     |                |                          |                |
| Movement in non-controlling interest                      | -                                    | -              | -                 | -                   | -              | 1,248                    | 1,248          |
| <b>Balance at 31 December 2017 Restated</b>               | <b>595</b>                           | <b>258,383</b> | <b>2,660</b>      | <b>1,156</b>        | <b>262,794</b> | <b>1,248</b>             | <b>264,042</b> |

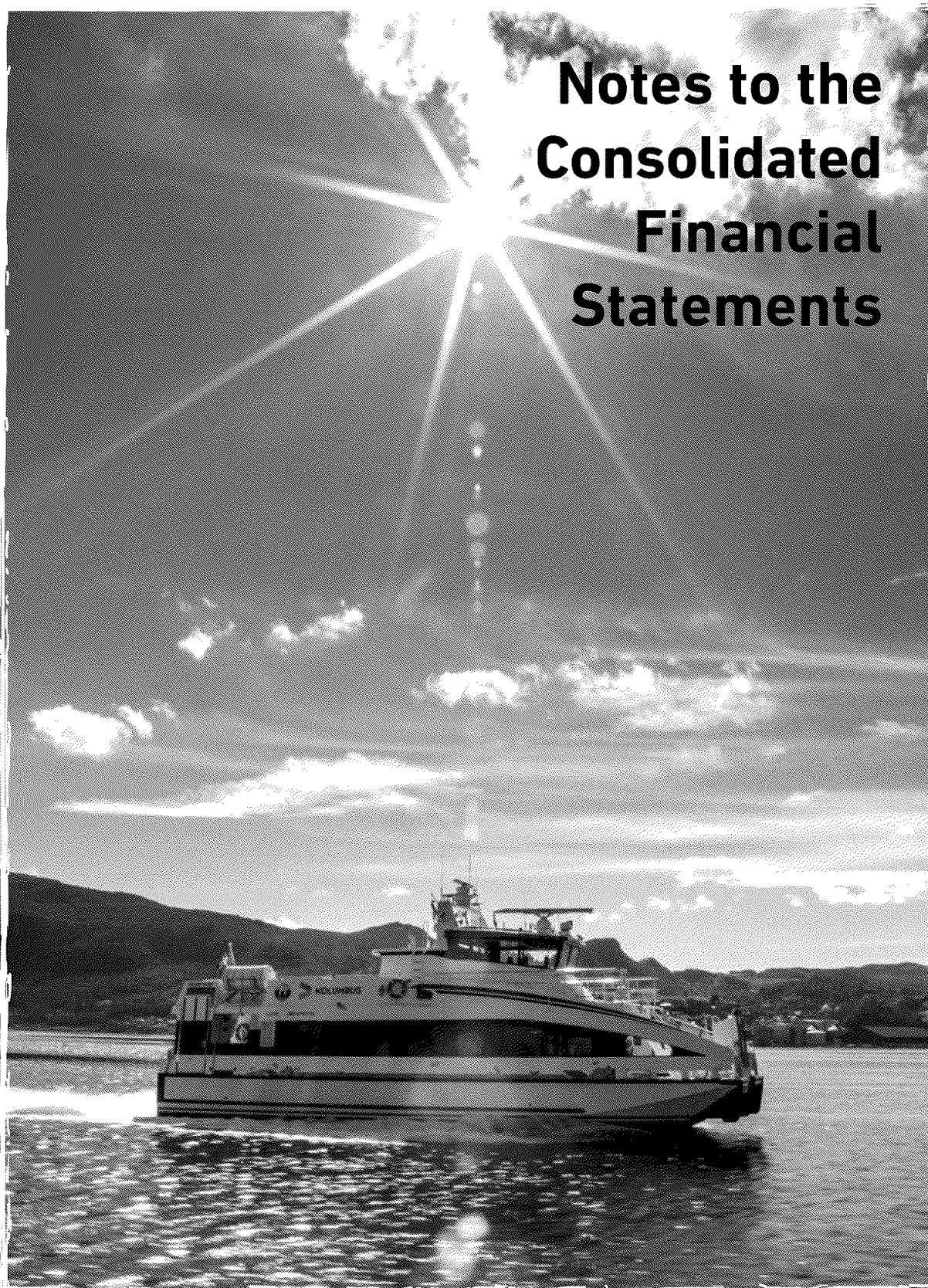


| <i>USD (thousands)</i>                                    | Attributable to owners of the parent |               |                   |                     | Total equity |
|---|--------------------------------------|---------------|-------------------|---------------------|--------------|
|   | Issued capital                       | Share premium | Retained Earnings | Translation reserve |              |
| Balance at 3 June 2016                                    | -                                    | -             | -                 | -                   | -            |
| Capital contribution from shareholders                    | 318                                  | 255,182       | -                 | -                   | 255,500      |
| Total comprehensive income for the period                 |                                      |               |                   |                     |              |
| Profit / (loss) for the year, restated                    | -                                    | -             | (10,123)          | -                   | (10,123)     |
| Other comprehensive income                                |                                      |               |                   |                     |              |
| Exchange differences on translation of foreign operations |                                      |               |                   | (602)               | (602)        |
| Translation difference on issued capital                  | (22)                                 |               | 22                |                     | -            |
| Other comprehensive income for the period                 | (22)                                 | -             | 22                | (602)               | (602)        |
| Total comprehensive income for the period                 | (22)                                 | -             | (10,101)          | (602)               | (10,725)     |
| Balance at 31 December 2016 Restated                      | 296                                  | 255,182       | (10,101)          | (602)               | 244,775      |



## Consolidated Cash Flow Statement

| <i>USD (thousands)</i>   | <b>Notes</b> | <b>2018</b>     | 2017<br>Restated | 6 June - 31 Dec<br>2016 Restated |
|--|--------------|-----------------|------------------|----------------------------------|
| <b>Cash flows from operating activities</b>                                |              |                 |                  |                                  |
| Profit / (loss) for the year before tax                                    |              | 18,797          | (6,484)          | (11,328)                         |
| <b>Non cash adjustment to reconcile profit before tax to net cash flow</b> |              |                 |                  |                                  |
| Depreciation / amortisation and impairment of assets                       | 12           | 47,814          | 44,055           | 10,532                           |
| Finance income   | 14           | (2,890)         | (896)            | (3,676)                          |
| Finance costs  | 14           | 20,658          | 28,794           | 4,382                            |
| Net foreign exchange income / (expenses)                                   | 14           | 3,691           | (686)            | 1,602                            |
| Net other finance income / (expenses)                                      | 14           | (9,131)         | 2,004            | 166                              |
| Change in provisions   |              | (137)           | 678              | 688                              |
| Other non-cash items (forex translation related)                           |              | 1,322           | 684              | (600)                            |
|  |              | <b>80,124</b>   | <b>68,148</b>    | <b>1,768</b>                     |
| Foreign currency (gains) / losses  |              | (3,691)         | 686              | (1,602)                          |
| Income tax (paid) / received   |              | (2,896)         | (3,843)          | (1,709)                          |
|  |              | <b>(6,587)</b>  | <b>(3,157)</b>   | <b>(3,311)</b>                   |
| Decrease / (increase) in inventories                                       |              | (5,114)         | (16,097)         | 2,382                            |
| Decrease / (increase) in trade and other receivables                       |              | 5,582           | (4,344)          | (12,160)                         |
| (Decrease) / increase in payables  |              | 6,225           | 9,777            | 2,851                            |
| <b>Changes in working capital:</b>   |              | <b>6,693</b>    | <b>(10,664)</b>  | <b>(6,927)</b>                   |
| <b>Net cash from (used in) operating activities</b>                        |              | <b>80,230</b>   | <b>54,328</b>    | <b>(8,470)</b>                   |
| <b>Cash flows from investing activities</b>                                |              |                 |                  |                                  |
| Purchase of property, plant and equipment                                  | 17           | (9,172)         | (6,593)          | (2,655)                          |
| Purchase of intangible assets  | 15           | (25,219)        | (18,892)         | (4,295)                          |
| Acquisition of a subsidiary, net of cash acquired                          |              | 3,298           | (14,192)         | -                                |
| <b>Net cash used in investing activities</b>                               |              | <b>(31,093)</b> | <b>(39,677)</b>  | <b>(6,950)</b>                   |
| <b>Cash flows from financing activities</b>                                |              |                 |                  |                                  |
| Proceeds from issue of shares  |              | -               | 3,500            | 255,500                          |
| Interest paid  | 26           | (16,943)        | (18,626)         | (3,627)                          |
| Payment of lease liabilities   | 26           | (3,336)         | (3,446)          | (853)                            |
| Granting loan to related party   |              | -               | (8,494)          | -                                |
| (Decrease) / increase in other non current liabilities                     |              | (1,418)         | 1,787            | -                                |
| (Decrease) / increase bank overdraft                                       | 26           | (8,720)         | 12,703           | (9,824)                          |
| New non-current liabilities  | 26           | -               | 260,000          | 243,500                          |
| Repayment of debt  | 26           | (6,500)         | (248,375)        | (288,052)                        |
| Bank fees  | 26           | (2,997)         | (14,030)         | (8,712)                          |
| Repayment of loans from related parties                                    |              | -               | -                | (20,628)                         |
| Repurchase of shares   |              | -               | -                | (145,709)                        |
| <b>Net cash from financing activities</b>                                  |              | <b>(39,914)</b> | <b>(14,981)</b>  | <b>21,595</b>                    |
| <b>Net increase / (decrease) in cash and cash equivalents</b>              |              | <b>9,223</b>    | <b>(330)</b>     | <b>6,175</b>                     |
| Cash and cash equivalents at 1 January                                     |              | 5,845           | 6,175            | -                                |
| <b>Cash and cash equivalents at 31 December</b>                            |              | <b>15,068</b>   | <b>5,845</b>     | <b>6,175</b>                     |



# Notes to the Consolidated Financial Statements



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## 1. Corporate information

Navico Group AS ("Navico" or "the Company") is a holding company for businesses which develop, manufacture and sell electronics for recreational boats and commercial vessels, together with its subsidiaries, referred to as "the Group". Navico has its statutory seat in Egersund, Norway. These consolidated financial statements for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 30 April 2019. The address of the registered office is Nyaskaiveien 2 in Egersund (Norway).

## 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared based on the standards and interpretations that were effective at 31 December 2018.

The consolidated financial statements have been prepared on a historical cost basis, except for derivatives that are measured at fair value. The consolidated financial statements are presented in USD and amounts are rounded to the nearest thousands, except when otherwise indicated. As a result of such rounding, amounts and percentages presented may not add up to the total.

Some reclassifications have been made in the comparative numbers in financial statements with notes compared to the annual financial statements for 2017 and 2016. This includes changes in presentation or names of line items due to implementation of IFRS 9 and IFRS 15, and early adoption of IFRS 16.

Navico is in full compliance with all covenant requirements in its finance agreements as per 31 December 2018.

With respect to its subsidiary Navico UK Limited (registered number 00565631), included in these consolidated financial statements, Navico Group AS has given a guarantee in the form prescribed by the United Kingdom Companies Act 2006, which enables Navico UK Limited to obtain exemption from audit requirements under section 479A of the United Kingdom Companies Act 2006 for the year ended 31 December 2018.

A similar guarantee has been provided by Navico Group AS in relation to the subsidiary Navico Logistics Europe BV.

## 3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. 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. Specifically, the Group controls an investee if, and only if, the Group has (i) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; (iii) the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including (i) the contractual arrangement(s) with the other vote holders of the investee; (ii) rights arising from other contractual arrangements, (iii) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.



## Subsidiaries

As at 31 December 2018, the Group had direct or indirect interests in the following subsidiaries, the particulars of which are set out below:

| Company<br>(amounts in thousands)            | Place of operation        | Country of incorporation | Currency | Nominal value           | Percentage of equity        |      |      |
|--|---------------------------|--------------------------|----------|-------------------------|-----------------------------|------|------|
|  |                           |                          |          | of issued share capital | attributable to the company | 2018 | 2017 |
| Navico SA, France                            | Treillieres, France       | France                   | EUR      | 59                      | 100%                        | 100% | 100% |
| Navico UK Ltd                                | Romsey, England           | United Kingdom           | GBP      | 1,227                   | 100%                        | 100% | 100% |
| Navico Logistics Europe BV                   | Dordrecht, Netherlands    | Netherlands              | EUR      | 18                      | 100%                        | 100% | 100% |
| Navico GmbH                                  | Schleswig, Germany        | Germany                  | EUR      | 100                     | 100%                        | 100% | 100% |
| Navico Italia SRL                            | Milano, Italy             | Italy                    | EUR      | 15                      | 100%                        | 100% | 100% |
| Navico Marine Electronics S.L                | Alicante, Spain           | Spain                    | EUR      | 159                     | 100%                        | 100% | 100% |
| Navico Inc.                                  | Tulsa, Oklahoma, USA      | USA                      | USD      | 78,363                  | 100%                        | 100% | 100% |
| Electronica Lowrance de Mexico, S.A. de C.V. | Ensenada, Mexico          | Mexico                   | MXN      | 60,000                  | 100%                        | 100% | 100% |
| Navico Auckland Ltd                          | Auckland, New Zealand     | New Zealand              | NZD      | 35,000                  | 100%                        | 100% | 100% |
| Navico Shanghai Trading Company LTD          | Shanghai, China           | China                    | CNY      | 4,057                   | 100%                        | 100% | 100% |
| Navico Australia PTY Ltd                     | Sydney, Australia         | Australia                | AUD      | 4,081                   | 100%                        | 100% | 100% |
| Navico (Suzhou) Trading Company LTD          | Suzhou, China             | China                    | CNY      | 12,906                  | 100%                        | 100% | 100% |
| Navico Sweden AB                             | Goteborg, Sweden          | Sweden                   | SEK      | 500                     | 100%                        | 100% | 100% |
| Navico RBU Italia SRL                        | Milano, Italy             | Italy                    | EUR      | 10                      | 100%                        | 100% | 100% |
| Nav Marine Electronics Oy                    | Finland                   | Finland                  | EUR      | 3                       | 100%                        | 100% | 100% |
| Contour Innovations LLP                      | Minneapolis, USA          | USA                      | USD      | -                       | 100%                        | 100% | 100% |
| Navico Marine Singapore Pte. Ltd.            | Singapore                 | Singapore                | SGD      | 101                     | 100%                        | 100% | 100% |
| Maritime Information Systems AS              | Tonsberg, Norway          | Norway                   | NOK      | 1,536                   | 100%                        | 100% | 100% |
| Navico Rus Ltd.                              | St. Petersburg, Russia    | Russia                   | RUB      | 10                      | 100%                        | 100% | 100% |
| Nanna U.S. BioCo, LLC                        | Tulsa, Oklahoma, USA      | USA                      | USD      | -                       | 100%                        | 100% | 100% |
| Navico Holding AS                            | Egersund, Norway          | Norway                   | NOK      | 203,608                 | 100%                        | 100% | 100% |
| Naviep SRL                                   | Forli, Italy              | Italy                    | EUR      | 100                     | 100%                        | 100% | -    |
| Yacht Defined AB                             | Stockholm, Sweden         | Sweden                   | SEK      | 50                      | 100%                        | 100% | -    |
| Navico Sweden II AB                          | Goteborg, Sweden          | Sweden                   | SEK      | 200                     | 49%                         | 49%  | -    |
| HOC Yachts AB                                | Stockholm, Sweden         | Sweden                   | SEK      | 50                      | 49%                         | 49%  | -    |
| Navico Canada Inc.                           | Edmonton, Alberta, Canada | Canada                   | CAD      | -                       | 100%                        | 100% | 100% |
| Brookes & Gatehouse Ltd                      | Hampshire, United Kingdom | United Kingdom           | GBP      | -                       | 100%                        | 100% | 100% |
| Digital Marine Solutions Holding AS          | Egersund, Norway          | Norway                   | NOK      | 33                      | 100%                        | -    | -    |
| Navico Norway AS                             | Egersund, Norway          | Norway                   | NOK      | 200                     | 100%                        | -    | -    |
| C-MAP India Private Limited                  | Maharashtra, India        | India                    | INR      | 2,500                   | 100%                        | -    | -    |
| C-MAP Hellas MEPE                            | Attica, Greece            | Greece                   | EUR      | 25                      | 100%                        | -    | -    |
| C-MAP Japan K.K.                             | Tokyo, Japan              | Japan                    | JPY      | 10,000                  | 100%                        | -    | -    |
| Cruise LLC                                   | St. Petersburg, Russia    | Russia                   | RUB      | 15                      | 100%                        | -    | -    |
| C-MAP Italy Srl                              | Massa, Italy              | Italy                    | EUR      | 234                     | 100%                        | -    | -    |
| C-MAP Poland SP. z o.o.                      | Gdansk, Poland            | Poland                   | PLN      | 5                       | 100%                        | -    | -    |
| DMS Assurance LLC                            | Delaware, Jersey, USA     | USA                      | USD      | -                       | 100%                        | -    | -    |

1. Digital Marine Solutions Holding AS was merged into Navico Holding AS effective as of 7 January 2019.

2. Maritime Information Systems AS will be merged into Navico Norway AS during 2019.

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. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Navico Group AS owns, directly or indirectly, 100% of the voting interest in all subsidiaries, except for Navico Sweden II AB and HOC Yachts AB.

### Intra-group transactions

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

### Change in the ownership

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

### Non-controlling interests

Non-controlling interests (NCI) represent the equity in a subsidiary not attributable, directly or indirectly, to Navico Group AS. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. The NCI relates to Navico Sweden II AB and HOC Yachts AB. Due to immateriality, summarised financial information



about these subsidiaries is not provided. Navico has an economic interest of 49% of both companies, and 49% of the voting interest. Navico has concluded that it controls these two companies through a convertible loan which would bring the Group's economic interest and voting rights to 70%.

## 4. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

### 4.1 Business combination and goodwill and common control transactions

Business combinations are accounted for using the acquisition method as defined in IFRS 3 Business Combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred, and included in the line item "separately disclosed items" in the statement of income.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the consideration transferred, plus the amount of any non-controlling interest, plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree in a business combination achieved in stages, over the net of the acquisition-date amounts of identifiable assets acquired and liabilities assumed. Any negative goodwill is recognised in profit or loss.

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 acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### 4.1.1 Common control transactions

IFRS 3 does not apply to a business combination of entities or businesses under common control (common control transaction). A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Navico accounts for a common control transaction by including the carrying values of assets and liabilities as measured by the acquiree according to IFRS based on the pooling of interest method. Income and expenses are consolidated from the date of pooling of interest, without restating any comparative figures.

In 2018 this is relevant for the common control transaction with C-MAP that had the same owners as Navico, and was transferred to Navico by its owners on 30 June 2018.

### 4.2 Foreign currency translation

The presentation currency of the Group is USD. Each entity of the Group records transactions and items in the statement of financial position in its functional currency. Transactions denominated in currency other than the functional currency are recorded at the spot exchange rates prevailing at the date of the transactions. The functional currency of the parent is USD. Rounding differences may mean that amounts and percentages reported do not necessarily add up to the total shown.

Monetary assets and liabilities denominated in a currency other than the functional currency of the entity are translated at the closing rates.

Exchange differences resulting from the settlement of these transactions and from the translation of monetary items are recognised in the income statement.

Non-monetary assets denominated in a currency other than the functional currency continue to be translated against the rate at initial recognition and will not result in exchange differences. On consolidation, the statement of financial position of subsidiaries whose functional currency are not in USD are translated into USD at the closing rate. The consolidated statements of comprehensive income of these entities are translated into USD at the average monthly rates for the year.

Exchange differences arising from the translation of the net investment in entities with a functional currency other than USD are recorded through other comprehensive income in the translation reserve.

The same applies to exchange differences arising from borrowings and other financial instruments in so far as they hedge the currency risk related to the net investment. On disposal of an entity with a functional currency other than the USD, the cumulative exchange differences relating to the translation of the net investment are recognized in the income statement.

## 4.3 Revenue recognition

### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer, adjusted with estimated discounts etc. The Group recognises revenue when it transfers control over a good or service to a customer.

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

The Group primarily sells standard products. This is primarily equipment to be used in different kind of boats and vessels. The Group also sell licenses of its or third parties intellectual property (IP). It also provides some services.

#### Standard products

Products include radars, fishfinders, autopilots, navigation systems, sonars, communication equipment and instruments / gauges, compasses, instruments and fishing echo sounders. The Group also sells some equipment that are provided by third parties, where the Group has evaluated that it is the principal. Software that is embedded in a hardware as an operating system, is regarded as a part of the equipment.

Customers obtain control of standard products when the goods are shipped from the Group's warehouse based in ex works incoterm. Invoices are generated at that point in time and usually payable within 30-60 days.

Revenue is recognised when the goods are shipped. See general description of discounts and rebates below.

Standard products account for approximately 95% of total revenues for the Group in 2018.

#### Licenses

The Group sells licenses to its own intellectual property (IP), for example maps, raw data and software. In the middle of 2018, Navico integrated the C-MAP brand of commercial digital charts, increasing such sales for the Group.

Most licenses are separate performance obligations. However, some are embedded in a hardware as an operating system, and therefore regarded as a part of the equipment (see above).

License of intellectual property is largely a right to use the Group's IP as it exists at a point in time ("right to use" license). For such licenses, revenue is recognised when the customer receives access to use the IP.

For some right to use licenses, the Group also provides subsequent services (updates etc.) which is regarded as a separate performance obligation (see below).

For licenses, invoices are generally generated when the license period starts, and usually payable within 30 days.

Some license payments received are based on sales realised by the customer. The Group regards this as a sales based royalty. Revenue is recognised when the customer performs the sale and report it to the Group. The Group invoices the customers at the end of a month or quarter based on data received from the customer. Example is sale of raw data to vendors that integrates it into their products.

The Group sells some electronic navigational charts (ENCs) that are provided by third parties, where the Group has evaluated that it is the principal. Some of these agreements are regarded as promising the customer a right to use license, see above. In some ENC sales, the customer is by law not allowed to operate (sail) without having downloaded the latest upgrades or updates, and the Group has evaluated that in these situations the initial chart is not separate from the subsequent service. Revenue is therefore recognised over time, on a time-based measurement basis. The ENC and services are provided to the Group by an external party. The Group evaluates that it receives the services from the third party at the time it satisfies its promise to the customer, and any prepayment is recognised as prepaid expenses. These contracts are typically for a term of one year, but can also cover a shorter period such as 3 or 6 months. Invoices are generally generated at the start of the contract. This can be at any point during the year. Invoices are usually payable within 30 days.

#### Services

The Group has developed software systems that it uses to provide services to its customers. A customer receives a right to access the Group's software systems as it exists at any point in time. The customer is dependent on the Group's infrastructure to derive benefits of the license, and expects and is dependent on the Group operating, maintaining, updating the content and systems at all times. Examples include value added services provided by C-MAP, such as fleet management software, weather routing and voyage optimization.

The Group has assessed that in these contracts it does not provide a separable license, but instead provides the customer with a service. The customer receives and consumes the benefits as time passes, and the Group recognizes revenue on a straight-line basis over the license period or the specific voyage. For these services, invoices are generally generated monthly, after the performance of the service and are usually payable within 30 days.

For some right to use licenses, the Group also provides subsequent services (updates etc.) which is regarded as a separate performance obligation (see below). Revenue is recognised at the time the service is performed. Progress measure differs between the types of service, including on a time basis when the promise is regarded as to stand-ready to deliver, based on cost incurred compared to total costs when the cost incurred is regarded as satisfaction of the promise, or when specific services are delivered, for example a specific upgrade.



The Group also offers other services. Some are provided by the Group's employees or hired personnel, such as service on board. The Group has assessed that it provides the customer with a service, and that the customer receives and consumes the benefits when the service is performed, and this is the time of revenue recognition. For these services, invoices are generally generated when the service are delivered, or at least monthly, and usually payable within 30 days.

#### **Other performance obligations**

The Group provides some freight services, insignificant extended warranties and promotional rebates that provides the customer's customer with a discount on future purchases. These are separate performance obligations. However, these performance obligations are not separately accounted for due to immateriality. Additionally, for freight and promotions the timing between fulfilling the performance obligations are short, and it would have an insignificant effect on timing of revenue recognition.

#### **General information on discounts, rebates, coverage of advertising etc.**

The Group offers some early payment and volume discounts, promotional rebates, price protection, and coverage of advertising performed by customer for the Group's products. The Group has used the practical expedient not to adjust for financing component as the difference between transfer for promised good or service and payment is less than one year. Volume discounts, price protection and coverage of advertising where the Group cannot demonstrate to have received a separate service are regarded as variable consideration, which normally can be estimated based on past experience without constraint of revenue recognition. Variable consideration is estimated using expected value method. Discount and price protection primarily relates to standard products. For coverage of advertising where the Group receives a distinct service and can estimate the fair value of what it receives is recognized as an expense, at the time the service is received.

#### **Warranties**

The Group offers assurance type warranties for product defects. The Group recognizes provision for warranties when the underlying product is sold based on historical incurred warranty costs data. The Group expects to settle the majority of the liability over the next year.

## **4.4 Distinction between current and non-current**

An asset is classified as current when it is expected to be realised or sold, or to be used in the Group's normal operating cycle, or falls due or is expected to be realised within 12 months after the end of the reporting period. Other assets are classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Group, are held for trading, are expected to be settled within 12 months of the end of the reporting period, or if the Group does not have an unconditional right to postpone settlement for at least 12 months after the reporting date. All derivatives are classified as current.

## **4.5 Intangible assets**

Following initial recognition intangible assets are carried at historic cost less accumulated amortization and any impairment losses. Costs of software maintenance are expensed when incurred.

Intangible assets with definite useful lives are amortised over their estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortization method is normally straight line, with no estimated residual value. The estimated useful lives and the amortisation methods are reviewed at least at the end of each year. Intangible assets with indefinite useful lives, intangible assets under construction and goodwill are not amortised, but instead tested for impairment at least at the end of each year. Currently the Group has determined that brand names have indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

The trademarks used to identify and distinguish main products of the Group (Lowrance, Simrad, B&G, C-MAP) are automatically renewed every ten years at little cost and are well established. The Group intends to renew the trademarks continuously and evidence supports its ability to do so. An internal analysis of product life cycle studies and market and competitive trends provides evidence that the product will generate net cash inflows for the Group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 16.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

The development projects mainly relate to development of new products, development of new solutions, development of online applications, etc.

Software includes acquired software licenses.



Amortisation of the asset begins when development is complete and the asset is available for use. The currently estimated useful lives are as follows:

| Category           | Years      |
|--------------------|------------|
| Developed products | 3 - 5      |
| Goodwill           | Indefinite |
| Brand name         | Indefinite |
| Customer relations | 15         |
| Software           | 3 - 5      |

## 4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation calculated and less any impairment losses. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives to their estimated residual values (normally zero). Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Subsequent expenditure is added to the carrying value of the asset or is recognised separately when it is probable that future economic benefits related to the expenditure will flow to the Group, and the cost can be measured reliably. The carrying amount related to replaced parts is expensed.

The estimated remaining lives of assets, depreciation methods and residual values are reviewed at the end of the year, taking into account of commercial and technological obsolescence as well as normal wear and tear. The currently estimated useful lives are as follows:

| Category            | Years      |
|---------------------|------------|
| Land (freehold)     | Indefinite |
| Buildings           | 10 - 50    |
| Plant and machinery | 5 - 20     |
| Other equipment     | 3 - 15     |

Freehold land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use or the sale of the asset. Any gain or loss arising on derecognition of the asset is recorded in the income statement.

## 4.7 Leases

The Group early adopted IFRS 16 Leases retrospectively as from 1 January 2018, see note 4.16 for further information. The Group is the lessee in all its lease contracts.

### Group as a lessee

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. The Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group does not recognize assets and liabilities for short-term leases (12 months or less) or for leases of low value items.

The right-of-use asset is included in the line "property, plant and equipment" in the consolidated balance sheet. Lease liabilities are included in the line current and non-current "interest-bearing loans and borrowings"

A right-of-use asset is depreciated on a straight-line basis over the shorter of remaining useful life and remaining lease term, presented as part of "depreciation, amortization and impairment" in the consolidated statement of income. Interest expense on the lease liability is included as a component of "finance expenses" in the consolidated statement of income, and added to the lease liability. Net lease payment is recognised as a reduction to the lease liability.

## 4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 4.9 Financial Instruments

The Group adopted IFRS 9 Financial Instruments as from 1 January 2018, see note 4.16 for further information.



## 4.9.1 Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets. All financial assets are recognised initially at fair value, with addition of transaction costs for assets not at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at FVTPL:

- It is held within a business model whose objectives is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The Group's financial assets are primarily cash and cash equivalents, trade receivables and a non-current loan to the owners (related parties). Based on the nature of these assets and how they are managed, the Group has evaluated that these qualify for classification as measured at amortised cost.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, impairments and any gain or loss on derecognition are recognized in profit or loss.

The Group has some derivatives that is uses for economic hedges, but has not applied hedge accounting. Derivatives are at FVTPL, classified as assets if the fair values are positive. These assets are subsequently measured at fair value. Net gains and losses, including any interest income, are recognized in profit of loss.

Before implementation of IFRS 9 as of 1 January 2018, the Group had financial assets in the categories loans and receivables and derivatives at FVTPL. In practice, subsequent measurement and gains and losses were similar to those under IFRS 9. The impairment model under IFRS 9 is different, but the Group has evaluated that any effect of the change was not significant at 1 January 2018, see note 4.16 for further description.

### Impairment of financial assets

The Group recognizes loss allowances at an amount equal to lifetime expected Credit losses (ECL) on trade receivables and contract assets (the Group has insignificant amounts of contract assets).

The Group measures loss allowances at 12-months ECLs for the receivables on related parties and bank balances that are determined to have low credit risk at the reporting date and for which credit risk has not increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

The Group assesses at each reporting date whether financial asset carried at amortized cost are credit impaired. A financial asset is credit impaired based on one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit impairment includes the following observable data: significant financial difficulty of the debtor, a breach of contract such as a default or being more than 120 days past due, the restructuring of a receivable by the Group on terms that the Group would not consider otherwise, or it is probable that the debtor will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances are deducted from the gross carrying amount of the financial asset. The gross carrying amount of a financial asset is written off when the Group has not reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Navico uses a provision matrix method for both trade receivables and contract assets for the customers on initial recognition. The provision matrix is based on its historical observed default rates which are adjusted for forward-looking estimates. Navico opted for the provision matrix method due to the large number of customers (approximately 4000 customers with sales over 1,000 USD during 2017).

Navico provision matrix specifies fixed provision rates based on days past due (not overdue, less than 30 days overdue, overdue more than 30 days but less than 90 days, overdue more than 90 days but less than 120 days, over 120 days) for groups of customers in different geographies that have similar loss patterns.

Forward-looking estimates include (i) any signs of the deterioration of financial position for significant customers; (ii) correlation of default rates and GDP growth.

For overdue payments, the Group individually makes an assessment with respect to the timing and amount of write-off of the gross carrying amount based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.



## *Policy applicable before 1 January 2018*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The asset together with the associated allowance is written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

## **4.9.2 Financial liabilities**

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivatives.

Financial liabilities are classified as measured at amortised cost or FVTPL. For the Group, only derivatives are classified as FVTPL. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses and any gain or loss on derecognition are recognized in profit or loss.

### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 28.

## **4.9.3 Derivative financial instruments**

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps. The purpose is to economically hedge currency and interest rate risks. Hedge accounting has not been applied.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are recognised in profit or loss.

## **4.10 Inventories**

Inventories are valued at the lower of cost and net realisable value, including costs incurred in bringing each product to its present location and condition. Inventories are accounted for as follows:

### **Raw materials:**

- Purchase cost on a first in, first out basis

### **Finished goods and work in progress:**

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.



## 4.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication 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.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It 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. Where 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 assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years.

The following criteria are also applied in assessing impairment of specific assets:

### Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

## 4.12 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position and cash flows comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

## 4.13 Provisions

Provisions are recognised when all of the following conditions are met:

- There is a present legal or constructive obligation as a result of past events;
- It is probable that a transfer of economic benefits will settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The probable amount required to settle long-term obligations is discounted if the effect of discounting is material. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest costs.

Provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data, and a weighting of all possible outcomes against their associated probabilities. The warranty provision is revised at the end of each reporting period.

## 4.14 Long term employee benefits

### Defined contribution plans

The Group's pension plans qualify as defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.



## 4.15 Income taxes

### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the end of the reporting period in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

If management concludes that it is probable that the tax authority would accept the treatment in the tax return, assuming that the tax authority would have full knowledge of all relevant information, the treatment in the tax return is used in the financial statements. If it is not probable that the tax authority would accept the treatment, management reflects the uncertainty using the most likely amount or the expected value, whichever provides a better prediction.

### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The Group's accounting policy is that at initial recognition of a right-of-use asset and a lease liability, the initial recognition exemption for deferred tax in paragraphs 15 and 24 of IAS 12 does not apply to the extent the amounts recognised for the temporary differences are the same.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included



## 4.16 Cash flow statement

The cash flow statement has been prepared using the indirect method.

Cash flows denominated in foreign currencies are translated at estimated average exchange rates. Cash exchange differences are included separately in the cash flow statement.

Interest paid are included in cash flow from financing activities.

Dividend distributions are included under cash flow from financing activities.

Transactions for which no cash or cash equivalents are exchanged, including finance leases are not included in the cash flow statement.

The Group classifies cash payments for the interest and principal portion of the lease liability within financing activities. Payments for short-term leases, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as part of operating activities.

## 4.17 Changes in accounting policies and disclosures

### Change in significant accounting policies

The Group has initially applied IFRS 15, IFRS 9 and IFRS 16 from 1 January 2018. Other new or changes standards effective from 1 January did not have a material effect on the Group's financial statements.

The Group has applied these standards retrospectively, with restatement of comparative information throughout these financial statements for IFRS 16 and IFRS 15. However, the implementation of IFRS 15 did not have any effects other than some reclassifications and note disclosures. The effect of applying IFRS 16 is mainly related to the Group as a lessee attributed the following:

- Recognition of right of use (RoU) assets and lease liabilities in the balance sheet.
- Recognition of lease expenses as depreciation and interest expenses, instead of other operating expenses in the statement of income. In the initial period of a lease contract, total expenses increase compared to a straight-line recognition of lease expenses according to the previous IAS 17.
- Presentation in the cash flows statement, whilst net cash flow is unaffected.

### IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods and services. Determining the timing of transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS15 using the full retrospective approach. The Group has used the practical expedients in IFRS15.C5 for completed contracts.

The Group primarily sells standard products. The customers are primarily distributors that resell the Group's products. The Group has assessed and concluded that the implementation of IFRS 15 did not have any effect on equity, the income statement or the cash flow statement. The Group has evaluated that it has no contract assets. There is also no change in the balance sheet; the Group's only contract liabilities are limited amounts of prepaid revenues, which is not separately disclosed in the balance sheet but instead in a note. The Group has trade receivables as described in IFRS 15. Furthermore, the Group has determined that it has no costs to obtain or fulfil a contract that is required to be capitalised according to IFRS 15. The Group does not grant the customer a right of return (except for defect products) that would give rise to a refund liability and an asset. Payment made by the Group to vendors for future updates and upgrades of Electronic Navigational Charts (ENCs) is recognised as a prepaid cost in the balance sheet. The Group recognise warranty provisions according to IAS 37.

### IFRS 9

IFRS 9 Financial Instruments sets out requirements for the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the income statement or disclose in the notes if not material. Previously the Group included the impairment of trade receivables in the line item "other operating expenses", which is now presented separately in the note 10 "Other operating expenses". The amounts were USD 0.6 million in both 2018 and 2017. Due to materiality impairment of trade receivables were not disclosed as a separate line item in the income statement. Impairment losses on other financial assets are presented under "financial expenses", similar to the presentation under IAS 39, and not presented separately in the income statement due to materiality considerations.



Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that the Group has used the exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39. Any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 would under this transition method have been recognized to equity at 1 January 2018. As discussed elsewhere, the Group has concluded that there is no effect to be recognized to equity at 1 January 2018.

Due to the transition method chosen by the Group in applying IFRS 9, comparative information has not been restated to reflect the requirements of the new standard except for separately presenting impairment loss on trade receivables in the note "Other operating expenses."

IFRS 9 replaces the "incurred loss model" in IAS 39 with an "expected credit loss" (ECL) model. With relevance for the Group, the new impairment model applies to financial assets measured at amortised cost and contract assets. Under IFRS 9, credit losses are recognized earlier than under IAS 39, and impairment losses are generally expected to increase and become more volatile. Due to the history with limited realized losses, the Group's established policy, procedures and control relating to customer credit risk management and previously applied policy for estimating credit losses, the Group has concluded that the loss provision at 1 January 2018 would not have been significantly increased under the IFRS 9 loss model, and no additional impairment has been recognized at transition to IFRS 9. See note 5.2 for further discussion of credit losses.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The Group's financial assets (in addition to cash and cash equivalents) are primarily trade receivables and a non-current loan to the owners (related parties). The Group has evaluated that these qualify for classification as measured at amortised cost. The Group has also some derivatives that are classified as assets if the fair values are positive.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The Group uses derivatives for economic hedges but has not applied hedge accounting under IAS 39 or IFRS 9.

The following table explains original measurement categories under IAS 39 and the new measurement categories under IFRS 9 at 1 January 2018. There was no effect on the carrying amounts of financial assets or liabilities at 1 January 2018 due to the adopting of IFRS 9.

| USD (thousands)  | Original classification     | New classification          | Carrying amount <sup>1</sup> |
|--|-----------------------------|-----------------------------|------------------------------|
|  | IAS 39                      | IFRS 9                      |                              |
| <b>Financial assets</b>  |                             |                             |                              |
| Derivatives  | Held-for-trading            | Mandatorily at FVTPL        | 4,717                        |
| Non current receivables  | Loans and receivables       | Amortised cost              | 10,816                       |
| Trade receivables  | Loans and receivables       | Amortised cost              | 56,477                       |
| Receivables from related parties and other debtors                 | Loans and receivables       | Amortised cost              | 2,983                        |
| Cash and cash equivalents  | Loans and receivables       | Amortised cost              | 5,845                        |
| <b>Total financial assets</b>                                      |                             |                             | <b>80,838</b>                |
| <b>Financial liabilities</b>                                       |                             |                             |                              |
| Interest-bearing loans and borrowings                              | Other financial liabilities | Other financial liabilities | 258,486                      |
| Contingent consideration   | Other financial liabilities | Mandatorily at FVTPL        | 2,424                        |
| Other non-current liabilities                                      | Other financial liabilities | Other financial liabilities | 1,995                        |
| Trade and other payables (excl. contract liabilities and accruals) | Other financial liabilities | Other financial liabilities | 42,484                       |
| Derivatives  | Held-for-trading            | Mandatorily at FVTPL        | 567                          |
| Lease liabilities  | N/a <sup>2</sup>            | Other financial liabilities | 14,099                       |
| <b>Total financial liabilities</b>                                 |                             |                             | <b>320,055</b>               |

1. Original and new amount is equal, except for lease liabilities

2. The lease liabilities were not recognized in the balance sheet before the implementation of IFRS 16, so no "original amount"

## IFRS 16

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains to a large extent unchanged, i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces IAS 17 Leases and related interpretation guidance.



IFRS 16 is mandatory from 1 January 2019. The Group has elected to early implement IFRS 16 as of 1 January 2018 applying full retrospective approach.

The Group is the lessee in all lease contracts, and has no material contracts in which it is the lessor. The Group has for all lease contracts elected the recognition exemptions for short-term leases and leases of low value items.

The Group has in the consolidated balance sheet elected to present right-of-use assets together with "property, plant and equipment. Lease liabilities are included in current and non-current "interest-bearing loans and borrowings" in the consolidated balance sheet. Specifications are provided in the notes.

In the consolidated income statement, the Group present interest expense on the lease liability as a component of "finance expenses", and the depreciation charge for the right-of-use asset as part of "depreciation, amortization and impairment".

In the statement of cash flows, the Group classifies cash payments for the interest and principal portion of the lease liability within financing activities, and short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

The following tables summarise the impacts of adopting IFRS 16 on the Group's consolidated financial statements.

## Consolidated Balance Sheet

| USD (thousands)                                    | 31 Dec 2018    | IFRS 16 impact | 31 Dec 2017 as presented | 31 Dec 2017 Reported | IFRS 16 adjustment | Other adjustment | 31 Dec 2017 Restated | 31 Dec 2016 Reported | IFRS 16 adjustment | IFRS 16 adjustment | 31 Dec 2016 Restated |
|--|----------------|----------------|--------------------------|----------------------|--------------------|------------------|----------------------|----------------------|--------------------|--------------------|----------------------|
| <b>Assets</b>                                      |                |                |                          |                      |                    |                  |                      |                      |                    |                    |                      |
| Intangible assets                                  | 430,336        | -              | 430,336                  | 414,027              | -                  | -                | 414,027              | 411,955              | -                  | -                  | 411,955              |
| Property, plant and equipment                      | 42,918         | 12,302         | 55,220                   | 40,526               | 13,651             | -                | 54,177               | 40,263               | 11,038             | -                  | 51,301               |
| Other non-current assets                           | 2,921          | -              | 2,921                    | 8,499                | -                  | 2,317            | 10,816               | 4                    | -                  | 1,158              | 1,162                |
| Deferred tax assets                                | 1,317          | 181            | 1,498                    | 1,616                | 102                | -                | 1,718                | 13,284               | 29                 | -                  | 13,313               |
| <b>Total non-current assets</b>                    | <b>477,492</b> | <b>12,483</b>  | <b>489,975</b>           | <b>464,668</b>       | <b>13,753</b>      | <b>2,317</b>     | <b>480,738</b>       | <b>465,506</b>       | <b>11,067</b>      | <b>1,158</b>       | <b>477,731</b>       |
| Inventories  | 84,174         | -              | 84,174                   | 78,307               | -                  | 1                | 78,308               | 59,402               | -                  | -                  | 59,402               |
| Trade and other receivables                        | 62,623         | -              | 62,623                   | 64,935               | -                  | (4,411)          | 60,524               | 61,010               | -                  | (4,779)            | 56,231               |
| Prepayments  | 7,125          | -              | 7,125                    | -                    | -                  | 4,411            | 4,411                | -                    | -                  | 4,779              | 4,779                |
| Cash and cash equivalents                          | 15,068         | -              | 15,068                   | 8,162                | -                  | (2,317)          | 5,845                | 7,333                | -                  | (1,158)            | 6,175                |
| <b>Total current assets</b>                        | <b>168,990</b> | <b>-</b>       | <b>168,990</b>           | <b>151,404</b>       | <b>-</b>           | <b>(2,316)</b>   | <b>149,088</b>       | <b>127,745</b>       | <b>-</b>           | <b>(1,158)</b>     | <b>126,587</b>       |
| <b>Total assets</b>                                | <b>646,482</b> | <b>12,483</b>  | <b>658,966</b>           | <b>616,072</b>       | <b>13,753</b>      | <b>1</b>         | <b>629,826</b>       | <b>593,251</b>       | <b>11,067</b>      | <b>-</b>           | <b>604,318</b>       |
| Total equity attributable to owners of the Company | 289,264        | (547)          | 288,718                  | 263,145              | (351)              | -                | 262,794              | 244,840              | (66)               | 1                  | 244,775              |
| Non-controlling interests                          | 732            | -              | 732                      | 1,248                | -                  | -                | 1,248                | -                    | -                  | -                  | -                    |
| <b>Total equity</b>                                | <b>289,996</b> | <b>(547)</b>   | <b>289,450</b>           | <b>264,393</b>       | <b>(351)</b>       | <b>-</b>         | <b>264,042</b>       | <b>244,840</b>       | <b>(66)</b>        | <b>1</b>           | <b>244,775</b>       |
| <b>Liabilities</b>                                 |                |                |                          |                      |                    |                  |                      |                      |                    |                    |                      |
| Interest-bearing loans and borrowings              | 221,880        | -              | 221,880                  | 234,732              | -                  | -                | 234,732              | 226,868              | -                  | -                  | 226,868              |
| Other non-current liabilities                      | 3,807          | 9,498          | 13,305                   | 4,984                | 11,140             | 1                | 16,125               | -                    | 8,384              | -                  | 8,384                |
| Deferred income tax liabilities                    | 31,588         | 2              | 31,590                   | 29,948               | 5                  | -                | 29,954               | 63,231               | 13                 | (1)                | 63,243               |
| <b>Total non-current liabilities</b>               | <b>257,275</b> | <b>9,500</b>   | <b>266,776</b>           | <b>269,664</b>       | <b>11,145</b>      | <b>1</b>         | <b>280,611</b>       | <b>290,099</b>       | <b>8,398</b>       | <b>(1)</b>         | <b>298,495</b>       |
| Interest-bearing loans and borrowings              | 7,836          | -              | 7,836                    | 19,037               | -                  | -                | 19,037               | 7,526                | -                  | -                  | 7,526                |
| Trade and other payables                           | 82,895         | 3,530          | 86,425                   | 54,611               | 2,959              | -                | 57,570               | 43,170               | 2,736              | 0                  | 45,906               |
| Provisions   | 7,331          | -              | 7,331                    | 7,468                | -                  | -                | 7,468                | 6,790                | -                  | -                  | 6,790                |
| Current income tax liabilities                     | 1,148          | -              | 1,148                    | 899                  | -                  | -                | 899                  | 826                  | -                  | -                  | 826                  |
| <b>Total current liabilities</b>                   | <b>99,211</b>  | <b>3,530</b>   | <b>102,740</b>           | <b>82,015</b>        | <b>2,959</b>       | <b>-</b>         | <b>84,974</b>        | <b>58,312</b>        | <b>2,736</b>       | <b>-</b>           | <b>61,048</b>        |
| <b>Total liabilities</b>                           | <b>356,486</b> | <b>13,030</b>  | <b>369,516</b>           | <b>351,679</b>       | <b>14,104</b>      | <b>1</b>         | <b>365,585</b>       | <b>348,411</b>       | <b>11,133</b>      | <b>(1)</b>         | <b>359,543</b>       |
| <b>Total equity and liabilities</b>                | <b>646,482</b> | <b>12,483</b>  | <b>658,966</b>           | <b>616,072</b>       | <b>13,753</b>      | <b>1</b>         | <b>629,826</b>       | <b>593,251</b>       | <b>11,067</b>      | <b>-</b>           | <b>604,318</b>       |



## Consolidated Income Statement

| USD (thousands)                           | 2018            | IFRS 16 impact | 2018 as presented | 2017 Reported | IFRS 16 adjustment | Other adjustment | 6 Jun - 31    |                   | IFRS 16 adjustment | Other adjustment | 6 Jun - 31    |                   |
|---|-----------------|----------------|-------------------|---------------|--------------------|------------------|---------------|-------------------|--------------------|------------------|---------------|-------------------|
|   |                 |                |                   |               |                    |                  | 2017 Restated | Dec 2016 Reported |                    |                  | 2017 Restated | Dec 2016 Restated |
| <b>Revenue</b>                            | <b>372,857</b>  | -              | <b>372,857</b>    | 327,196       | -                  | 2                | 327,198       | 74,744            | -                  | -                | -             | 74,744            |
| Cost of sales                             | (194,452)       | -              | (194,452)         | (166,207)     | -                  | (2)              | (166,209)     | (39,937)          | -                  | -                | -             | (39,937)          |
| <b>Gross profit</b>                       | <b>178,405</b>  | -              | <b>178,405</b>    | 160,989       | -                  | -                | 160,989       | 34,807            | -                  | -                | -             | 34,807            |
| Other operating expenses                  | (30,824)        | 4,040          | (26,784)          | (24,840)      | 3,446              | 1                | (21,393)      | (4,522)           | 852                | 2                | (3,668)       | (3,668)           |
| Employee benefit expenses                 | (77,006)        | -              | (77,006)          | (62,085)      | -                  | (437)            | (62,522)      | (14,069)          | -                  | -                | (14,069)      | (14,069)          |
| Depreciation, amortization and impairment | (44,296)        | (3,518)        | (47,814)          | (40,790)      | (3,265)            | -                | (44,055)      | (9,739)           | (793)              | -                | (10,532)      | (10,532)          |
| Separately disclosed items                | 4,325           | -              | 4,325             | (11,418)      | -                  | 1,131            | (10,287)      | (15,390)          | -                  | -                | (15,390)      | (15,390)          |
| <b>Results from operating activities</b>  | <b>30,604</b>   | <b>522</b>     | <b>31,126</b>     | 21,856        | 181                | 695              | 22,732        | (8,913)           | 59                 | 2                | (8,852)       | (8,852)           |
| Finance income                            | 2,890           | -              | 2,890             | 1,765         | -                  | (869)            | 896           | 3,697             | -                  | (21)             | 3,676         | 3,676             |
| Finance expense                           | (19,954)        | (704)          | (20,658)          | (29,747)      | (539)              | 1,493            | (28,794)      | (6,031)           | (140)              | 1,789            | (4,382)       | (4,382)           |
| Net foreign exchange gains & losses       | (3,691)         | -              | (3,691)           | -             | -                  | 686              | 686           | -                 | -                  | (1,602)          | (1,602)       | (1,602)           |
| Other income                              | 9,131           | -              | 9,131             | -             | -                  | (2,004)          | (2,004)       | -                 | -                  | (166)            | (166)         | (166)             |
| <b>Net finance costs</b>                  | <b>(11,624)</b> | <b>(704)</b>   | <b>(12,328)</b>   | (27,982)      | (539)              | (695)            | (29,216)      | (2,334)           | (140)              | (11)             | (2,475)       | (2,475)           |
| <b>Profit / (loss) before tax</b>         | <b>18,981</b>   | <b>(182)</b>   | <b>18,798</b>     | (4,126)       | (358)              | -                | (6,484)       | (11,247)          | (81)               | 1                | (11,326)      | (11,326)          |
| Income tax benefit / (expense)            | (3,599)         | 73             | (3,526)           | 19,166        | 79                 | -                | 19,245        | 1,188             | 15                 | -                | 1,203         | 1,203             |
| <b>Profit / (loss) for the year</b>       | <b>15,382</b>   | <b>(109)</b>   | <b>15,272</b>     | 13,040        | (279)              | -                | 12,761        | (10,059)          | (65)               | 1                | (10,123)      | (10,123)          |
| <b>Profit / (loss) attributable to:</b>   |                 |                |                   |               |                    |                  |               |                   |                    |                  |               |                   |
| Equity holders of the parent              | 15,897          | (109)          | 15,788            | 13,040        | (279)              | -                | 12,761        | (10,059)          | (65)               | 1                | (10,123)      | (10,123)          |
| Non-controlling interests                 | (516)           | -              | (516)             | -             | -                  | -                | -             | -                 | -                  | -                | -             | -                 |



## Consolidated Cash Flow Statement

| USD (thousands)  | 2018            |                | 2017              |                 | 2017               |                  | 6 Jun - 31      |                   | 6 Jun - 31         |                  |                   |
|--|-----------------|----------------|-------------------|-----------------|--------------------|------------------|-----------------|-------------------|--------------------|------------------|-------------------|
|  | 2018            | IFRS 16 impact | 2018 as presented | 2017 Reported   | IFRS 16 adjustment | Other adjustment | 2017 Restated   | Dec 2016 Reported | IFRS 16 adjustment | Other adjustment | Dec 2016 Restated |
| <b>Cash flows from operating activities</b>                                |                 |                |                   |                 |                    |                  |                 |                   |                    |                  |                   |
| Profit / (loss) for the year before tax                                    | 18,979          | (182)          | 18,797            | (6,126)         | (358)              | -                | (6,484)         | (11,247)          | (81)               | -                | (11,328)          |
| <b>Non cash adjustment to reconcile profit before tax to net cash flow</b> |                 |                |                   |                 |                    |                  | <b>(47,814)</b> |                   |                    |                  |                   |
| Depreciation / amortisation and impairment of assets                       | 44,296          | 3,518          | 47,814            | 40,790          | 3,265              | -                | 44,055          | 9,739             | 793                | -                | 10,532            |
| Finance income   | (2,890)         | -              | (2,890)           | (1,765)         | -                  | 869              | (896)           | (3,697)           | -                  | 21               | (3,676)           |
| Finance costs  | 19,954          | 704            | 20,658            | 29,747          | 539                | (1,493)          | 28,794          | 6,031             | 140                | (1,789)          | 4,382             |
| Net foreign exchange income / (expenses)                                   | 3,691           | -              | 3,691             | -               | -                  | (686)            | (686)           | -                 | -                  | 1,602            | 1,602             |
| Net other finance income / (expenses)                                      | (9,131)         | -              | (9,131)           | -               | -                  | 2,004            | 2,004           | -                 | -                  | 166              | 166               |
| Change in provisions   | (137)           | -              | (137)             | 678             | -                  | -                | 678             | 688               | -                  | -                | 688               |
| Other non-cash items (forex translation related)                           | 1,322           | -              | 1,322             | 684             | -                  | -                | 684             | (600)             | -                  | -                | (600)             |
|  | <b>76,083</b>   | <b>4,040</b>   | <b>80,124</b>     | <b>66,008</b>   | <b>3,446</b>       | <b>495</b>       | <b>68,148</b>   | <b>914</b>        | <b>853</b>         | <b>1</b>         | <b>1,768</b>      |
| Foreign currency (gains) / losses  | (3,691)         | -              | (3,691)           | 686             | -                  | -                | 686             | (1,602)           | -                  | -                | (1,602)           |
| Income tax (paid) / received   | (2,896)         | -              | (2,896)           | (3,843)         | -                  | -                | (3,843)         | (1,709)           | -                  | -                | (1,709)           |
|  | <b>(6,587)</b>  | <b>-</b>       | <b>(6,587)</b>    | <b>(3,157)</b>  | <b>-</b>           | <b>-</b>         | <b>(3,157)</b>  | <b>(3,311)</b>    | <b>-</b>           | <b>-</b>         | <b>(3,311)</b>    |
| Decrease / (increase) in inventories                                       | (5,114)         | -              | (5,114)           | (16,097)        | -                  | -                | (16,097)        | 2,382             | -                  | -                | 2,382             |
| Decrease / (increase) in trade and other receivables                       | 5,582           | -              | 5,582             | (3,185)         | -                  | (1,159)          | (4,344)         | (11,002)          | -                  | (1,158)          | (12,160)          |
| (Decrease) / increase in payables  | 6,225           | -              | 6,225             | 10,472          | -                  | (695)            | 9,777           | 2,852             | -                  | (1)              | 2,851             |
| <b>Changes in working capital:</b>   | <b>6,693</b>    | <b>-</b>       | <b>6,693</b>      | <b>(8,810)</b>  | <b>-</b>           | <b>(1,854)</b>   | <b>(10,664)</b> | <b>(5,768)</b>    | <b>-</b>           | <b>(1,159)</b>   | <b>(6,927)</b>    |
| <b>Net cash from (used in) operating activities</b>                        | <b>76,190</b>   | <b>4,040</b>   | <b>80,230</b>     | <b>57,041</b>   | <b>3,446</b>       | <b>(1,159)</b>   | <b>56,329</b>   | <b>(8,145)</b>    | <b>853</b>         | <b>(1,158)</b>   | <b>(8,470)</b>    |
| <b>Cash flows from investing activities</b>                                |                 |                |                   |                 |                    |                  |                 |                   |                    |                  |                   |
| Purchase of property, plant and equipment                                  | (9,172)         | -              | (9,172)           | (6,593)         | -                  | -                | (6,593)         | (2,655)           | -                  | -                | (2,655)           |
| Purchase of intangible assets  | (25,219)        | -              | (25,219)          | (18,892)        | -                  | -                | (18,892)        | (4,295)           | -                  | -                | (4,295)           |
| Acquisition of a subsidiary, net of cash acquired                          | 3,298           | -              | 3,298             | (14,192)        | -                  | -                | (14,192)        | -                 | -                  | -                | -                 |
| <b>Net cash used in investing activities</b>                               | <b>(31,093)</b> | <b>-</b>       | <b>(31,093)</b>   | <b>(39,477)</b> | <b>-</b>           | <b>-</b>         | <b>(39,477)</b> | <b>(6,950)</b>    | <b>-</b>           | <b>-</b>         | <b>(6,950)</b>    |
| <b>Cash flows from financing activities</b>                                |                 |                |                   |                 |                    |                  |                 |                   |                    |                  |                   |
| Proceeds from issue of shares  | -               | -              | -                 | 3,500           | -                  | -                | 3,500           | 255,500           | -                  | -                | 255,500           |
| Interest paid  | (16,943)        | -              | (16,943)          | (18,626)        | -                  | -                | (18,626)        | (3,627)           | -                  | -                | (3,627)           |
| Payment of lease liabilities   | 704             | (4,040)        | (3,336)           | -               | (3,446)            | -                | (3,446)         | -                 | (853)              | -                | (853)             |
| Granting loan to related party   | -               | -              | -                 | (8,494)         | -                  | -                | (8,494)         | -                 | -                  | -                | -                 |
| (Decrease) / increase in other non current liabilities                     | (1,418)         | -              | (1,418)           | 1,787           | -                  | -                | 1,787           | -                 | -                  | -                | -                 |
| (Decrease) / increase bank overdraft                                       | (8,720)         | -              | (8,720)           | 12,703          | -                  | -                | 12,703          | (9,824)           | -                  | -                | (9,824)           |
| New non-current liabilities  | -               | -              | -                 | 260,000         | -                  | -                | 260,000         | 243,500           | -                  | -                | 243,500           |
| Repayment of debt  | (6,500)         | -              | (6,500)           | (248,375)       | -                  | -                | (248,375)       | (288,052)         | -                  | -                | (288,052)         |
| Bank fees  | (2,997)         | -              | (2,997)           | (14,030)        | -                  | -                | (14,030)        | (8,712)           | -                  | -                | (8,712)           |
| Repayment of loans from related parties                                    | -               | -              | -                 | -               | -                  | -                | -               | (20,628)          | -                  | -                | (20,628)          |
| Repurchase of shares   | -               | -              | -                 | -               | -                  | -                | -               | (145,709)         | -                  | -                | (145,709)         |
| <b>Net cash from financing activities</b>                                  | <b>(35,874)</b> | <b>(4,040)</b> | <b>(39,914)</b>   | <b>(11,535)</b> | <b>(3,446)</b>     | <b>-</b>         | <b>(14,981)</b> | <b>22,448</b>     | <b>(853)</b>       | <b>-</b>         | <b>21,595</b>     |
| <b>Net increase / (decrease) in cash and cash equivalents</b>              | <b>9,223</b>    | <b>-</b>       | <b>9,223</b>      | <b>829</b>      | <b>-</b>           | <b>(1,159)</b>   | <b>(330)</b>    | <b>7,333</b>      | <b>-</b>           | <b>(1,158)</b>   | <b>6,175</b>      |
| Cash and cash equivalents at 1 January                                     | 5,845           | -              | 5,845             | 7,333           | -                  | (1,158)          | 6,175           | -                 | -                  | -                | -                 |
| <b>Cash and cash equivalents at 31 December</b>                            | <b>15,068</b>   | <b>-</b>       | <b>15,068</b>     | <b>8,162</b>    | <b>-</b>           | <b>(2,317)</b>   | <b>5,845</b>    | <b>7,333</b>      | <b>-</b>           | <b>(1,158)</b>   | <b>6,175</b>      |



## New standards and interpretations not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 3 Business Combinations – Definition of a business, effective 1 January 2020.
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation, effective 1 January 2019
- IFRS 17 Insurance Contracts, effective 1 January 2021
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material, effective 1 January 2020.
- Amendments to IAS 19 Employee Benefits - Plan Amendments, Curtailment or Settlement, effective 1 January 2019
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests on Associates and Joint Ventures, effective 1 January 2019.
- IFRIC 23 Uncertainty over Income Tax Treatments, effective 1 January 2019
- Annual Improvements Cycle – 2015-2017, effective 1 January 2019

### Amendments to IFRS 3 Business Combinations – Definition of a business

The narrow-scope amendments clarify how to determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test.

Companies are required to apply the amended definition of a business to acquisitions that occur on or after 1 January 2020. Earlier application is permitted. These amendments will apply only to any future business combinations of the Group.

### Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendment to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective for annual periods beginning on or after 1 January 2019. The amendments will not have any impact on the Group's consolidated financial statements.

### IFRS 17 Insurance contracts

IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, will replace IFRS 4 Insurance Contracts. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

### Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material

The amended definition of material clarify that the materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions.

The amendments clarify that the assessment of materiality will depend on the nature or magnitude of information. The amendments also clarify that, in assessing whether an information could reasonably be expected to influence decisions of the primary users, an entity must consider the characteristics of those users as well as its own circumstances.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. Since the Group's current practice is in line with the amendments, the Group does not expect any effect on its consolidated financial statements.

### Amendments to IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement

The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments should be applied prospectively to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with earlier application permitted. These amendments will apply only to any future employee benefit plans of the Group.



## Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests on Associates and Joint Ventures

The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective for annual periods beginning on or after 1 January 2019. Exceptions could be applied. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have any impact on the Group's consolidated financial statements.

## IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the Interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements.

## Annual Improvements Cycle - 2015-2017

The IASB issued the 2015-2017 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. These improvements include:

- IFRS 3 Business Combinations - Previously held interest in a joint operation: The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the entity remeasures its entire previously held interest in the joint operation. An entity applies the amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. The amendments will apply to future business combinations of the Group.
- IFRS 11 Joint Arrangements - Previously held interest in a joint operation: The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3, obtains joint control of the joint operation, the previously held interests in that joint operation are not remeasured. An entity applies the amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. These amendments are currently not applicable to the Group but may apply to future transactions.
- IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity: The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019. When an entity first applies the amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with the amendments, the Group does not expect any effect on its consolidated financial statements.
- IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation: The amendments clarify that an entity treats as part of general borrowings any borrowings originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies the amendments to borrowings costs incurred on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019. Since the Group's current practice is in line with the amendments, the Groups does not expect any effect on its consolidated financial statements.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### 5.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### Revenue recognition

As the Group's primary performance obligation is to provide standard products, there is no significant judgment in determining the timing of satisfaction of performance obligations. Judgment is generally required in applying the license guidance in IFRS 15. However, the Group is of the opinion that for its existing licenses there is no significant judgment in determining which licenses are separate, and of which are right to use and right to access licenses. For licenses that cannot be separated from services and right to access licenses, the Group primarily stands ready to perform on a time increment basis, and revenue is recognised on a straight line basis over the license period.

In most contracts there is one type of performance obligations or control is transferred to the customer for different types within a short period of time, therefore, there is no significant judgment in allocating the transaction price to performance obligations.

The Group has determined that it is a principal in sale of ENC's to its customer, primarily because the company can determine the sales price (within limits) and the customer requires Navico infrastructure (network, decoding key) in order to receive updates during the subscription period and install them on its ECDIS system.

The Group has determined that it is a principal in resale of third party hardware to its customer, primarily because the hardware has been custom made to suit our requirements (e-token decoders and radar boards integrating radar images into the ECDIS, enabling overlay with cartography) and Navico can determine the sale price of the products offered.

The Group has different kinds of discount, rebates, price protection etc. These are primarily accounted for as variable consideration. The variable consideration is estimated, in most cases based on historical experience with the specific customer or type of customer. The transaction price is generally not constrained, except for new customers where historical evidence is not regarded as sufficiently relevant.

### 5.2 Estimates and assumptions

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.

#### Impairment

The recoverable amounts of non-financial assets are based on a value-in-use calculation for the assets or cash generating units concerned. The model is based on a five year forecast of discounted cash flows, plus a terminal value. The net discounted cash flows are calculated post tax.

The key assumptions in the cash flow projections for the first five years relate to the market growth for the cash generating units and the related revenue projections. The growth is based on the growth of the global and regional nautical markets, and the production capacity of the production facilities and are set at the average market growth rate by management.

Cash flow projections beyond the five-year forecast period are based on a growth rates of 2.05%-2.62% per region formed by a long term inflation average estimate. The terminal value for the period after ten years is determined with the assumption of no growth.

Unfavourable changes compared to the assumptions made, as well as increase in market interest rates and risk premiums, may lead to impairment losses in subsequent periods.

#### Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2018, the carrying amount of capitalised development costs was USD 23.6 million (2017: USD 16.7 million).



## Depreciation and amortization

Depreciation and amortisation are based on management estimates of the future useful lives of property, plant and equipment and intangible assets. The Group currently does not amortise brand names as it has determined that the useful lives are indefinite. Estimates may change due to technological developments, competition, changes in market conditions, inability to defend the market position, expectations for replacements or disposal of assets and other factors. Technological and market developments are difficult to predict and the Group's views on the trends and pace of development may change over time. Management periodically reviews the expected future useful lives of property, plant and equipment and intangible assets taking into consideration the factors mentioned above and other important factors. In case of significant changes in estimated useful lives, depreciation and amortization charges are adjusted prospectively, see note 15 and 17. Changes may also give rise to impairment, as discussed above. In the case of replacements or disposals any remaining carrying value will be recognized to the statement of income, net of any proceeds receivable.

## Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. When an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. In the event that actual future results differ from estimates, and depending on tax strategies that Navico may be able to implement, changes to the measurement of deferred taxes could be required, which could impact on the Group's financial position and result.

IAS 12 also states that unused tax losses is a strong evidence that future taxable profit may not be available.

## Warranties

A provision is recognised for expected warranty claims on products currently under warranty period, based on past experience of the level of repairs and returns. It is expected that these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

## Business combinations

Navico has made material business combinations, starting with the establishment of the Group in 2016.

The Group is required to allocate the purchase price of acquired companies, to the assets acquired and liabilities assumed based on their estimated fair values. Such valuations require management to make significant estimates and assumptions. The acquired intangible assets recognized by the Group include customer relationships, brand name, developed technology and in-process research and development. The significant tangible assets primarily include land and building, office equipment, machinery and plant.

Critical estimates in the evaluations of useful lives for such assets include, but are not limited to; contract periods and expected developments in technology and markets and the strength of brand names. Critical estimates in valuing certain assets include, but are not limited to; future expected net cash flows for customer contracts and hypothetic patent licensing, and replacement costs for in-process research and development and property, plant and equipment. Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.



## 6. Revenues and balances related to contracts with customers

### 6.1 Disaggregation of revenues

The Group believes the description of the main types of performance obligations (standard products, licenses, services and other) in the accounting policies is useful for the users of the financial statements to understand the revenue recognition policies, judgments and estimates for the Group. However, the disaggregation is not according to these main types of performance obligations. Disaggregation of revenues is based on what the Group discloses externally as well as what is used by the Chief Operating Decision Maker in evaluating performance and allocating resources.

In the following table, revenue from contracts with customers is disaggregated by primary brands. The table also includes a reconciliation to the reporting segments.

| USD (thousands) | Recreational  |                |                | Commercial   |               |               | Total         |                |                |
|-----------------|---------------|----------------|----------------|--------------|---------------|---------------|---------------|----------------|----------------|
|                 | 6 June - 31   |                | 2018           | 6 June - 31  |               | 2018          | 6 June - 31   |                | 2018           |
|                 | Dec 2016      | 2017           |                | Dec 2016     | 2017          |               | Dec 2016      | 2017           |                |
| Lowrance        | 45,637        | 177,691        | 190,441        | -            | -             | -             | 45,637        | 177,691        | 190,441        |
| Simrad          | 14,551        | 87,029         | 101,272        | 8,131        | 32,107        | 33,827        | 22,682        | 119,136        | 135,099        |
| B&G             | 5,146         | 24,442         | 28,159         | -            | -             | -             | 5,146         | 24,442         | 28,159         |
| C-MAP           | -             | -              | 5,849          | -            | -             | 7,950         | -             | -              | 13,799         |
| Other           | -             | -              | -              | 1,278        | 5,929         | 5,360         | 1,278         | 5,929          | 5,360          |
| <b>Total</b>    | <b>65,334</b> | <b>289,162</b> | <b>325,720</b> | <b>9,409</b> | <b>38,036</b> | <b>47,137</b> | <b>74,744</b> | <b>327,198</b> | <b>372,857</b> |

### 6.2 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers. The Group has no contract assets. Contract liabilities relates to prepayment received, primarily for annual subscriptions for which revenue is deferred over a period of one year.

| USD (thousands)  | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|------------------|
| Receivables, which are included in "trade and other receivables"                       | 63,012           | 58,279           | 53,776           |
| Contract assets  | n/a              | n/a              | n/a              |
| Contract liabilities, which is prepaid revenues included in "trade and other payables" | 4,003            | 434              | 978              |

Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on made-to-order products. For the period presented there were no such.

The contract liabilities primarily relate to the advance consideration received from customers for annual subscriptions that are recognized as revenue pro rata during the subscription, generally over a period of 12 months, in exceptional cases up to 24 months. The amount in the balance at the end of a year is expected to be recognized as revenues during the next year. All contract liabilities at 31 December 2017 has been recognized as revenue during 2018. The amount of contract liabilities at 31 December 2018 was impacted by acquisition of C-MAP with approximately USD 4 million.

Due to the nature of the Group's performance obligations no significant amount of revenue has been recognized in a year for performance obligations satisfied (or partially satisfied) in a previous year.

## 7. C-MAP merger

### Merger of C-MAP Group AS

Marine Innovations Group AS owns indirectly 98.30% of Navico Group AS and was until 30 June 2018 the indirect owner of 98.21% of C-MAP Group AS. On 30 June 2018, Marine Innovations Group transferred the ownership of C-MAP Group AS to Navico Group AS by contribution in kind. Navico Group AS issues shares to Nanna MidCo I AS as a consideration.

Navico accounts for this common control transaction applying pooling of interest method by including the carrying values of assets and liabilities as measured by Navico Group AS according to IFRS on 30 June 2018 (equity balances were carried over). Income and expenses are consolidated from 30 June, without restating any comparative figures. Any difference between consideration transferred and the net assets acquired is recognized directly to equity.



The carrying values as measured in C-MAP Group AS according to IFRS on 30 June 2018:

| <i>USD (thousands)</i>                                    | <b>Carrying values at<br/>30 June 2018</b> |
|---|--|
| <b>Assets</b>   |  |
| Intangible assets   | 29,225                                     |
| Property, plant and equipment                             | 2,647                                      |
| Other non-current assets                                  | 488  |
| Deferred tax assets                                       | 1,083                                      |
| <b>Total non-current assets</b>                           | <b>33,443</b>                              |
| Inventories   | 754  |
| Trade and other receivables                               | 6,164                                      |
| Prepayments   | 3,724                                      |
| Cash and cash equivalents                                 | 4,257                                      |
| <b>Total current assets</b>                               | <b>14,899</b>                              |
| <b>Total assets</b>                                       | <b>48,342</b>                              |
| <b>Total equity attributable to owners of the Company</b> | <b>11,573</b>                              |
| <b>Liabilities</b>  |  |
| Interest-bearing loans and borrowings                     | 9,913                                      |
| Other non-current liabilities                             | 2,009                                      |
| Deferred income tax liabilities                           | 2,795                                      |
| <b>Total non-current liabilities</b>                      | <b>14,718</b>                              |
| Interest-bearing loans and borrowings                     | 500  |
| Trade and other payables                                  | 17,236                                     |
| Contract liabilities                                      | 4,292                                      |
| Current income tax liabilities                            | 24   |
| <b>Total current liabilities</b>                          | <b>22,052</b>                              |
| <b>Total liabilities</b>                                  | <b>36,769</b>                              |
| <b>Total equity and liabilities</b>                       | <b>48,342</b>                              |

From 30 June 2018, C-MAP Group AS contributed revenues of USD 13.7 million and a loss before tax of USD 2.2 million.

Had all business combinations in 2018 occurred on 1 January 2018, revenue would have been USD 386.7 million and profit before tax for the Group would have been USD 15.6 million.

## 8. Business combinations and acquisition of non-controlling interests.

### Acquisitions 2017

#### *Acquisition of Naviop Srl.*

As per 16 June 2017 Navico Group AS acquired 100% of the shares and voting rights in Naviop Srl a marine electronics system integrator that is primarily focused on marine automation, digital switches and software. The Group acquired Naviop because if it significantly enlarges the product portfolio and the offering to the boat builders in the area of system integration and digital switching.



The fair values of the identifiable assets and liabilities of Naviop Srl. as at the date of acquisition were:

| <i>USD (millions)</i>                              | <b>Fair value recognised<br/>on acquisition</b> |
|--|---|
| Property, plant and equipment                      | 101   |
| Intangible assets                                  | 4,513   |
| Inventories  | 795   |
| Trade and other receivables                        | 723   |
| Cash and cash equivalents                          | (1,574)   |
| Deferred tax liabilities                           | (1,292)   |
| Loans and borrowings                               | (300)   |
| Trade and other payables                           | (1,247)   |
| <b>Total net identifiable assets at fair value</b> | <b>1,719</b>                                    |
| Goodwill arising on acquisition                    | 6,376   |
| <b>Purchase consideration</b>                      | <b>8,095</b>                                    |
| <br>   |   |
| Paid in cash                                       | 6,165   |
| Contingent consideration liability                 | 1,930   |
| <b>Purchase consideration</b>                      | <b>8,095</b>                                    |

The goodwill of USD 6.4 million comprises the value of expected synergies arising from the acquisition including Naviop workforce. A liability at fair value of USD 1.9 million was recognized which relates to the remaining payments of the purchase consideration in the next two years. Payment is subject to the fulfilment of for conditions in the 24 months following the acquisition:

1. Sellers will not own, possess, hold any direct or indirect interest, stakeshare or quota in any enterprise, partnership or company which carries out the competing activities to Naviop group.
2. Sellers refrain and avoid to conduct, promote or be involved in, directly or indirectly, on their own or third parties' behalf, in competing activities in the European Union (including United Kingdom), Australia, New Zealand and United States of America.
3. Sellers shall not solicit, recruit, offer work to, employ, contract with or make other offer of employment to any director, officer, manager, or employee of Naviop group.
4. Sellers will assist in a smooth transition process.

From the date of acquisition, Naviop Srl. contributed USD 2.7 million of revenue and a negative USD 0.1 million to profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue would have been USD 330 million and profit before tax for the Group would have remained the same at a negative USD 6.1 million.



## Other business combinations

The other business combinations relate to the acquisitions of the business activities from Fishhunter, Yacht Defined AB and Hoc Yachts AB. The Fishhunter business is not organised in a separate company, and is included in Navico Group AS.

| <i>USD (millions)</i>  | <b>Fair value recognised on acquisition</b> |
|--|---|
| Property, plant and equipment  | 740   |
| Intangible assets  | 3.219                                       |
| Inventories  | 2.013                                       |
| Other accruals   | 17  |
| Cash and cash equivalents  | 104   |
| Deferred tax liabilities   | (205)                                       |
| Loans and borrowings   | (121)                                       |
| Trade and other payables   | 308   |
| <b>Total net identifiable assets at fair value</b>                           | <b>6,075</b>                                |
| Non-controlling interest of acquiree's net assets                            | (1.248)                                     |
| Goodwill arising on acquisition  | 1.610                                       |
| <b>Purchase consideration</b>  | <b>6,437</b>                                |
| <br>   |   |
| Paid in cash   | 5.078                                       |
| Contingent consideration liability   | 394   |
| <b>Purchase consideration</b>  | <b>5,472</b>                                |
| <br>   |   |
| <b>Analysis of cash flow on acquisition</b>                                  |   |
| Acquisition costs (included in cash flow from operating activities)          | (55)  |
| Cash acquired (included in cash flow from investing activities)              | 104   |
| Consideration paid in cash (included in cash flow from investing activities) | (5.078)                                     |
| <b>Net cash outflow</b>  | <b>(5.029)</b>                              |

On 6 July 2017 the Group acquired the Fishhunter business activities from Appetite Lab Inc. and Fishhunter Inc. This acquisition provides Navico with an extension of its product portfolio. From the date of the acquisition Fishhunter contributed minimal to the revenues.

On 29 December 2017, the Group acquired Yacht Defined AB a Swedish company which deliver integrated electronics and electrical solutions.

On 29 December 2017, the Group acquired a 49% interest in Hoc Yachts AB a Swedish producer of boats. The Group has determined that it has control over the company through a convertible loan which can be converted at any point in time prior 31 December 2027 partially or in full which would increase the Group's voting interest up to 70%.

No profit or loss items from these Swedish companies were included in the consolidated income statement for the Group for 2017.

## Acquisitions 2016

As per 30 September 2016 Navico Group AS acquired 100% of the shares and voting rights in Navico Holding AS, by means of a merger between Nanna Merger Sub AS and Navico Holding AS, where Navico Holding AS merged into Nanna Merger Sub AS. Subsequently Nanna Merger Sub AS was renamed to Navico Holding AS and the old shares in Navico Holding AS were repurchased by the Company. We have considered this to be a business combination under IFRS3 and hence subsequently did a provisional Purchase Price Allocation as required under IFRS 3. The remaining goodwill comprises items not separately valuable, such as the knowledge and skills of employees.



| <b>Navico Holding AS</b>                           | <b>Fair value recognised</b> |
|--|------------------------------|
| <i>USD (millions)</i>                              | <b>on acquisition</b>        |
| Property, plant and equipment                      | 39.3                         |
| Intangible assets                                  | 222.6                        |
| Inventories  | 61.8                         |
| Deferred tax assets                                | 13.9                         |
| Trade and other receivables                        | 40.0                         |
| Cash and cash equivalents                          | 32.4                         |
| Deferred tax liabilities                           | (66.4)                       |
| Loans and borrowings                               | (233.6)                      |
| Trade and other payables                           | (60.1)                       |
| <b>Total net identifiable assets at fair value</b> | <b>49.9</b>                  |
| Non-controlling interest of acquiree's net assets  | -                            |
| Goodwill arising on acquisition                    | 193.1                        |
| <b>Purchase consideration</b>                      | <b>243.0</b>                 |

## 9. Cost of sales

| <i>USD (thousands)</i>         | <b>2018</b>      | 2017<br>Restated | 6 June - 31 Dec<br>2016 Restated |
|--------------------------------|------------------|------------------|----------------------------------|
| Cost of product sold           | (164,030)        | (138,298)        | (34,202)                         |
| Cost of service sold           | (7,191)          | (4,089)          | (950)                            |
| Warranties and return expenses | (8,928)          | (10,213)         | (3,636)                          |
| Freight and transport costs    | (12,311)         | (9,270)          | (1,789)                          |
| Other costs                    | (1,992)          | (4,339)          | 640                              |
| <b>Total</b>                   | <b>(194,452)</b> | <b>(166,209)</b> | <b>(39,937)</b>                  |

*Costs of goods sold* comprises costs of two Navico factories (Ensenada and RBU) and products outsourced to the third party. *Costs of goods sold* comprise the following elements:

- Materials: include raw materials and finished products purchased from third parties.
- Employee benefit expenses
- Variable overheads: electricity, repair & maintenance, scrap variances, consumption parts
- Fixed overheads

*Costs of service sold* comprise: materials, employee-benefit expenses, third-party services for outsourced services.

*Warranties and return expenses* comprise credit notes to a number of dealers for faulty products, costs associated with servicing the customer to solve the warranty issue, change in warranty provision.

Freight and transport costs include both inbound and outbound freight. Outbound freight is recharged to customers.

Increase in the cost of sales was driven by the overall growth of the business and merger with C-MAP.

## 10. Other operating expenses

| <i>USD (thousands)</i>          | <b>2018</b>     | 2017<br>Restated | 6 June - 31 Dec<br>2016 Restated |
|---------------------------------|-----------------|------------------|----------------------------------|
| Total marketing expense         | (18,317)        | (15,751)         | (2,750)                          |
| Total office costs              | (14,298)        | (10,972)         | (2,517)                          |
| Total purchased services        | (12,600)        | (7,198)          | (1,684)                          |
| Total travel and entertainment  | (7,216)         | (6,387)          | (1,367)                          |
| Impairment of trade receivables | (589)           | (640)            | (174)                            |
| Other costs                     | 26,236          | 19,555           | 4,824                            |
| <b>Total</b>                    | <b>(26,784)</b> | <b>(21,393)</b>  | <b>(3,668)</b>                   |

Increase in other operating expenses is driven by the C-MAP merger and increased investments in marketing to promote new product launches and end-of-life campaigns during 2018.

The purchased services consist of audit fees (see below), legal fees and other professional fees.

Other costs mainly contain capitalization of development cost.



## Group audit fees (EY) excluding VAT

| USD (thousands)                         | 2018         | 2017         |                               |
|---|--------------|--------------|-------------------------------|
|   |              | Restated     | 6 June - 31 Dec 2016 Restated |
| Statutory audit of financial statements | (476)        | (324)        | (171)                         |
| Other assurance services                | -            | -            | -                             |
| Tax advisory services                   | (236)        | (288)        | (48)                          |
| Other non-audit services                | (62)         | (205)        | (982)                         |
| <b>Total</b>                            | <b>(774)</b> | <b>(817)</b> | <b>(1,201)</b>                |

## Research and development costs

The Group's research and development concentrates on the development of new products in marine electronics, additional functionality to existing products, improved designs. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and amounted to USD 13,341 thousand during 2018 (2017 - USD 3,139 thousand, and 2016 - USD 771 thousand).

## Capitalization of development cost

| USD (thousands)               | 2018          | 2017          |                               |
|-------------------------------|---------------|---------------|-------------------------------|
|                               |               | Restated      | 6 June - 31 Dec 2016 Restated |
| Personnel cost                | 13,114        | 12,255        | 2,881                         |
| Tools and operating materials | 3,521         | 3,134         | 905                           |
| Third party services          | 5,881         | 1,298         | 298                           |
| Travel and entertainment      | 578           | 437           | 150                           |
| Other costs                   | 516           | (426)         | (122)                         |
| <b>Total</b>                  | <b>23,611</b> | <b>16,698</b> | <b>4,112</b>                  |

Increase in the capitalization of the development costs is driven by the C-MAP merger in 2018, and more investments made in new products.

## 11. Employee benefit expenses

| USD (thousands)       | 2018            | 2017            |                               |
|-----------------------|-----------------|-----------------|-------------------------------|
|                       |                 | Restated        | 6 June - 31 Dec 2016 Restated |
| Wages and salaries    | (62,272)        | (51,216)        | (11,740)                      |
| Social security costs | (8,571)         | (6,550)         | (1,402)                       |
| Pension charges       | (2,583)         | (2,182)         | (411)                         |
| Other costs           | (3,580)         | (2,574)         | (516)                         |
| <b>Total</b>          | <b>(77,006)</b> | <b>(62,522)</b> | <b>(14,069)</b>               |

The pension charges are based on the premiums paid for the defined contribution plans. The Company has a defined contribution pension scheme for Norwegian employees that complies with the Norwegian occupational pension legislation.

Increase in the employee benefit expenses during 2018 compared to 2017 was driven by the C-MAP merger that added 210 employees to the Group, establishing new departments, and annual salary increases for employees.



## 12. Depreciation and amortization

| USD (thousands)                            | 2018            | 2017<br>Restated | 6 June - 31 Dec<br>2016 Restated |
|--|-----------------|------------------|----------------------------------|
| Depreciation                               | (6,279)         | (5,503)          | (1,425)                          |
| Depreciation of the Right of Use assets    | (3,518)         | (3,265)          | (793)                            |
| Depreciation (PPA)                         | (1,448)         | (1,415)          | (354)                            |
| <b>Total Depreciation</b>                  | <b>(11,245)</b> | <b>(10,182)</b>  | <b>(2,572)</b>                   |
| Amortization                               | (21,252)        | (19,725)         | (4,504)                          |
| Amortization (PPA)                         | (15,317)        | (14,147)         | (3,456)                          |
| <b>Total Amortization</b>                  | <b>(36,569)</b> | <b>(33,872)</b>  | <b>(7,960)</b>                   |
| <b>Total Depreciation and Amortization</b> | <b>(47,814)</b> | <b>(44,055)</b>  | <b>(10,532)</b>                  |

Depreciation (PPA) and amortization (PPA) represent depreciation and amortization related to the step up in the intangible and tangible fixed assets through purchase price allocation performed during the Navico group formation in 2016 and subsequent acquisitions.

Refer to notes 15 and 17.

## 13. Separately disclosed items

| USD (thousands)  | 2018           | 2017<br>Restated | 6 June - 31 Dec<br>2016 Restated |
|--|----------------|------------------|----------------------------------|
| Group formation, transaction and strategy costs                                  | -              | 5,155            | 14,407                           |
| Legal dispute and settlement   | (13,441)       | 6,417            | 736                              |
| Restructuring costs  | 133            | (1,788)          | -                                |
| C-MAP strategy and integration costs   | 2,125          | -                | -                                |
| Business combination and pre-acquisition costs                                   | 118            | 502              | 246                              |
| Fees to external advisors to explore future strategic alternatives for the group | 6,741          | -                | -                                |
| <b>Total</b>   | <b>(4,325)</b> | <b>10,287</b>    | <b>15,389</b>                    |

Group formation, transaction and strategy costs relate to the formation of Navico Group AS in 2016 in which it acquired (through a merger) the activities of former Navico Holding AS. There were costs related to this transaction, such as legal fees, non-recurring advisory (financial due diligence, tax assistance / due diligence), underwriting insurance fees, sponsor fees as well as the establishment of a 5-years strategic plan.

After several years of legal disputes with a competitor about "downscan" sonar technology, a patent-sharing deal which included broad cross-licensing of patents and other intellectual property was announced with the competitor compensating Navico. The years prior to 2018 only relate to external lawyers costs associated to this legal matter, while the 2018 amount predominantly relates to the settlement received.

Restructuring costs related to severance payments in Australia (Sydney), where Navico moved from its own warehouse to a 3PL solution. The severance payments predominantly relate to severance payments to the warehouse staff. Furthermore the 2017 restructuring related to a restructuring of the Commercial division in Europe for the Key accounts business.

C-MAP strategy and integration costs were incurred costs in relation to the merger effected as per 30 June 2018 between Navico and C-MAP where C-MAP merged into Navico by means of a contribution in kind. The costs predominantly relate to legal expenses, consulting expenses and expenses related to the legal restructuring of several legal entities. As these costs specifically relate to this exceptional event we have classified these as separately disclosed items.

Business combination and pre-acquisition costs in 2016 related to a special project we had as part of the Group Formation to expand Navico services into the Commercial market where a larger business combination was pursued but did not materialize. As growing our operations by means of business combinations is not part of our strategy we have classified these as items affecting comparability. The Business combination costs for 2017 and 2018 relate to smaller add-on business combinations within the recreational division in order to establish a foot-print within the accelerated digital boating experience.

Fees to external advisors to explore future strategic alternatives for the Group represent costs related to the strategic advisory, market research, assessment of the future market growth for Navico existing and new products.



## 14. Financial income and expense

| USD (thousands)                                     | 2018            | 2017<br>Restated | 6 June - 31 Dec<br>2016 Restated |
|---|-----------------|------------------|----------------------------------|
| <b>Finance costs</b>                                |                 |                  |                                  |
| Interest on bank loans and overdrafts               | (19,954)        | (28,254)         | (4,242)                          |
| Finance charges payable under operating leases      | (704)           | (539)            | (140)                            |
| <b>Total finance costs</b>                          | <b>(20,658)</b> | <b>(28,793)</b>  | <b>(4,382)</b>                   |
| <b>Finance income</b>                               |                 |                  |                                  |
| Interest income                                     | 165             | 349              | 2                                |
| Net change in fair value of derivatives             | 2,725           | 547              | 3,673                            |
| <b>Total finance income</b>                         | <b>2,890</b>    | <b>896</b>       | <b>3,675</b>                     |
| Net foreign exchange expenses                       | -               | -                | -                                |
| Net foreign exchange income / (expenses)            | (3,691)         | 686              | (1,602)                          |
| <b>Net foreign exchange income / (expenses)</b>     | <b>(3,691)</b>  | <b>686</b>       | <b>(1,602)</b>                   |
| Other finance expenses                              | (1,806)         | (2,186)          | (187)                            |
| Other finance income                                | 10,937          | 183              | 21                               |
| <b>Net other finance income / (expenses)</b>        | <b>9,131</b>    | <b>(2,004)</b>   | <b>(166)</b>                     |
| <b>Net finance income/(cost) in profit and loss</b> | <b>(12,328)</b> | <b>(29,216)</b>  | <b>(2,475)</b>                   |

Other finance expenses include rating agency costs, bank fees and credit card merchant fees for accepting credit card payments.

Other finance income mainly includes profit recognized from the refinancing of bond facility. In May 2018, Navico signed amendments to the bond financing facility that resulted in an interest rate decrease from Libor +5.75% to Libor + 4.5%. For more details, refer to note 26.

## 15. Intangible assets and goodwill

| USD (thousands)                         | Development<br>projects | Goodwill       | Brand<br>Name | Customer<br>relations | Purchase of<br>software | Other        | Total          |
|---|-------------------------|----------------|---------------|-----------------------|-------------------------|--------------|----------------|
| <b>Balance at 1 January 2018</b>        |                         |                |               |                       |                         |              |                |
| Purchase Price                          | 87,148                  | 201,712        | 64,722        | 89,124                | 3,152                   | 9,144        | 455,002        |
| Accumulated amortisation and impairment | (29,235)                | -              | -             | (7,558)               | (837)                   | (3,345)      | (40,975)       |
| <b>Carrying amount</b>                  | <b>57,913</b>           | <b>201,712</b> | <b>64,722</b> | <b>81,566</b>         | <b>2,315</b>            | <b>5,799</b> | <b>414,027</b> |
| Acquisition of a subsidiary             | 11,374                  | 4,258          | 1,395         | 9,554                 | 755                     | 1,889        | 29,225         |
| Additions – internally developed        | 23,611                  | -              | -             | -                     | -                       | -            | 23,611         |
| Investments                             | -                       | -              | -             | -                     | 1,502                   | 106          | 1,608          |
| Transfers                               | (1,113)                 | -              | -             | -                     | 32                      | 1,113        | 32             |
| Disposals                               | -                       | -              | -             | -                     | (28)                    | (16)         | (44)           |
| Translation Differences (CTA)           | (739)                   | (432)          | -             | (142)                 | 12                      | (294)        | (1,594)        |
| Amortisation Disposals                  | -                       | -              | -             | -                     | 26                      | 15           | 41             |
| Amortisation                            | (25,538)                | -              | -             | (6,513)               | (1,595)                 | (2,922)      | (36,568)       |
| Impairment                              | -                       | -              | -             | -                     | -                       | -            | -              |
| Reversal impairment                     | -                       | -              | -             | -                     | -                       | -            | -              |
| <b>Balance period</b>                   | <b>7,595</b>            | <b>3,826</b>   | <b>1,395</b>  | <b>2,899</b>          | <b>704</b>              | <b>(109)</b> | <b>16,311</b>  |
| <b>Balance at 31 December 2018</b>      |                         |                |               |                       |                         |              |                |
| Purchase Price                          | 121,020                 | 205,538        | 66,117        | 98,678                | 5,413                   | 12,236       | 509,002        |
| Accumulated amortisation and impairment | (55,512)                | -              | -             | (14,213)              | (2,394)                 | (6,546)      | (78,665)       |
| <b>Carrying amount</b>                  | <b>65,508</b>           | <b>205,538</b> | <b>66,117</b> | <b>84,465</b>         | <b>3,019</b>            | <b>5,690</b> | <b>430,337</b> |



| <i>USD (thousands)</i>                  | Development projects | Goodwill       | Brand Name    | Customer relations | Purchase of software | Other          | Total          |
|---|----------------------|----------------|---------------|--------------------|----------------------|----------------|----------------|
| <b>Balance at 1 January 2017</b>        |                      |                |               |                    |                      |                |                |
| Purchase Price                          | 66.733               | 193.137        | 64.722        | 86.110             | 1.012                | 8.141          | 419.855        |
| Accumulated amortisation and impairment | (5.440)              | -              | -             | (1.546)            | (134)                | (780)          | (7.900)        |
| <b>Carrying amount</b>                  | <b>61.293</b>        | <b>193.137</b> | <b>64.722</b> | <b>84.564</b>      | <b>878</b>           | <b>7.361</b>   | <b>411.955</b> |
| Acquisition of a subsidiary             | 3.717                | 7.986          | -             | 3.014              | 81                   | 920            | 15.718         |
| Additions – internally developed        | 16.698               | -              | -             | -                  | -                    | -              | 16.698         |
| Investments                             | -                    | -              | -             | -                  | 2.132                | 62             | 2.194          |
| Transfers                               | -                    | -              | -             | -                  | 71                   | 195            | 266            |
| Disposals                               | -                    | -              | -             | -                  | (144)                | (174)          | (318)          |
| Translation Differences (CTA)           | 46                   | 589            | -             | 190                | 38                   | 206            | 1.069          |
| Amortisation Disposals                  | -                    | -              | -             | -                  | 146                  | 171            | 317            |
| Amortisation                            | (23.841)             | -              | -             | (6.202)            | (887)                | (2.942)        | (33.872)       |
| Impairment                              | -                    | -              | -             | -                  | -                    | -              | -              |
| Reversal impairment                     | -                    | -              | -             | -                  | -                    | -              | -              |
| <b>Balance period</b>                   | <b>(3.380)</b>       | <b>8.675</b>   | <b>-</b>      | <b>(2.998)</b>     | <b>1.437</b>         | <b>(1.562)</b> | <b>2.072</b>   |
| <b>Balance at 31 December 2017</b>      |                      |                |               |                    |                      |                |                |
| Purchase Price                          | 87.148               | 201.712        | 64.722        | 89.124             | 3.152                | 9.144          | 455.002        |
| Accumulated amortisation and impairment | (29.235)             | -              | -             | (7.558)            | (837)                | (3.345)        | (40.975)       |
| <b>Carrying amount</b>                  | <b>57.913</b>        | <b>201.712</b> | <b>64.722</b> | <b>81.566</b>      | <b>2.315</b>         | <b>5.799</b>   | <b>414.027</b> |
| <b>Balance at 6 June 2016</b>           |                      |                |               |                    |                      |                |                |
| Purchase Price                          | -                    | -              | -             | -                  | -                    | -              | -              |
| Accumulated amortisation and impairment | -                    | -              | -             | -                  | -                    | -              | -              |
| <b>Carrying amount</b>                  | <b>-</b>             | <b>-</b>       | <b>-</b>      | <b>-</b>           | <b>-</b>             | <b>-</b>       | <b>-</b>       |
| Acquisition of a subsidiary             | 62.621               | 193.137        | 64.722        | 86.110             | 1.171                | 7.970          | 415.731        |
| Additions – internally developed        | 4.112                | -              | -             | -                  | -                    | -              | 4.112          |
| Investments                             | -                    | -              | -             | -                  | 12                   | 171            | 183            |
| Transfers                               | -                    | -              | -             | -                  | -                    | -              | -              |
| Disposals                               | -                    | -              | -             | -                  | (171)                | -              | (171)          |
| Translation Differences (CTA)           | -                    | -              | -             | (29)               | (78)                 | (3)            | (110)          |
| Amortisation Disposals                  | -                    | -              | -             | -                  | 170                  | -              | 170            |
| Amortisation                            | (5.440)              | -              | -             | (1.517)            | (226)                | (777)          | (7.960)        |
| Impairment                              | -                    | -              | -             | -                  | -                    | -              | -              |
| Reversal impairment                     | -                    | -              | -             | -                  | -                    | -              | -              |
| <b>Balance period</b>                   | <b>61.293</b>        | <b>193.137</b> | <b>64.722</b> | <b>84.564</b>      | <b>878</b>           | <b>7.361</b>   | <b>411.955</b> |
| <b>Balance at 31 December 2016</b>      |                      |                |               |                    |                      |                |                |
| Purchase Price                          | 66.733               | 193.137        | 64.722        | 86.110             | 1.012                | 8.141          | 419.855        |
| Accumulated amortisation and impairment | (5.440)              | -              | -             | (1.546)            | (134)                | (780)          | (7.900)        |
| <b>Carrying amount</b>                  | <b>61.293</b>        | <b>193.137</b> | <b>64.722</b> | <b>84.564</b>      | <b>878</b>           | <b>7.361</b>   | <b>411.955</b> |

## 16. Impairment

The Group performed an impairment test on the carrying values of goodwill, intangible assets, tangible non-current assets, and net working capital in accordance with the requirements of IAS 36 Impairment of assets. Value in use (VIU) has been used as recoverable amount. The tests comprised NPV (net present value) analyses of forecasted future cash flows by CGU (cash generating unit). The three geographical areas, Americas, EMEA and APAC, were identified as the respective CGUs for the consolidated financial statements. The goodwill for these respective CGU's amounts to USD 143 million for Americas, USD 39 million for EMEA and USD 23 million for APAC.



## Allocated per CGU

| USD (thousands) | Goodwill       |                | Intangible assets with indefinite useful life (Brand names) |               |
|-----------------|----------------|----------------|---|---------------|
|                 | 2018           | 2017           | 2018  | 2017          |
| AMER            | 143.200        | 143.976        | 39.822  | 39.822        |
| EMEA            | 39.250         | 34.028         | 26.295  | 24.900        |
| APAC            | 23.088         | 23.707         | -   | -             |
| <b>Total</b>    | <b>205.538</b> | <b>201.712</b> | <b>66.117</b>   | <b>64.722</b> |

The Group performed its annual impairment test in December 2018 and 2017.

The impairment test did not give rise to any impairment. Headroom was estimated for each CGU.

The model is based on a five year forecast of discounted cash flows, plus a terminal value. The net discounted cash flows are calculated post-tax.

A business case was used for each CGU as the basis for the cash flow estimates which covered the period 2019 to 2023. The business cases were based on the Group's strategic five year plan, and adjusted to reflect recent changes in internal rolling forecasts, and in relevant market data. Both the five year plan and the rolling forecasts are "bottom-up-models" where all input data is produced by entities in the Group.

The input data in the business case is based on data from renowned external sources such as Reuters, HIS Global Insight, in addition to all relevant internal information such as changes in orders, customer portfolio, fitment rate for products, geographical development, market shares, maintenance capex needed, etc. The compounded annual revenue growth rate (CAGR) per CGU is: 8.5% for the period 2019 to 2023. The annual growth rate in the terminal value is 2.05% - 2.62% depending on the geography.

### WACC model for Navico:

The required rate of return was calculated by using the WACC model. The input data of the WACC was chosen by an individual assessment of each parameter. Information from representative sources, peer groups, inflation forecasts per country, country risks, etc. was used to determine the best estimate. The WACC was calculated to be 11.5% (2017: 11.5%) post-tax. WACC for AMER and EMEA CGUs was 11.5%, while WACC for APAC was estimated as 12.0% driven by the higher inflation differential for the countries in the area. The pre-tax discount rate was 13.57% for the Group, 13.68% in AMER region, 15.12% in APAC region, and 13.99% for EMEA CGU.

### Key assumptions used in value in use calculations and sensitivity to changes in assumptions.

The calculation of value in use for AMER, AMEA, and APAC area CGUs is most sensitive to the following assumptions:

- Sales growth rates
- Gross margins
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period.

### Sensitivity analysis:

The cash flow model was tested for sensitivity of input data to discover whether or not changes in key assumptions would cause impairment. A sensitivity-analysis was performed to reveal what changes needed in the key assumptions, for the group for each year in the five year business plan (including the terminal value), to result in impairment. Key assumptions were tested separately. Management analysis is presented below.

**Sales growth rates** – Sales growth rates are based on average growth rates achieved in the three years preceding the beginning of the budget period. Merger with C-MAP effective as of July 2018 was also factored in the sales growth. Sales growth rates are applied to the forecast period (till 2023).

Decreased demand can lead to a decline in sales growth. A decrease in the sales growth rate below 4% annually would result in impairment on group level.

**Gross margins** - Gross margins are based on average values achieved during 2017-2018. The gross margins achieved were 47.8% in 2018 and 49.2% in 2017. These are increased over the budget period to 48.8% to reflect full year impact of C-MAP merger.

Increase in the costs of raw materials and decrease in prices due to competition can lead to a decline in the gross margin. A decrease in the gross margin below 44.0% would result in an impairment on the group level.

**Discount rates** - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual



beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the discount rate to 16.6% (i.e. +5.1%) on the group level would result in an impairment.

*Growth rate estimates* - Rates are based on the forecast inflation rates for 2023 published by IMF. Long-term inflation rate is used to extrapolate cash flows beyond the forecast period.

Management recognizes that the speed of technological change and increased competition can have a significant impact on growth rate assumptions. Planned investments in research and development are expected to allow Navico to move with a pace of industry innovation. A reduction of growth rate to negative 3.0% annually for the long-term growth rate would result in an impairment. We see this risk as remote.

## 17. Property, plant and equipment

| USD (thousands)                         | Right-to-use assets (lease) | Land and Buildings | Machinery and Plant | Office Equipment | Construction in progress | Total         |
|---|-----------------------------|--------------------|---------------------|------------------|--------------------------|---------------|
| <b>Balance at 1 January 2018</b>        |                             |                    |                     |                  |                          |               |
| Purchase Price                          | 16,838                      | 15,357             | 9,784               | 17,728           | 5,238                    | 64,945        |
| Accumulated depreciation and impairment | (3,188)                     | (1,131)            | (1,619)             | (4,831)          | -                        | (10,769)      |
| <b>Carrying amount</b>                  | <b>13,650</b>               | <b>14,226</b>      | <b>8,165</b>        | <b>12,897</b>    | <b>5,238</b>             | <b>54,176</b> |
| Acquisition of a subsidiary             | 1,468                       | 528                | 359                 | 292              | -                        | 2,647         |
| Investments                             | 1,284                       | 231                | 123                 | 2,230            | 6,587                    | 10,455        |
| Transfers                               | -                           | 325                | 1,515               | 3,366            | (5,238)                  | (32)          |
| Disposals                               | (741)                       | -                  | (20)                | (287)            | -                        | (1,048)       |
| Translation Differences                 | (582)                       | (21)               | (21)                | (68)             | 1                        | (691)         |
| Disposals depreciation                  | 741                         | -                  | 10                  | 206              | -                        | 957           |
| Depreciation                            | (3,518)                     | (1,042)            | (1,661)             | (5,023)          | -                        | (11,244)      |
| Impairment                              | -                           | -                  | -                   | -                | -                        | -             |
| Reversal impairment                     | -                           | -                  | -                   | -                | -                        | -             |
| <b>Balance period</b>                   | <b>(1,349)</b>              | <b>21</b>          | <b>305</b>          | <b>716</b>       | <b>1,350</b>             | <b>1,044</b>  |
| <b>Balance at 31 December 2018</b>      |                             |                    |                     |                  |                          |               |
| Purchase Price                          | 18,850                      | 16,441             | 11,761              | 23,329           | 6,587                    | 76,968        |
| Accumulated depreciation and impairment | (6,548)                     | (2,194)            | (3,291)             | (9,716)          | 1                        | (21,748)      |
| <b>Carrying amount</b>                  | <b>12,302</b>               | <b>14,247</b>      | <b>8,470</b>        | <b>13,613</b>    | <b>6,588</b>             | <b>55,220</b> |
| <b>Balance at 1 January 2017</b>        |                             |                    |                     |                  |                          |               |
| Purchase Price                          | 12,058                      | 14,717             | 8,750               | 12,790           | 5,449                    | 53,764        |
| Accumulated depreciation and impairment | (1,020)                     | (210)              | (321)               | (912)            | -                        | (2,463)       |
| <b>Carrying amount</b>                  | <b>11,038</b>               | <b>14,507</b>      | <b>8,429</b>        | <b>11,878</b>    | <b>5,449</b>             | <b>51,301</b> |
| Acquisition of a subsidiary             | -                           | -                  | 23                  | 818              | -                        | 841           |
| Investments                             | 5,222                       | 21                 | 427                 | 2,504            | 3,641                    | 11,815        |
| Transfers                               | -                           | 619                | 946                 | 2,021            | (3,852)                  | (266)         |
| Disposals                               | (442)                       | -                  | (362)               | (405)            | -                        | (1,209)       |
| Translation Differences                 | 655                         | 17                 | (3)                 | 30               | -                        | 699           |
| Disposals depreciation                  | 442                         | -                  | 356                 | 380              | -                        | 1,178         |
| Depreciation                            | (3,265)                     | (938)              | (1,651)             | (4,329)          | -                        | (10,183)      |
| Impairment                              | -                           | -                  | -                   | -                | -                        | -             |
| Reversal impairment                     | -                           | -                  | -                   | -                | -                        | -             |
| <b>Balance period</b>                   | <b>2,412</b>                | <b>(281)</b>       | <b>(264)</b>        | <b>1,019</b>     | <b>(211)</b>             | <b>2,875</b>  |
| <b>Balance at 31 December 2017</b>      |                             |                    |                     |                  |                          |               |
| Purchase Price                          | 16,838                      | 15,357             | 9,784               | 17,728           | 5,238                    | 64,945        |
| Accumulated depreciation and impairment | (3,188)                     | (1,131)            | (1,619)             | (4,831)          | -                        | (10,769)      |
| <b>Carrying amount</b>                  | <b>13,650</b>               | <b>14,226</b>      | <b>8,165</b>        | <b>12,897</b>    | <b>5,238</b>             | <b>54,176</b> |



| USD (thousands)                         | Right-to-use assets (lease) | Land and Buildings | Machinery and Plant | Office Equipment | Construction in progress | Total         |
|---|-----------------------------|--------------------|---------------------|------------------|--------------------------|---------------|
| <b>Balance at 6 June 2016</b>           |                             |                    |                     |                  |                          |               |
| Purchase Price                          | -                           | -                  | -                   | -                | -                        | -             |
| Accumulated depreciation and impairment | -                           | -                  | -                   | -                | -                        | -             |
| <b>Carrying amount</b>                  | -                           | -                  | -                   | -                | -                        | -             |
| Acquisition of a subsidiary             | -                           | 14,591             | 8,376               | 12,531           | 3,941                    | 39,439        |
| Investments                             | 12,058                      | 38                 | 27                  | 357              | 2,233                    | 14,713        |
| Transfers                               | -                           | 127                | 391                 | 207              | (725)                    | -             |
| Disposals                               | -                           | (39)               | (43)                | (305)            | -                        | (387)         |
| Translation Differences                 | (227)                       | (20)               | (1)                 | (31)             | -                        | (279)         |
| Disposals depreciation                  | -                           | 39                 | 43                  | 305              | -                        | 387           |
| Depreciation                            | (793)                       | (229)              | (364)               | (1,186)          | -                        | (2,572)       |
| Impairment                              | -                           | -                  | -                   | -                | -                        | -             |
| Reversal impairment                     | -                           | -                  | -                   | -                | -                        | -             |
| <b>Balance period</b>                   | <b>11,038</b>               | <b>14,507</b>      | <b>8,429</b>        | <b>11,878</b>    | <b>5,449</b>             | <b>51,301</b> |
| <b>Balance at 31 December 2016</b>      |                             |                    |                     |                  |                          |               |
| Purchase Price                          | 12,058                      | 14,717             | 8,751               | 12,790           | 5,449                    | 53,765        |
| Accumulated depreciation and impairment | (1,020)                     | (210)              | (322)               | (912)            | -                        | (2,464)       |
| <b>Carrying amount</b>                  | <b>11,038</b>               | <b>14,507</b>      | <b>8,429</b>        | <b>11,878</b>    | <b>5,449</b>             | <b>51,301</b> |

Right to use assets (lease) relate to land and buildings category only.

See note 18 for more information on leases.

## 18. IFRS 16 lease disclosures

The following amounts relating to leases has affected the consolidated income statement:

| USD (thousands)  | Line item                                 | 2018    | 2017    | 6 June - 31 December 2016 |
|--|---|---------|---------|---------------------------|
| Depreciation   | Depreciation, amortisation and impairment | (3,518) | (3,265) | (793)                     |
| Interest expense   | Finance expense                           | (704)   | (539)   | (140)                     |
| Expense related to short-term leases (lease term less than 12 months)                            | Other operating expenses                  | (165)   | (110)   | (9)                       |
| Expense related to leases of low value items   | Other operating expenses                  | (352)   | (335)   | (109)                     |
| Expense relating to variable lease payments not included in the measurement of lease liabilities | Other operating expenses                  | (1,247) | (1,267) | (376)                     |
| Income from subleasing right-of-use assets   | Other operational income                  | 515     | 351     | 84                        |

### Other information

| USD (thousands)   | USD (thousands)  | 2018    | 2017    |
|---|--|---------|---------|
| Total cash outflow for leases   | Operating activities - short term leases, low value assets, variable lease payments) | (1,763) | (1,712) |
|   | Financing activities - paid Interest   | (704)   | (539)   |
|   | Financing activities - installments on interest bearing liabilities                  | (3,336) | (2,906) |
| Additions to right-of-use assets  | Non-cash, see note 17  | 1,284   | 5,222   |
| Gains or losses arising from sale and leaseback transactions                  | N/a  | N/a     | N/a     |
| The carrying amount of right-of-use assets at the end of the reporting period | See note 17  | 12,302  | 13,650  |

See note 32.4 for maturity analysis of lease liabilities.

The Group does not disclose the amount of its lease commitments for its portfolio of short-term leases to which it is committed at the end of 2018 and 2017 because they are not significantly dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above relates.



The Group's leasing activities primarily relates to lease of office space in the US, the Netherlands, Australia, New Zealand, and Norway. The Group also has some lease of vehicles.

The Group's office space leases are normally annually adjusted with a consumer price index. Some of the Group's office space lease contracts include extension options or early termination rights for the Group. In general, extension options have been included if we have high intention to prolong an agreement, and termination options not included, in the estimated lease term provided the total lease term does not exceed 5-10 years. The Group has no significant residual value guarantees.

There are no restrictions or covenants imposed by leases.

Navico is not involved in sales and leaseback transactions.

## 19. Income taxes

The income tax on 2018 result was USD 3,526 thousand negative, which represents an effective income tax rate of 18.8% negative, and can be broken down as follows:

| USD (thousands)                             | 2018           | 2017           | 6 June - 31<br>December 2016 |
|---|----------------|----------------|------------------------------|
| <b>Current tax (expense) / benefit</b>      |                |                |                              |
| Current year                                | (4,312)        | (4,540)        | (727)                        |
| Prior-year adjustments                      | (3)            | 631            | (78)                         |
|   | <b>(4,315)</b> | <b>(3,909)</b> | <b>(805)</b>                 |
| <b>Deferred tax (expense) / benefit</b>     |                |                |                              |
| Current year                                | 745            | 22,948         | 2,095                        |
| Prior-year                                  | 44             | 206            | (87)                         |
|   | <b>789</b>     | <b>23,154</b>  | <b>2,008</b>                 |
| <b>Total income tax (expense) / benefit</b> | <b>(3,526)</b> | <b>19,245</b>  | <b>1,203</b>                 |

The relationship between the income tax rate in Norway and the effective tax rate on the result is as follows:

### Tax (expense) / benefit

| USD (thousands)                                   | 2018           | 2017           | 6 June - 31<br>December 2016 |
|---|----------------|----------------|------------------------------|
| <b>Result before tax</b>                          | <b>18,798</b>  | <b>(6,484)</b> | <b>(11,326)</b>              |
| Income tax 23% (2017: 24%)                        | (4,323)        | 1,556          | 2,832                        |
| <b>Reconciliation:</b>                            |                |                |                              |
| Prior-year  | 41             | 837            | (165)                        |
| Change in tax rate (Norwegian / foreign)          | (478)          | (816)          | 230                          |
| Change in US tax-rate                             | -              | 19,870         | -                            |
| Change in non-recognition of deferred tax assets  | 2,194          | (4,102)        | (1,962)                      |
| Permanent differences / IFA depreciation at Group | (232)          | (18)           | (421)                        |
| Other   | (728)          | 1,918          | 689                          |
| <b>Total income tax (expense) / benefit</b>       | <b>(3,526)</b> | <b>19,245</b>  | <b>1,203</b>                 |

| USD (thousands)                   | 2018          | 2017           | 6 June - 31<br>December 2016 |
|-----------------------------------|---------------|----------------|------------------------------|
| Domestic income tax rate          | -23.0%        | -24.0%         | -25.0%                       |
| Deviating rates and other effects | 4.2%          | -272.8%        | 14.4%                        |
| <b>Total effective tax rate</b>   | <b>-18.8%</b> | <b>-296.8%</b> | <b>-10.6%</b>                |

The positive effective tax rate in 2017 is mainly caused by a change in the US tax rate, which was endorsed at the end of 2017. The reduction in tax rate from 35% to 21% decreased deferred tax liabilities.



The balance of deferred tax assets and deferred tax liabilities is presented in the table below:

| <i>USD (thousands)</i>   | <b>2018</b>     | <b>2017</b>     | <b>6 June - 31 December 2016</b> |
|--|-----------------|-----------------|----------------------------------|
| <b>At 1 January</b>  |                 |                 |                                  |
| Deferred tax assets  | 1.718           | 13.313          | -                                |
| Deferred tax liabilities   | (29.953)        | (63.244)        | -                                |
| <b>Total</b>   | <b>(28.235)</b> | <b>(49.931)</b> | <b>-</b>                         |
| <b>Changes deferred tax :</b>  |                 |                 |                                  |
| Addition as a result of the business combination                     | -               | -               | 4.982                            |
| Income tax expense in income statement                               | 789             | 23.075          | 1.144                            |
| C-MAP merger-balance   | (2.577)         | -               | -                                |
| Exchange rate difference   | 9               | -               | -                                |
| Recognition of a deferred tax liability due to business combinations | -               | (1.467)         | (57.500)                         |
| Change in the non-recognition of deferred tax assets                 | (1.021)         | -               | -                                |
| Movement in eliminations   | (253)           | -               | -                                |
| Other effects  | 1.196           | 88              | 1.443                            |
| <b>Total</b>   | <b>(1.857)</b>  | <b>21.496</b>   | <b>(49.931)</b>                  |
| <b>At 31 December</b>  |                 |                 |                                  |
| Deferred tax assets  | 1.498           | 1.718           | 13.313                           |
| Deferred tax liabilities   | (31.590)        | (29.953)        | (63.244)                         |
| <b>Total</b>   | <b>(30.092)</b> | <b>(28.235)</b> | <b>(49.931)</b>                  |

The deferred tax assets and liabilities relate to the following balance sheet items:

| <b>Deferred tax assets/(liabilities)</b>         | <b>31 December 2018</b> | <b>31 December 2017</b> | <b>31 December 2016</b> |
|--|-------------------------|-------------------------|-------------------------|
| <i>USD (thousands)</i>                           |                         |                         |                         |
| Intangible assets                                | (39.176)                | (37.711)                | (59.461)                |
| Property, plant and equipment                    | 416                     | (1.854)                 | (4.031)                 |
| Inventories                                      | 773                     | 1.156                   | 1.048                   |
| Receivables                                      | 239                     | 257                     | 284                     |
| Current provisions                               | 1.812                   | 1.380                   | 2.057                   |
| Other current liabilities                        | (1.698)                 | 703                     | 1.239                   |
| <b>Total</b>                                     | <b>(37.634)</b>         | <b>(36.069)</b>         | <b>(58.864)</b>         |
| Tax loss carry forward                           | 46.679                  | 41.945                  | 49.139                  |
| Not recognised                                   | (39.136)                | (34.111)                | (40.206)                |
| <b>Net deferred tax assets and (liabilities)</b> | <b>(30.092)</b>         | <b>(28.235)</b>         | <b>(49.931)</b>         |

In the USA, deferred tax assets have been recognized on all Net Operating Losses and tax credits carried forward. The total net operating losses carried forward amount to approximately USD 37 million (USD 24 million of Earnings Stripping's and USD 13 million other available tax-credits) and will expire in the years 2026-2031. There are offsetting deferred tax liabilities for the Group related to the businesses in the USA, primarily in form of fair value adjustments from the business combinations in 2016 on which deferred tax liabilities were calculated. These are offset in the balance sheet, to a net deferred tax liability.

The non-recognized deferred tax assets of USD 34.1 million mainly relate to tax losses in Norway and has no expiry date.

## 20. Other non-current assets

| <i>USD (thousands)</i>             | <b>31 December 2018</b> | <b>31 December 2017</b> | <b>31 December 2016</b> |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| Long term loans affiliated parties | -                       | 8.388                   | -                       |
| Guarantee deposits                 | 2.380                   | 2.317                   | 1.158                   |
| Other long term receivables        | 541                     | 111                     | 4                       |
| <b>Total</b>                       | <b>2.921</b>            | <b>10.816</b>           | <b>1.162</b>            |

Long term loan was granted to Digital Marine Solutions Holding AS and the reported balance at 31 December 2017 includes accumulated interest. The loan had a stated interest of LIBOR and 10 per cent per annum, and is due in full on 31 December 2024. Digital Marine Solutions Holding AS was a related party to Navico Group at 31 December 2017. At 31 December 2018 Digital Marine Solutions Holding AS is part of the Navico Group which explains the decrease in long term loans affiliated parties compared to 2017.



Guarantee deposits mainly include bank deposit for credit cards payment by customers, rent deposits, customs related deposits.

Other long-term receivable at 31 December 2018 mainly include asset in C-MAP Norway that relates to the pension premiums prepayment. Prepaid pension contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

## 21. Inventories

| <i>USD (thousands)</i>           | 31 December<br>2018 | 31 December<br>2017 | 31 December<br>2016 |
|----------------------------------|---------------------|---------------------|---------------------|
| Raw materials and consumables    | 24.765              | 26.573              | 19.918              |
| Intermediates and finished goods | 53.463              | 43.867              | 34.828              |
| Work in progress                 | 5.946               | 7.869               | 4.656               |
| <b>Total</b>                     | <b>84.174</b>       | <b>78.308</b>       | <b>59.402</b>       |

During the year an amount of USD 1,801 thousand (2017: USD 1,696 thousand) was recognised as an expense for write-down of inventories carried at net realizable value. This is recognised in cost of sales and mainly relate to raw materials which are not being used anymore.

Work in progress mainly relates to partly finished goods in the factories in Ensenada and RBU, and in 2018 USD 1,661 thousand relates to boat building in the business combination HOC Yachts AS (USD 2,012 at year-end 2017).

## 22. Trade and other receivables

| <i>USD (thousands)</i>                           | 31 December<br>2018 | 31 December<br>2017 | 31 December<br>2016 |
|--|---------------------|---------------------|---------------------|
| Trade receivables                                | 63.012              | 58.279              | 53.776              |
| Less: Allowance for doubtful debts               | (2.873)             | (1.802)             | (1.515)             |
| Receivables from related parties                 | -                   | 1.128               | 291                 |
| Other debtors                                    | 1.555               | 1.855               | 1.500               |
| Other Accruals                                   | 929                 | 1.065               | 2.179               |
| <b>Total Current Trade and other receivables</b> | <b>62.623</b>       | <b>60.524</b>       | <b>56.231</b>       |

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix at 31 December 2018:

| <i>USD (thousands)</i>                           | Past due      |              |              |              |              |            | Total         |
|--|---------------|--------------|--------------|--------------|--------------|------------|---------------|
|  | not past due  | 1-30 days    | 31-60 days   | 61-90 days   | 91-120 days  | 120+ days  |               |
| <b>31 December 2018</b>                          |               |              |              |              |              |            |               |
| Expected credit loss rate                        | 0.1%-0.5%     | 0.1%-1.0%    | 0.1%-5.0%    | 5.0%-10.0%   | 25.0%-45.0%  | 100%       |               |
| Estimated total gross carrying amount at default | 47,547        | 7,867        | 2,052        | 1,153        | 1,735        | 2,657      | 63,012        |
| Expected credit loss                             | (159)         | (71)         | (61)         | (90)         | (566)        | (1,926)    | (2,873)       |
| <b>Net trade receivables</b>                     | <b>47,388</b> | <b>7,796</b> | <b>1,991</b> | <b>1,063</b> | <b>1,169</b> | <b>731</b> | <b>60,139</b> |

| <i>USD (thousands)</i>       | Past due      |              |              |              |              |              | Total         |
|------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                              | not past due  | 1-30 days    | 31-60 days   | 61-90 days   | 91-120 days  | 120+ days    |               |
| <b>31 December 2017</b>      |               |              |              |              |              |              |               |
| Trade receivables            | 43,468        | 7,512        | 1,758        | 1,680        | 1,452        | 2,409        | 58,279        |
| Allowance for doubtful debts | (139)         | (55)         | (35)         | (103)        | (156)        | (1,314)      | (1,802)       |
| <b>Net trade receivables</b> | <b>43,329</b> | <b>7,457</b> | <b>1,723</b> | <b>1,577</b> | <b>1,296</b> | <b>1,095</b> | <b>56,477</b> |

| <i>USD (thousands)</i>       | Past due      |              |              |            |              |            | Total         |
|------------------------------|---------------|--------------|--------------|------------|--------------|------------|---------------|
|                              | not past due  | 1-30 days    | 31-60 days   | 61-90 days | 91-120 days  | 120+ days  |               |
| <b>31 December 2016</b>      |               |              |              |            |              |            |               |
| Trade receivables            | 41,609        | 5,899        | 1,406        | 1,039      | 2,305        | 1,519      | 53,776        |
| Allowance for doubtful debts | (134)         | (51)         | (24)         | (59)       | (392)        | (855)      | (1,515)       |
| <b>Net trade receivables</b> | <b>41,475</b> | <b>5,848</b> | <b>1,382</b> | <b>980</b> | <b>1,913</b> | <b>664</b> | <b>52,262</b> |



The movement of the allowance for doubtful debts during 2018 and previous periods is presented below.

| USD (thousands)           | 31 December  | 31 December  | 31 December  |
|---------------------------|--------------|--------------|--------------|
|                           | 2018         | 2017         | 2016         |
| At 1 January              | 1,802        | 1,515        | -            |
| Acquisition of subsidiary | 762          | -            | 1,545        |
| Charge for the year       | 589          | 640          | 487          |
| Utilized                  | (281)        | (212)        | (508)        |
| Unused amounts reversed   | -            | (141)        | (9)          |
| <b>Balance</b>            | <b>2,873</b> | <b>1,802</b> | <b>1,515</b> |

See note 32.3 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Increase in the allowance for doubtful debts at 31 December 2018 compared to the previous periods reflects the management estimation of the future losses impacted by the C-MAP merger and deterioration of the financial position of one of the customers.

## 23. Prepayments

Increase in prepayment at 31 December 2018 to USD 7,125 thousand compared to previous periods (31 December 2017: USD 4,411 thousand) relates to C-MAP merger (deferred costs relates to cartography) and increased prepayments for IT licenses to take advantage of reduced prices.

## 24. Cash at bank and in hand

| USD (thousands)               | 31 December   | 31 December  | 31 December  |
|-------------------------------|---------------|--------------|--------------|
|                               | 2018          | 2017         | 2016         |
| <b>Balance at 31 December</b> | <b>15,068</b> | <b>5,845</b> | <b>6,175</b> |

Navico Group has a cash pool agreement with DNB bank. All main cash generating companies participate in the cash pooling arrangement.

Interest is calculated on a notional basis using the net balance of all the separate bank accounts. In addition, the Group instigates regular physical transfers to settle balances. However, such transfers are not required under the terms of the cash-pooling arrangement and are not performed at the reporting date. Cash pool balances are presented on a net basis.

Increase in the cash and cash equivalents balances at 31 December 2018 compared to the previous periods is explained by the following factors: growth of the business, the settlement received from one of the competitors in February 2018 for USD 16.5 million, additional measures to improve working capital management were taken during 2018.

## 25. Issued capital and reserves

### Issued share capital and share premium

The issued share capital of Navico Group AS amounts to NOK 7,665 thousand (translated to USD 906 thousand using exchange rate 0.118 NOK/USD) and comprises 255,500 thousand ordinary shares of NOK 0.03 each. Each share gives one vote in the general assembly.

100% of the shares of Navico Group AS are owned by Nanna MidCo II AS.

|   | Number of shares | Value per share, NOK | Par value, USD thousands | Share premium | Total   |
|---|------------------|----------------------|--------------------------|---------------|---------|
| At 6 June 2016                                  | -                | -                    | -                        | -             | -       |
| Capital contribution during the Group formation | 255,500,000      | 0.01                 | 296                      | 255,182       | 255,478 |
| At 31 December 2016                             | 255,500,000      | 0.01                 | 296                      | 255,182       | 255,478 |
| Capital contribution from shareholders          | -                | 0.01                 | 299                      | 3,201         | 3,500   |
| At 31 December 2016                             | 255,500,000      | 0.02                 | 595                      | 258,383       | 258,978 |
| Increase in share capital due to C-Map merger   | -                | 0.01                 | 311                      | 25,689        | 26,000  |
| At 31 December 2016                             | 255,500,000      | 0.03                 | 906                      | 284,072       | 284,978 |

The share capital of the Company was increased by NOK 2,555,000 in 2016 and 2017, by increasing the nominal value of the Company's shares by NOK 0.01 from NOK 0.01 in 2016 to NOK 0.02 in 2017, and to NOK 0.03 in 2018.

No new shares are issued in connection with the share capital increases.



**Other changes/translation differences**

Translation difference amounts arise due to conversion rate differences at year end.

**Dividend**

The Group has no restrictions for dividend distributions to the shareholders, subject to (i) for the availability of distributable reserves according to the Norwegian Companies Act and (ii) certain customary restrictions and limitations within the Groups financing arrangements.

**26. Interest bearing loans and borrowings**

**Non-current loans and borrowings**

| <i>USD (thousands)</i>                          | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Term loans                                      | 242.125                     | 248.625                     | 237.000                     |
| Non-current portion of capitalised finance cost | (15.337)                    | (9.176)                     | (6.529)                     |
| Valuta swaps/ Forward contracts                 | (4.908)                     | (4.717)                     | (3.603)                     |
| <b>Total</b>                                    | <b>221.880</b>              | <b>234.732</b>              | <b>226.868</b>              |

Navico Group AS' outstanding loans as per 31 December 2016 have been replaced by a new loan agreement that the company entered into at 31 March 2017 which also has a long term nature (5 years). Loans entered into at 30 September 2016 were fully repaid with the proceeds from the new financing. The new financing agreement is a bond-financing that the Company entered into with GLAS USA LLC as the administrative agent and GLAS Americas LLC as the collateral agent (a First Lien Credit Agreement) for an amount of USD 260.0 million.

The USD 6.5 million capitalized refinance costs as per 31 December 2016 were expensed as finance cost in the income statement and the costs related to the new finance agreement were capitalized and are amortized over the term of the finance agreement.

| <i>USD (thousands)</i>                                   | Notes | Lease liabilities |               | Bank loans and borrowings |                |
|--|-------|-------------------|---------------|---------------------------|----------------|
|  |       | 2018              | 2017          | 2018                      | 2017           |
| <b>Carrying value 1 January</b>                          |       | <b>14,099</b>     | <b>11,120</b> | <b>258,486</b>            | <b>237,997</b> |
| New non-current liabilities                              |       | -                 | -             | -                         | 260,000        |
| Increase/(decrease) in bank overdraft                    |       | -                 | -             | (8,720)                   | 12,703         |
| Repayment of debt  |       | -                 | -             | (6,500)                   | (248,375)      |
| Payment of lease liabilities and accrued interest        |       | (3,336)           | (2,907)       | -                         | -              |
| Increase related to the additions to right-of-use assets |       | 1,284             | 5,222         | -                         | -              |
| Business combination                                     | 17    | 1,468             | -             | -                         | -              |
| Accrued interest   | 17    | 704               | 539           | 16,535                    | 17,611         |
| Interest on loans paid                                   | 18    | (704)             | (539)         | (16,239)                  | (18,626)       |
| Capitalized fees and costs                               |       | -                 | -             | (21,846)                  | (14,030)       |
| Amortisation of capitalized fees and costs               |       | -                 | -             | 2,997                     | 10,310         |
| Revaluation of loan due to refinancing                   |       | -                 | -             | 10,445                    | -              |
| Currency effects   |       | (487)             | 664           | (534)                     | 895            |
| <b>Carrying value 31 December</b>                        |       | <b>13,028</b>     | <b>14,099</b> | <b>234,625</b>            | <b>258,486</b> |
| <i>Short-term</i>  | 27    | 9,498             | 11,140        | 7,836                     | 19,037         |
| <i>Long-term</i>   | 29    | 3,530             | 2,959         | 226,788                   | 239,449        |

Bond financing agreement contains limited financial covenant (super senior net leverage ratio should not exceed 0.57:1.00. Super senior net leverage ratios is calculated as revolving credit facility divided by adjusted EBITDA). Financial covenant is only applicable when revolving credit facility is used for more than 35% of total amount.

There was no breach of financial covenant during the reporting periods.

In May 2018, Navico signed amendments to the bond financing facility. The main change was decrease in the interest rate from Libor +5.75% to Libor + 4.5%. Refinancing costs were capitalized and are amortized over the term of the finance agreement.

At the same time, profit on loan modification of USD 11.7 million was recognised at the date of restructuring, with the respective adjustment to the book value of the debt. Original effective interest rate to be applied till maturity of the debt in 2023.



## Current loans and borrowings

| <i>USD (thousands)</i>                      | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Term loans                                  | 6.500                       | 6.500                       | 3.000                       |
| Revolving credit facility                   | 6.641                       | 15.361                      | 3.500                       |
| Bank overdraft                              | -                           | -                           | 2.658                       |
| Current portion of capitalised finance cost | (5.305)                     | (2.824)                     | (1.632)                     |
| <b>Total</b>                                | <b>7.836</b>                | <b>19.037</b>               | <b>7.526</b>                |

In the refinancing as per 31 March 2017 the multicurrency revolving credit facility of USD 25 million (RCF) remained in place. Undrawn amount was USD 18.4 million at 31 December 2018.

Explanation of changes in liabilities included in financing activities in the cash flow statement.

## 27. Other non-current liabilities

| <i>USD (thousands)</i>              | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Long term Lease Liability (IFRS16)  | 9.498                       | 11.140                      | 8.384                       |
| Non-current deferred compensation   | 2.895                       | 1.028                       | -                           |
| Fair value contingent consideration | 1.149                       | 2.424                       | -                           |
| Other non-current liabilities       | (237)                       | 1.533                       | -                           |
| <b>Total</b>                        | <b>13.305</b>               | <b>16.125</b>               | <b>8.384</b>                |

Non-current deferred compensation relates to the TFR balances in Italy. In Italy upon termination of the employment relationship, the employee is entitled to receive the severance pay (trattamento di fine rapporto - TFR), which is calculated by adding up the equivalent of the gross annual salary for each year of service divided by 13.5.

Fair value contingent consideration relates to the acquisition of Naviop in 2017. A liability was recognized which relates to the remaining payments of the purchase consideration to the Sellers in the next two years. Payment is subject to the fulfilment of certain conditions in the 24 months following the acquisition.

## 28. Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

### Terms and conditions schedule of outstanding non-current loans :

| <i>USD (thousands)</i> | Currency | Nominal interest rate | Year of maturity | Fair value<br>31 December 2018 | Carrying amount<br>31 December 2018 |
|------------------------|----------|-----------------------|------------------|--------------------------------|-------------------------------------|
| Term loan              | USD      | LIBOR + 4.5%          | 2023             | (242,125)                      | (242,125)                           |
| Interest rate swap     | USD      |                       | 2020             | 4,908                          | 4,908                               |
| <b>Total</b>           |          |                       |                  | <b>(237,217)</b>               | <b>(237,217)</b>                    |

| <i>USD (thousands)</i> | Currency | Nominal interest rate | Year of maturity | Fair value<br>31 December 2017 | Carrying amount<br>31 December 2017 |
|------------------------|----------|-----------------------|------------------|--------------------------------|-------------------------------------|
| Loan TLB               | USD      | LIBOR + 5.75%         | 2023             | (248,625)                      | (248,625)                           |
| Interest rate swap     | USD      |                       | 2020             | 4,717                          | 4,717                               |
| <b>Total</b>           |          |                       |                  | <b>(243,908)</b>               | <b>(243,908)</b>                    |

| <i>USD (thousands)</i> | Currency | Nominal interest rate | Year of maturity | Fair value<br>31 December 2016 | Carrying amount<br>31 December 2016 |
|------------------------|----------|-----------------------|------------------|--------------------------------|-------------------------------------|
| Loan TLA               | USD      | LIBOR + 4%            | 2022             | (47,000)                       | (47,000)                            |
| Loan TLB               | USD      | LIBOR + 5%            | 2022             | (190,000)                      | (190,000)                           |
| Interest rate swap     | USD      |                       | 2022             | 3,603                          | 3,603                               |
| <b>Total</b>           |          |                       |                  | <b>(233,397)</b>               | <b>(233,397)</b>                    |

### Terms and conditions schedule of outstanding current loans :

| <i>USD (thousands)</i> | Currency | Nominal interest rate | Year of maturity | Fair value<br>31 December 2018 | Carrying amount<br>31 December 2018 |
|------------------------|----------|-----------------------|------------------|--------------------------------|-------------------------------------|
| Loan TLB               | USD      | LIBOR + 4.5%          | 2019             | (6,500)                        | (6,500)                             |
| RCF                    | USD      | LIBOR + 5%            | 2019             | (6,641)                        | (6,641)                             |
| <b>Total</b>           |          |                       |                  | <b>(13,141)</b>                | <b>(13,141)</b>                     |

| <i>USD (thousands)</i> | Currency | Nominal interest rate | Year of maturity | Fair value<br>31 December 2017 | Carrying amount<br>31 December 2017 |
|------------------------|----------|-----------------------|------------------|--------------------------------|-------------------------------------|
| Loan TLB               | USD      | LIBOR + 5.75%         | 2018             | (6,500)                        | (6,500)                             |
| RCF                    | USD      | LIBOR + 5%            | 2018             | (15,361)                       | (15,361)                            |
| <b>Total</b>           |          |                       |                  | <b>(21,861)</b>                | <b>(21,861)</b>                     |

| <i>USD (thousands)</i> | Currency | Nominal interest rate | Year of maturity | Fair value<br>31 December 2016 | Carrying amount<br>31 December 2016 |
|------------------------|----------|-----------------------|------------------|--------------------------------|-------------------------------------|
| Loan TLA               | USD      | LIBOR + 4%            | 2017             | (3,000)                        | (3,000)                             |
| RCF                    | USD      | LIBOR + 5%            | 2017             | (3,500)                        | (3,500)                             |
| Bank overdraft         | USD      | LIBOR + 5%            | 2017             | (2,658)                        | (2,658)                             |
| <b>Total</b>           |          |                       |                  | <b>(9,158)</b>                 | <b>(9,158)</b>                      |

The fair values of the financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the debtor.
- As at 31 December 2017, the carrying amounts of such receivables/borrowings approximate their estimated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are primarily interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.



## Fair value hierarchy

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 that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2018 the Group held the following financial instruments carried at fair value on the statement of financial position:

## Assets and liabilities measured at fair value

| USD (thousands)                      | Level 1 | Level 2        | Level 3      | Total          |
|--------------------------------------|---------|----------------|--------------|----------------|
| <b>31 December 2018</b>              |         |                |              |                |
| Interest rate swap - non hedged      | -       | 4,908          | -            | 4,908          |
| <b>Total assets</b>                  | -       | <b>4,908</b>   | -            | <b>4,908</b>   |
| Contingent consideration liabilities | -       | -              | 1,149        | 1,149          |
| Interest rate swap - non hedged      | -       | 255,266        | -            | 255,266        |
| <b>Total assets</b>                  | -       | <b>255,266</b> | <b>1,149</b> | <b>256,415</b> |

During the reporting period ending 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements. The level 2 derivative contracts are valued by means of confirmations by the bank, combined with the development of interest-rates and currency rates.

## 29. Trade and other payables

| USD (thousands)                                   | 31 December<br>2018 | 31 December<br>2017 | 31 December<br>2016 |
|---|---------------------|---------------------|---------------------|
| Accounts payable to suppliers and trade creditors | 54,388              | 33,571              | 23,483              |
| Payables to related parties                       | -                   | 389                 | 159                 |
| Personnel related liabilities                     | 8,110               | 6,102               | 5,277               |
| Payroll related taxes                             | 2,026               | 1,631               | 1,533               |
| Contract liabilities                              | 4,003               | 434                 | 978                 |
| Short term Lease liability (IFRS16)               | 3,530               | 2,959               | 2,736               |
| Other liabilities and accruals                    | 14,622              | 11,653              | 11,056              |
| VAT payable                                       | (254)               | 831                 | 685                 |
| <b>Total</b>                                      | <b>86,425</b>       | <b>57,570</b>       | <b>45,907</b>       |

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms
- Other liabilities, personnel related liabilities and accruals are non-interest bearing and have an average term of six months

The increase in the accounts payable to suppliers and trade creditors is at 31 December 2018 compared to previous periods is attributed to the merger with C-MAP (c. USD 17 million), general increase of business, and more attention paid to the working capital management during 2018.

## 30. Provisions

The provisions of USD 7.3 million fully relates to the warranty provision (2017: USD 7.5 million, 2016: USD 6.8 million). This provision for warranties relates to liabilities that arise as a result of sold products where the Group has assured that the products comply with specifications and will function as intended in the warranty period, which is normally 12 months. Assurance type warranties are provided according to local laws and regulations and business practice in the relevant market.

The provision is based on estimates derived from historical warranty data associated with similar products and services. It is expected that these costs will be incurred in the next financial year.



## Warranties

| USD (thousands)                   | 2018         | 2017         | 2016         |
|-----------------------------------|--------------|--------------|--------------|
| <b>At 1 January</b>               | <b>7,468</b> | <b>6,790</b> | -            |
| Acquisition of a subsidiary       | -            | -            | 6,102        |
| Exchange differences              | -            | -            | -            |
| Provisions made during the period | 8,928        | 10,213       | 3,291        |
| Provisions used during the period | (9,065)      | (9,535)      | (2,603)      |
| <b>At 31 December</b>             | <b>7,331</b> | <b>7,468</b> | <b>6,790</b> |
| <b>Analysis of provisions:</b>    |              |              |              |
| Non-current                       | -            | -            | -            |
| Current                           | 7,331        | 7,468        | 6,790        |
| <b>At 31 December</b>             | <b>7,331</b> | <b>7,468</b> | <b>6,790</b> |

## 31. Commitments and contingencies

### 31.1 Legal claims and disputes

The Group has a process in place to monitor legal claims periodically and systematically. The Group is involved in legal proceedings. These proceedings are mainly related to patents and license disputes. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized in the financial statements.

In February 2018 the Group ended their legal dispute with a competitor relating to sonar and auto guidance patents. The agreement includes a broad cross licensing of patents and other intellectual property, which will bring new innovations to the market faster and benefit all marine customers.

The settlement received from one of the competitors in February 2018 was USD 16.5 million. At the same time, release of previously accrued receivable of USD 2.0 million was made. Legal costs associated with the legal dispute amounted to USD 0.7 million in financial year 2018, (2017: USD 6.4 million, 2016: USD 0.3 million).

For the periods presented in these financial statements, the Group has not recognised any provisions for legal claims and disputes.

### 31.2 Future commitments

| USD (thousands)                  | Within one year | Between two and five years | More than five years | Total        |
|----------------------------------|-----------------|----------------------------|----------------------|--------------|
| <b>31 December 2018</b>          |                 |                            |                      |              |
| IT Service                       | 69              | 80                         | -                    | 149          |
| Vehicles                         | 435             | 804                        | -                    | 1,238        |
| Office rentals                   | 177             | 90                         | -                    | 267          |
| Other                            | 7               | 24                         | -                    | 31           |
| <b>Total</b>                     | <b>688</b>      | <b>998</b>                 | -                    | <b>1,685</b> |
| <b>31 December 2017 Restated</b> |                 |                            |                      |              |
| IT Service                       | 76              | 109                        | -                    | 185          |
| Vehicles                         | 284             | 593                        | -                    | 878          |
| Office rentals                   | 145             | 119                        | -                    | 264          |
| Other                            | 1               | -                          | -                    | 1            |
| <b>Total</b>                     | <b>506</b>      | <b>822</b>                 | -                    | <b>1,328</b> |
| <b>31 December 2016 Restated</b> |                 |                            |                      |              |
| IT Service                       | 101             | 11                         | -                    | 112          |
| Vehicles                         | 223             | 184                        | -                    | 406          |
| Office rentals                   | 131             | 89                         | -                    | 220          |
| Other                            | 8               | 1                          | -                    | 9            |
| <b>Total</b>                     | <b>462</b>      | <b>286</b>                 | -                    | <b>747</b>   |

\* 31 December 2017 and 2016 future commitment balances were restated for office rentals due to IFRS 16 early adoption.

### 31.3 Guarantees

Two guarantees for USD 364 thousand in total has been issued to suppliers for deliveries (2017: USD 41 thousand of letter of credit to one supplier). Furthermore, a bank guarantee has been issued towards another bank for an amount of USD 336 thousand (2017: USD 530 thousand). A financial support letter was issued from Navico Holding AS to Navico Auckland Ltd to give assurance of financial support in the future.



## 32. Financial risk management objective and policies

The Group holds the following financial instruments:

| USD (thousands)  | Notes | 31 December<br>2018 | 31 December<br>2017 | 31 December<br>2016 |
|--|-------|---------------------|---------------------|---------------------|
| <b>Financial assets</b>  |       |                     |                     |                     |
| <b>Derivatives not designated as hedging instruments</b>   |       |                     |                     |                     |
| Interest rate swap   | 26    | 4.908               | 4.717               | 3.603               |
| Cash flow swaps  |       | 1.199               | -                   | -                   |
| <b>Debt instruments at amortized cost</b>  |       |                     |                     |                     |
| Non-current receivables  | 20    | 2.921               | 10.816              | 1.162               |
| Trade receivables (net)  | 22    | 60.139              | 56.477              | 52.262              |
| Receivables from related parties and other debtors   | 22    | 1.555               | 2.983               | 1.741               |
| Cash and cash equivalents  | 24    | 15.068              | 5.845               | 6.175               |
| <b>Total financial assets</b>  |       | <b>85.790</b>       | <b>80.838</b>       | <b>64.943</b>       |
| <b>Financial liabilities</b>   |       |                     |                     |                     |
| <b>Interest-bearing loans and borrowings</b>   |       |                     |                     |                     |
| Current loans and borrowings   | 26    | 7.836               | 19.037              | 7.526               |
| Non-current loans and borrowings   | 26    | 221.880             | 234.732             | 226.868             |
| Long term Lease Liability (IFRS16)   | 27    | 9.498               | 11.140              | 8.384               |
| Short term Lease liability (IFRS16)  | 29    | 3.530               | 2.959               | 2.736               |
| <b>Other financial liabilities</b>   |       |                     |                     |                     |
| <b>Derivatives not designated as hedging instruments</b>   |       |                     |                     |                     |
| Cash flow swaps  |       | -                   | 567                 | -                   |
| <b>Financial liabilities at fair value through profit or loss</b>                                      |       |                     |                     |                     |
| Contingent consideration   | 27    | 1.149               | 2.424               | -                   |
| <b>Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings</b> |       |                     |                     |                     |
| Trade and other payables (excl. contract liabilities and accruals)                                     | 29    | 64.227              | 42.484              | 31.159              |
| Other non-current liabilities  |       | 3.857               | 1.995               | -                   |
| <b>Total</b>   |       | <b>311.977</b>      | <b>315.338</b>      | <b>274.673</b>      |

The Group's exposure to various risks associated with the financial instruments is discussed further in the note. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets and liabilities mentioned above.

### 32.1 Financial risk management

The main financial risks faced by the Group relate to market risk (comprising interest rate risk, currency risk, price risk and credit risk) and liquidity risk. The Group's financial policy is aimed at minimizing the effects on profit or loss of fluctuations in currency exchange rates and interest rates in the short term and following market rates in the long term. The Group uses financial derivatives to manage financial risks relating to business operations and does not enter into speculative derivative positions. The Group aims to maintain a stable and preferably rising financial position.

### 32.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2018, 2017, and 2016.

#### 32.2.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).



It is the Group's policy to partly hedge the currency risks resulting from sales and purchases at the moment of recognition of the trade receivables and trade payables. In addition, operating companies may - under strict conditions - opt for hedging currency risks from firm commitments and forecasted transactions. The currencies giving rise to these risks are primarily the Euro, Australian dollar, the New Zealand dollar, the Norwegian Krone and the Mexican peso. The risks arising from currency exposures are regularly reviewed and hedged when appropriate. The Group uses flexible forward contracts to hedge the exposure to fluctuations in foreign exchange rates. At year-end the Group did not have open positions, but hedged the expected 2019 cash flows in foreign currencies till June 2019 with the combination of put and call options.

When presenting the consolidated results of the Group, results from subsidiaries with functional currencies different from USD are translated at average exchange rates for the period. Change in USD currency rate expose the Group for translation exposure on the results.

## 32.2.2 Foreign currency risk sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in EUR, AUD, NZD, CNY, NOK, MXN, and GBP exchange rates, with all other variables held constant. A reasonable possible change is estimated as a 10% change from the exchange rate at the year-end 2018, 2017, and 2016, with all other variables held constant. A +10% change indicates a strengthening of the foreign currencies against functional currencies of the individual entities. A -10% change represents a weakening of the foreign currencies against functional currencies of the individual entities.

The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's pre-tax equity equals the impact of the Group's profit before tax as there are no monetary items that impact other movements in equity.

Foreign exchange rate risk sensitivity to foreign exchange movements in the above example has been calculated on a symmetric basis. The symmetric basis assumes that an increase or decrease in foreign exchange movement would result in the same amount. The method assumes the currency in question is used as a stable denominator.

| USD (thousands) | Net exposure at 31<br>December 2018 | Effect on profit before tax<br>Change in exchange rate |         | Effect on pre-tax equity<br>Change in exchange rate |      |
|-----------------|-------------------------------------|--|---------|---|------|
|                 |                                     | +10%   | -10%    | +10%  | -10% |
| NOK / USD       | (3,056)                             | (306)  | 306     | -   | -    |
| NZD / USD       | (3,433)                             | (343)  | 343     | -   | -    |
| CNY / USD       | 1,460                               | 146  | (146)   | -   | -    |
| NZD / AUD       | 1,052                               | 105  | (105)   | -   | -    |
| MXN / USD       | (1,483)                             | (148)  | 148     | -   | -    |
| EUR / NOK       | (998)                               | (100)  | 100     | -   | -    |
| EUR / USD       | 13,091                              | 1,309  | (1,309) | -   | -    |
| GBP / USD       | 422                                 | 42   | (42)    | -   | -    |

| USD (thousands) | Net exposure at 31<br>December 2017 | Effect on profit before tax<br>Change in exchange rate |         | Effect on pre-tax equity<br>Change in exchange rate |      |
|-----------------|-------------------------------------|--|---------|---|------|
|                 |                                     | +10%   | -10%    | +10%  | -10% |
| NOK / USD       | 2,800                               | 280  | (280)   | -   | -    |
| AUD / USD       | 231                                 | 23   | (23)    | -   | -    |
| NZD / USD       | (851)                               | (85)   | 85      | -   | -    |
| CNY / USD       | 3,489                               | 349  | (349)   | -   | -    |
| NZD / AUD       | 1,613                               | 161  | (161)   | -   | -    |
| MXN / USD       | (1,787)                             | (179)  | 179     | -   | -    |
| EUR / USD       | 46,502                              | 4,650  | (4,650) | -   | -    |
| GBP / USD       | 4,608                               | 461  | (461)   | -   | -    |
| SEK / USD       | 5,954                               | 595  | (595)   | -   | -    |

| USD (thousands) | Net exposure at 31<br>December 2016 | Effect on profit before tax<br>Change in exchange rate |       | Effect on pre-tax equity<br>Change in exchange rate |      |
|-----------------|-------------------------------------|--|-------|---|------|
|                 |                                     | +10%   | -10%  | +10%  | -10% |
| NOK / USD       | (5,962)                             | (596)  | 596   | -   | -    |
| AUD / USD       | (3,811)                             | (381)  | 381   | -   | -    |
| NZD / USD       | (689)                               | (69)   | 69    | -   | -    |
| CNY / USD       | 4,272                               | 427  | (427) | -   | -    |
| NZD / AUD       | 1,590                               | 159  | (159) | -   | -    |
| MXN / USD       | (1,173)                             | (117)  | 117   | -   | -    |
| EUR / USD       | 7,592                               | 759  | (759) | -   | -    |
| GBP / USD       | 355                                 | 36   | (36)  | -   | -    |
| SEK / USD       | 599                                 | 60   | (60)  | -   | -    |

Navico's exposure to foreign currency changes for all other currencies is not material except for the currencies as indicated above.

### 32.2.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate risk policy is aimed at minimizing the cash flow interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. This policy translates into a certain desired profile of fixed-interest and floating-interest positions, including cash and cash equivalents. During 2016 the Group entered into an Interest Rate Swap to economically hedge approximately 75% of a variable interest rate borrowing into a fixed interest rate. After a refinancing in 2017, the Interest Rate Swap covers approximately 90% of the bank borrowings during 2017-2018 period.

### 32.2.4 Interest rate sensitivity

The following table demonstrates the profit and loss sensitivity to a reasonably possible change in market interest rates (LIBOR) on net interest bearing debt and cash and the interest rate swap. In the table, the cash flow and profit and loss effect on the Interest Rate Swap offsets parts of the effect on the bank borrowings. With all other variables held constant, the Group's result before tax is affected through the impact on floating rate as follows:

| <b>2018</b>            | <b>Increase/decrease in</b> | <b>Effect on</b>         |
|------------------------|-----------------------------|--------------------------|
| <i>USD (thousands)</i> | <b>Basis points</b>         | <b>profit before tax</b> |
| USD                    | +50                         | (93)                     |
| USD                    | -50                         | 93                       |

| <b>2017</b>            | <b>Increase/decrease in</b> | <b>Effect on</b>       |
|------------------------|-----------------------------|------------------------|
| <i>USD (thousands)</i> | <b>Basis points</b>         | <b>profit and loss</b> |
| USD                    | +50                         | (126)                  |
| USD                    | -50                         | 126                    |

| <b>2016</b>            | <b>Increase/decrease in</b> | <b>Effect on</b>       |
|------------------------|-----------------------------|------------------------|
| <i>USD (thousands)</i> | <b>Basis points</b>         | <b>profit and loss</b> |
| USD                    | +50                         | (250)                  |
| USD                    | -50                         | 250                    |

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### 32.3 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 from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. Credit limits are established for each customer usually based on the credit insurance company indication. Any sales exceeding those limits require approval from the management.

Outstanding customer receivables are regularly monitored and shipments to majority of the customers are covered by credit insurance. The credit insurance is considered to be an integral part of trade receivables credit management. Navico has a credit insurance with Coface for most of its customers and countries resulting in relative low risks for doubtful debts. During 2018, the insured percentage of the sales of maritime electronics amounted to 90% excl. VAT.

At 31 December 2018, 2017 and 2016, the Group had large amount of different customers with a broad regional spread. There were five main customers with a total balance around USD 18.1 million (2017: USD 15.3 million) accounting for 29% (2017: 26%) of the total amounts receivable.



As per 31 December 2018, 2017, and 2016, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

| <i>USD (thousands)</i>               | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| AMER                                 | 34,521                      | 32,122                      | 29,761                      |
| APAC                                 | 6,968                       | 9,136                       | 9,314                       |
| EMEA                                 | 21,523                      | 17,021                      | 14,701                      |
| <b>Total intangible fixed assets</b> | <b>63,012</b>               | <b>58,279</b>               | <b>53,776</b>               |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (by geographical region).

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not otherwise require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Set out below provision matrix used at 31 December 2018:

| <b>%</b>    | <b>AMER</b> | <b>APAC</b> | <b>EMEA</b> |
|-------------|-------------|-------------|-------------|
| Not Due     | 0.5%        | 0.1%        | 0.1%        |
| <30days     | 1.0%        | 0.1%        | 1.0%        |
| 30-60 days  | 5.0%        | 0.1%        | 3.0%        |
| 60-90 days  | 10.0%       | 10.0%       | 5.0%        |
| 90-120 days | 45.0%       | 25.0%       | 25.0%       |
| > 120 days  | 100.0%      | 40.0%       | 100.0%      |

## 32.4 Liquidity risk

The Group operates several legal entities in several countries. To address the liquidity risk, the Group applies cash pooling in most of the countries as far as foreign currency exchange policies of countries allow this. The Group also monitors with high frequency its cash-balances and cash forecasts. When required, additional debt or equity based money transfers between the Group's entities are implemented.

Floating-rate and fixed-rate borrowings and short-term monetary liabilities analyzed by maturity are summarized in the following table. The Group manages financial liabilities and related derivative contracts on the basis of the remaining contractual maturities of these instruments. Therefore the remaining maturities presented in the following table provide an appropriate understanding of the timing of the cash flows related to these instruments, and amounts are not expected to differ from those reported. Financial assets are not linked to financial liabilities in order to meet cash outflows on these liabilities.

The groups interest bearing loans and borrowing expire 31 December 2023. For the applicable interest rate please refer to note 29.

Contractual maturities of financial liabilities, including estimated interest and interest on Interest Rate Swaps.



| 31 December 2018  |                |               |               |               |                |              |                | Carrying       |
|---|----------------|---------------|---------------|---------------|----------------|--------------|----------------|----------------|
| USD (thousands)   | 1 Year         | 2 Years       | 3 Years       | 4 Years       | 5 Years        | > 5 Years    | Total          | amount         |
| Lease liabilities   | 3,530          | 2,174         | 1,961         | 1,542         | 699            | 3,122        | 13,028         | 13,028         |
| Interest bearing loans and borrowings                     | 13,141         | 6,500         | 6,500         | 6,500         | 222,625        | -            | 255,266        | 255,266        |
| Interest payable on interest bearing loans and borrowings | 17,240         | 16,785        | 16,329        | 15,874        | 11,607         | -            | 77,835         | -              |
| Contingent consideration                                  | 1,149          | -             | -             | -             | -              | -            | 1,149          | 1,149          |
| Trade and other payables (excl. contract liabilities)     | 78,892         | -             | -             | -             | -              | -            | 78,892         | 78,892         |
| <b>Total</b>  | <b>113,952</b> | <b>25,458</b> | <b>24,790</b> | <b>23,916</b> | <b>234,931</b> | <b>3,122</b> | <b>426,170</b> | <b>348,335</b> |

| 31 December 2017  |               |               |               |               |               |                |                | Carrying       |
|---|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| USD (thousands)   | 1 year        | 2 years       | 3 years       | 4 years       | 5 years       | > 5 years      | Total          | amount         |
| Lease liabilities   | 2,959         | 2,419         | 1,824         | 1,669         | 1,401         | 3,827          | 14,099         | 14,099         |
| Interest bearing loans and borrowings                     | 21,861        | 6,500         | 6,500         | 6,500         | 6,500         | 222,625        | 270,486        | 270,486        |
| Interest payable on interest bearing loans and borrowings | 18,482        | 18,007        | 17,531        | 17,056        | 16,580        | 12,123         | 99,780         | -              |
| Contingent consideration                                  | 1,274         | 1,149         | -             | -             | -             | -              | 2,424          | 2,424          |
| Trade and other payables (excl. contract liabilities)     | 54,177        | -             | -             | -             | -             | -              | 54,177         | 54,177         |
| <b>Total</b>  | <b>98,753</b> | <b>28,075</b> | <b>25,855</b> | <b>25,225</b> | <b>24,681</b> | <b>238,576</b> | <b>440,965</b> | <b>341,185</b> |

| 31 December 2016  |               |               |               |               |               |                |                | Carrying       |
|---|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| USD (thousands)   | 1 year        | 2 years       | 3 years       | 4 years       | 5 years       | > 5 years      | Total          | amount         |
| Lease liabilities   | 2,736         | 2,461         | 2,491         | 1,285         | 1,147         | 999            | 11,120         | 11,120         |
| Interest bearing loans and borrowings                     | 9,158         | 6,000         | 8,000         | 10,000        | 11,000        | 202,000        | 246,158        | 246,158        |
| Interest payable on interest bearing loans and borrowings | 13,825        | 13,600        | 13,250        | 12,800        | 12,275        | 20,250         | 86,000         | -              |
| Trade and other payables (excl. contract liabilities)     | 42,193        | -             | -             | -             | -             | -              | 42,193         | 42,193         |
| <b>Total</b>  | <b>67,911</b> | <b>22,061</b> | <b>23,741</b> | <b>24,085</b> | <b>24,422</b> | <b>223,250</b> | <b>385,470</b> | <b>299,471</b> |

Interest is calculated based on interest rates at the end of the relevant year.

## 32.5 Derivatives - not used in hedge accounting

To hedge interest rate cash flow risk on the interest bearing liabilities, the Group uses an Interest Rate Swap to convert parts of the interest bearing liabilities from a variable interest rate to a fixed interest. The contract was entered into in March 2017, and has term to 30 September 2020. After a refinancing in 2017, the Interest Rate Swap covers approximately 90% of the bank borrowings.

The principle amount of the interest rate swap is USD 230 million. The cash flows are that Navico pays LIBOR 1 month variable rate and receives a fixed rate of 1 %.

The fair values of this contracts is as follows:

| USD (thousands)          | Carrying amount, 31 December 2018 |             | Net   |
|--------------------------|-----------------------------------|-------------|-------|
|                          | Asset                             | Liabilities |       |
| Interest Rate Swap (IRS) | 4,908                             | -           | 4,908 |

The increase of the currency swaps/forward contracts from USD 3.6 million at 31 December 2016 to USD 4.7 million at 31 December 2017, and to USD 4.9 million at 31 December 2018 mainly relates to the increase in fair value of the Interest Rate Swap which has increased due to an increase in the LIBOR.

The Group uses flexible forward contracts to hedge part of the exposure to fluctuations in foreign exchange rates. At year-end 2018 and 2017, the Group had no open positions, but hedged the expected 2017 cash flows in foreign currencies early 2017.

During 2017, the Group reported net change in derivatives as a financial income of USD 2,725 thousand (2017: finance income of USD 547 thousand), see note 14.

## 32.6 Capital management

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the limited financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the periods presented in these consolidated financial statements.



The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group primarily monitors capital using a leverage ratio, which is net debt to EBITDA. The Group's policy is to decrease the leverage ratio considerably, by improving the operating result.

### 33. Related party transactions

Altor and Goldman Sachs Merchant Banking Division as majority shareholders are qualified as related parties, as well as C-MAP Group (prior to the merger at 30th June 2018, the company was owned by the majority shareholders and was a company under common control with Navico Group AS). In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions and outstanding balances with this related party during the year and at the end of the reporting period:

#### Related party transactions

| USD (thousands)                                    | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|--|--------------------------|--------------------------------|---------------------------------|---------------------------------|
| <i>A company owned by the majority shareholder</i> |                          |                                |                                 |                                 |
| C-MAP Group AS                                     |                          |                                |                                 |                                 |
| 2018*  | 729                      | 3.093                          | -                               | -                               |
| 2017   | 1.747                    | 409                            | 1.128                           | 389                             |
| 2016   | -                        | 712                            | 291                             | 159                             |

| USD (thousands)                                    | Interest received | Amounts owed by related parties |
|--|-------------------|---------------------------------|
| <i>A company owned by the majority shareholder</i> |                   |                                 |
| C-MAP Group AS                                     |                   |                                 |
| 2018*  | 518               | -                               |
| 2017   | 187               | 8.388                           |
| 2016   | -                 | -                               |

\* Sales to and purchases for C-MAP Group in 2018 are presented for the first six months of the year as C-MAP Group merged with Navico Group at 30th June 2018 (note 7). Therefore, there are no outstanding balances with C-MAP Group AS at 31 December 2018.

The Group enters into limited transactions with related parties (see table above) and when it does enter in such transactions these are always done following the at arm's length principle. The main transactions with C-MAP group included purchase of cartography products by Navico, making promotion campaigns for C-MAP.

Furthermore, in 2017 the Group sold US inland lakes database to a C-MAP Group for USD 2.4 million at arm's length basis. Price was estimated based on the future cash flows to be generated by the database.

Since September 2016, Marine Innovations Group AS owns C-MAP Group and Navico Group. There were no transactions with the Marine Innovations Group AS during the reporting period.

#### Outstanding balances with related parties

The outstanding balances with related parties (as specified above) relate to sister-company of Navico Group AS and follows the at arm's length principle.

### 34. Workforce

The total number of employees at year end of the Group, converted into full time equivalents, amounted to 1,931 employees (2017 - 1,655 employees).



## 35. Remuneration of key management

The Board determines all aspects of the remuneration of the Chief Executive Officer. The remuneration of the Chief Executive Officer consists of the following main elements:

- Basic salary
- Variable pay based on an annual performance-related compensation system
- Pension and insurance schemes

and is disclosed in the table below.

| USD (thousands)         | 2018       | 2017         | 6 June -<br>31 December 2016 |
|-------------------------|------------|--------------|------------------------------|
| Base salary             | 576        | 539          | 131                          |
| Bonus earned            | 66         | 587          | -                            |
| Pension benefits        | 23         | 22           | 4                            |
| <b>Group management</b> | <b>665</b> | <b>1.147</b> | <b>135</b>                   |

All amounts are exclusive of social security tax. Compensation in foreign currencies has been translated to USD at average exchange rates for the relevant years. All amounts include payments and benefits from Navico Group AS and subsidiaries to the Chief Executive Officer.

Base salary in the tables above represents the amounts, including holiday pay that has been paid in the year. Fixed base salary is normally adjusted at 1st of April every year.

The bonuses are annual performance bonuses for 2018, 2017 and 6 June – 31 December 2016, and retention bonuses paid during 2017. The amounts in the tables above represent the bonuses earned during the fiscal year, and are normally paid and reported as taxable income for the employee in the subsequent year.

The amounts in the tables for pension benefits include the expense (premiums) for the year for defined contribution plan.

The Chief Executive Officer is eligible to an annual bonus up to 50% of his annual salary. The bonus is linked to the Group's performance. In case of termination of employment from the company, the Chief Executive Officer is entitled to a severance pay equal to the monthly salary of 6 months.

## 36. Events after the balance sheet date

### Acquisition of GeoMind LLC

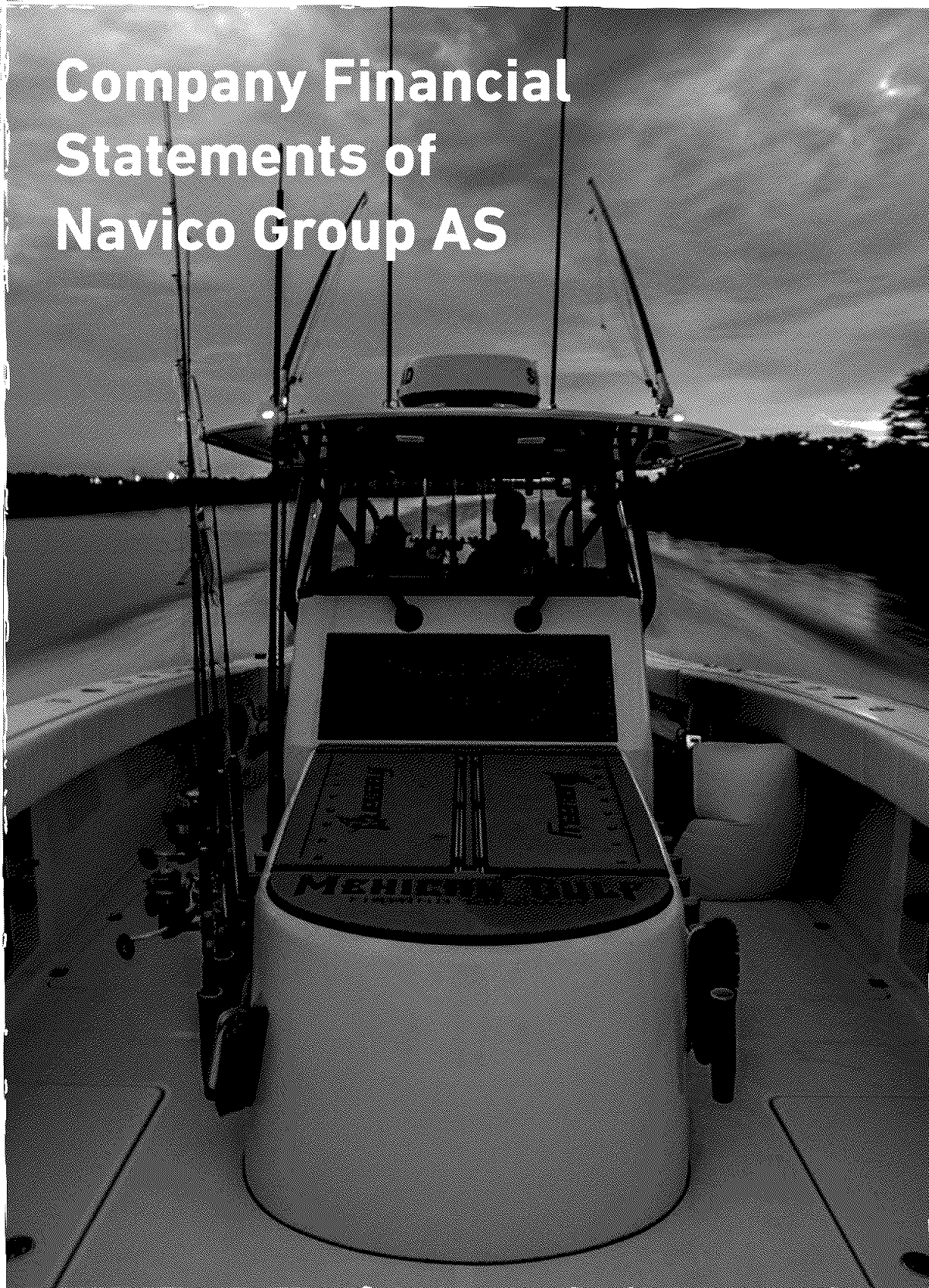
On 11 April 2019 C-MAP Italy acquired 100% of the issued shares in GeoMind LLC, a designer and developer of new technologies and software products for GIS-based applications, with a particular specialization in the field of 3D visualization, for consideration of USD 2.0m.

The acquisition and successful integration of GeoMind's technologies is expected to further contribute to Navico's growing portfolio of online digital and mobile platforms and marine navigation services.

The financial effects of this transaction have not been recognised at 31 December 2018. The operating results and assets and liabilities of the acquired company will be consolidated from 11 April 2019.



# Company Financial Statements of Navico Group AS





## Company Balance Sheet

| <i>USD (thousands)</i>                             | <i>Notes</i> | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> |
|--|--------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Assets</b>                                      |              |                             |                             |                             |
| Intangible assets                                  |              | -                           | -                           | -                           |
| Property, plant and equipment                      |              | -                           | -                           | -                           |
| Financial fixed assets                             | 1            | 272.080                     | 246.080                     | 242.580                     |
| Deferred tax assets                                |              | -                           | -                           | -                           |
| <b>Total non-current assets</b>                    |              | <b>272.080</b>              | <b>246.080</b>              | <b>242.580</b>              |
| Inventories  |              | -                           | -                           | -                           |
| Trade and other receivables                        |              | 6.199                       | 15.300                      | 3.500                       |
| Cash and cash equivalents                          |              | -                           | -                           | 559                         |
| <b>Total current assets</b>                        |              | <b>6.199</b>                | <b>15.300</b>               | <b>4.059</b>                |
| <b>Total assets</b>                                |              | <b>278.279</b>              | <b>261.380</b>              | <b>246.639</b>              |
| Total equity attributable to owners of the Company |              | 271.621                     | 245.988                     | 242.979                     |
| Non-controlling interests                          |              | -                           | -                           | -                           |
| <b>Total equity</b>                                | 2            | <b>271.621</b>              | <b>245.988</b>              | <b>242.979</b>              |
| <b>Liabilities</b>                                 |              |                             |                             |                             |
| Interest-bearing loans and borrowings              |              | -                           | -                           | 3.500                       |
| Other non-current liabilities                      |              | -                           | -                           | -                           |
| Deferred income tax liabilities                    |              | -                           | -                           | -                           |
| <b>Total non-current liabilities</b>               |              | <b>-</b>                    | <b>-</b>                    | <b>3.500</b>                |
| Bank overdraft                                     |              | 6.641                       | 15.361                      | -                           |
| Trade and other payables                           |              | 17                          | 31                          | 160                         |
| Provisions   |              | -                           | -                           | -                           |
| Current income tax liabilities                     |              | -                           | -                           | -                           |
| <b>Total current liabilities</b>                   |              | <b>6.658</b>                | <b>15.391</b>               | <b>160</b>                  |
| <b>Total liabilities</b>                           |              | <b>6.658</b>                | <b>15.391</b>               | <b>3.660</b>                |
| <b>Total equity and liabilities</b>                |              | <b>278.279</b>              | <b>261.380</b>              | <b>246.639</b>              |

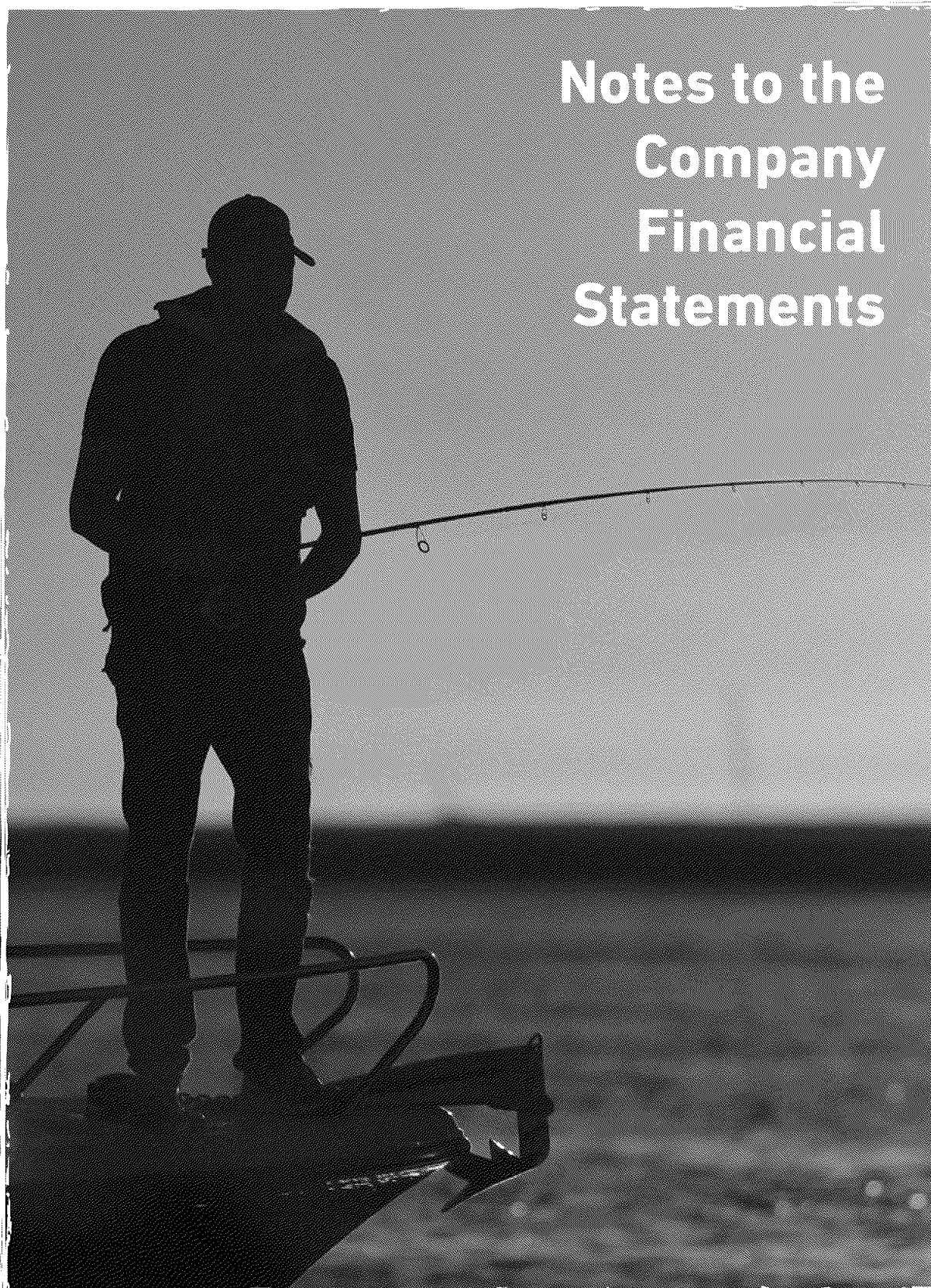
## Company Statement of Income

| <i>USD (thousands)</i>                    | <i>Notes</i> | <b>2017</b>  | <b>2017</b>  | <b>6 June - 31<br/>Dec 2016</b> |
|---|--------------|--------------|--------------|---------------------------------|
| Revenue                                   |              | -            | -            | -                               |
| Cost of sales                             |              | -            | -            | -                               |
| <b>Gross profit</b>                       |              | <b>-</b>     | <b>-</b>     | <b>-</b>                        |
| Other operating expenses                  |              | -            | -            | -                               |
| Employee benefit expenses                 |              | -            | -            | -                               |
| Depreciation, amortization and impairment |              | -            | -            | -                               |
| Separately disclosed items                | 3            | -            | (54)         | (12.496)                        |
| <b>Results from operating activities</b>  |              | <b>-</b>     | <b>(54)</b>  | <b>(12.496)</b>                 |
| Finance income                            |              | (0)          | 0            | 3                               |
| Finance expense                           |              | (353)        | (437)        | (28)                            |
| <b>Net finance costs</b>                  |              | <b>(353)</b> | <b>(437)</b> | <b>(25)</b>                     |
| <b>Profit / (loss) before tax</b>         |              | <b>(353)</b> | <b>(491)</b> | <b>(12.521)</b>                 |
| Income tax benefit / (expense)            | 4            | (1)          | -            | -                               |
| <b>Profit / (loss) for the year</b>       |              | <b>(354)</b> | <b>(491)</b> | <b>(12.521)</b>                 |



## Company Cash Flow Statement

| <i>USD (thousands)</i>  | <b>2018</b>    | <b>2017</b>     | <b>6 June - 31<br/>Dec 2016</b> |
|---|----------------|-----------------|---------------------------------|
| <b>Cash flows from operating activities</b>                   |                |                 |                                 |
| Profit / (loss) for the year before tax                       | (354)          | (491)           | (12.521)                        |
| <b>Adjustments for:</b>                                       |                |                 |                                 |
| Decrease / (increase) in trade and other receivables          | 9.101          | (15.300)        | (3.500)                         |
| (Decrease) / increase in payables                             | (27)           | (129)           | 3.660                           |
| Decrease / (Increase) in other non current assets             |                |                 |                                 |
| <b>Changes in working capital:</b>                            | <b>9.074</b>   | <b>(15.430)</b> | <b>160</b>                      |
| <b>Net cash from (used in) operating activities</b>           | <b>8.720</b>   | <b>(15.920)</b> | <b>(12.361)</b>                 |
| <b>Cash flows from investing activities</b>                   |                |                 |                                 |
| Acquisition of a subsidiary, net of cash acquired             |                | -               | (242.580)                       |
| <b>Net cash used in investing activities</b>                  | <b>-</b>       | <b>-</b>        | <b>(242.580)</b>                |
| <b>Cash flows from financing activities</b>                   |                |                 |                                 |
| Proceeds from issue of shares                                 |                | 3.500           | 255.500                         |
| (Decrease) / increase bank overdraft                          | (8.720)        | 15.361          | -                               |
| (Decrease) / increase in other non current liabilities        |                | (3.500)         |                                 |
| <b>Net cash from financing activities</b>                     | <b>(8.720)</b> | <b>15.361</b>   | <b>255.500</b>                  |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | <b>-</b>       | <b>(559)</b>    | <b>559</b>                      |
| Cash and cash equivalents at 1 January                        | (0)            | 559             | -                               |
| <b>Cash and cash equivalents at 31 December</b>               | <b>(0)</b>     | <b>(0)</b>      | <b>559</b>                      |



# Notes to the Company Financial Statements



## Basis of preparation

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

## Parent Company

Navico Group AS is the parent company of the Group and holds the following subsidiaries (directly or indirectly):

| Company<br><i>(amounts in thousands)</i>     | Place of operation        | Country of incorporation | Currency | Nominal value of issued share capital | Percentage of equity attributable to the company |      |      |
|--|---------------------------|--------------------------|----------|---------------------------------------|--|------|------|
|  |                           |                          |          |                                       | 2018   | 2017 | 2016 |
| Navico SA, France                            | Treillieres, France       | France                   | EUR      | 59                                    | 100%   | 100% | 100% |
| Navico UK Ltd                                | Romsey, England           | United Kingdom           | GBP      | 1,227                                 | 100%   | 100% | 100% |
| Navico Logistics Europe BV                   | Dordrecht, Netherlands    | Netherlands              | EUR      | 18                                    | 100%   | 100% | 100% |
| Navico GmbH                                  | Schleswig, Germany        | Germany                  | EUR      | 100                                   | 100%   | 100% | 100% |
| Navico Italia SRL                            | Milano, Italy             | Italy                    | EUR      | 15                                    | 100%   | 100% | 100% |
| Navico Marine Electronics S.L                | Alicante, Spain           | Spain                    | EUR      | 159                                   | 100%   | 100% | 100% |
| Navico Inc.                                  | Tulsa, Oklahoma, USA      | USA                      | USD      | 78,363                                | 100%   | 100% | 100% |
| Electronica Lowrance de Mexico, S.A. de C.V. | Ensenada, Mexico          | Mexico                   | MXN      | 60,000                                | 100%   | 100% | 100% |
| Navico Auckland Ltd                          | Auckland, New Zealand     | New Zealand              | NZD      | 35,000                                | 100%   | 100% | 100% |
| Navico Shanghai Trading Company LTD          | Shanghai, China           | China                    | CNY      | 4,057                                 | 100%   | 100% | 100% |
| Navico Australia PTY Ltd                     | Sydney, Australia         | Australia                | AUD      | 4,081                                 | 100%   | 100% | 100% |
| Navico (Suzhou) Trading Company LTD          | Suzhou, China             | China                    | CNY      | 12,906                                | 100%   | 100% | 100% |
| Navico Sweden AB                             | Goteborg, Sweden          | Sweden                   | SEK      | 500                                   | 100%   | 100% | 100% |
| Navico RBU Italia SRL                        | Milano, Italy             | Italy                    | EUR      | 10                                    | 100%   | 100% | 100% |
| Nav Marine Electronics Oy                    | Finland                   | Finland                  | EUR      | 3                                     | 100%   | 100% | 100% |
| Contour Innovations LLP                      | Minneapolis, USA          | USA                      | USD      | -                                     | 100%   | 100% | 100% |
| Navico Marine Singapore Pte. Ltd.            | Singapore                 | Singapore                | SGD      | 101                                   | 100%   | 100% | 100% |
| Maritime Information Systems AS              | Tonsberg, Norway          | Norway                   | NOK      | 1,536                                 | 100%   | 100% | 100% |
| Navico Rus Ltd.                              | St. Petersburg, Russia    | Russia                   | RUB      | 10                                    | 100%   | 100% | 100% |
| Nanna U.S. BidCo, LLC                        | Tulsa, Oklahoma, USA      | USA                      | USD      | -                                     | 100%   | 100% | 100% |
| Navico Holding AS                            | Egersund, Norway          | Norway                   | NOK      | 203,608                               | 100%   | 100% | 100% |
| Navtop SRL                                   | Forli, Italy              | Italy                    | EUR      | 100                                   | 100%   | 100% | -    |
| Yacht Defined AB                             | Stockholm, Sweden         | Sweden                   | SEK      | 50                                    | 100%   | 100% | -    |
| Navico Sweden II AB                          | Goteborg, Sweden          | Sweden                   | SEK      | 200                                   | 49%  | 49%  | -    |
| HOC Yachts AB                                | Stockholm, Sweden         | Sweden                   | SEK      | 50                                    | 49%  | 49%  | -    |
| Navico Canada Inc.                           | Edmonton, Alberta, Canada | Canada                   | CAD      | -                                     | 100%   | 100% | 100% |
| Brookes & Gatehouse Ltd                      | Hampshire, United Kingdom | United Kingdom           | GBP      | -                                     | 100%   | 100% | 100% |
| Digital Marine Solutions Holding AS          | Egersund, Norway          | Norway                   | NOK      | 33                                    | 100%   | -    | -    |
| Navico Norway AS                             | Egersund, Norway          | Norway                   | NOK      | 200                                   | 100%   | -    | -    |
| C-MAP India Private Limited                  | Maharashtra, India        | India                    | INR      | 2,500                                 | 100%   | -    | -    |
| C-MAP Hellas MEPE                            | Attica, Greece            | Greece                   | EUR      | 25                                    | 100%   | -    | -    |
| C-MAP Japan K.K.                             | Tokyo, Japan              | Japan                    | JPY      | 10,000                                | 100%   | -    | -    |
| Cruise LLC                                   | St. Petersburg, Russia    | Russia                   | RUB      | 15                                    | 100%   | -    | -    |
| C-MAP Italy Srl                              | Massa, Italy              | Italy                    | EUR      | 234                                   | 100%   | -    | -    |
| C-MAP Poland SP. z o.o.                      | Gdansk, Poland            | Poland                   | PLN      | 5                                     | 100%   | -    | -    |
| DMS Assurance LLC                            | Delaware, Jersey, USA     | USA                      | USD      | -                                     | 100%   | -    | -    |

1. Digital Marine Solutions Holding AS was merged into Navico Holding AS effective as of 7 January 2019.

2. Maritime Information Systems AS will be merged into Navico Norway AS during 2019.

## 1. Financial fixed Assets

The financial fixed assets can be specified as follows:

| USD (thousands)      | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|----------------------|------------------|------------------|------------------|
| Investment in shares | 272,080          | 246,080          | 242,580          |
| <b>Total</b>         | <b>272,080</b>   | <b>246,080</b>   | <b>242,580</b>   |

The investment in shares is related to the following acquisitions:

- Navico Holding AS, amounting USD 237,492 thousand (2017: USD 237,492 thousand and at 31 December 2016 – USD 233,992 thousand)
- Digital Marine Solutions Holding AS, amounting USD 26,000 thousand (2017 and 2016 was zero).
- Nanna US Bidco LLC, amounting USD 8,588 thousand (2017: USD 8,588 thousand and at 31 December 2016 – USD 8,588 thousand).



## 2. Shareholders' equity

| <i>USD (thousands)</i>                           | <b>Issued capital</b> | <b>Share premium</b> | <b>Retained earnings</b> | <b>Total</b>   |
|--|-----------------------|----------------------|--------------------------|----------------|
| <b>Balance at 6 June 2016</b>                    | -                     | -                    | -                        | -              |
| Issue of share capital and premium               | 318                   | 255,182              | -                        | 255,500        |
| Exchange difference on capital and share premium | (22)                  | -                    | 22                       | -              |
| Result of the year                               | -                     | -                    | (12,521)                 | (12,521)       |
| <b>Balance at 31 December 2016</b>               | <b>296</b>            | <b>255,182</b>       | <b>(12,499)</b>          | <b>242,979</b> |
| Capital contribution from shareholders           | 299                   | 3,201                | -                        | 3,500          |
| <b>Total comprehensive income for the year</b>   |                       |                      |                          |                |
| Profit / (loss) for the year                     | -                     | -                    | (491)                    | (491)          |
| <b>Balance at 31 December 2017</b>               | <b>595</b>            | <b>258,383</b>       | <b>(12,990)</b>          | <b>245,988</b> |
| Capital contribution from shareholders           | 311                   | 25,689               | -                        | 26,000         |
| Exchange difference on capital and share premium |                       |                      |                          | -              |
| <b>Total comprehensive income for the year</b>   |                       |                      |                          |                |
| Profit / (loss) for the year                     | -                     | -                    | (354)                    | (354)          |
| Corrections of previous periods                  |                       |                      | (14)                     | (14)           |
| <b>Balance at 31 December 2018</b>               | <b>906</b>            | <b>284,072</b>       | <b>(13,357)</b>          | <b>271,621</b> |

The authorised capital of the Group amounts to NOK 7,665 thousand (USD 914 thousand) and comprises 255,500 thousand ordinary shares of NOK 0.03 each. Further information regarding shareholder's equity is to be found in note 25 to the consolidated financial statements.

At 30 June 2018, the transfer of the C-MAP group into Navico Group by way of a contribution in kind took place. The merger was made in three steps:

1. The shareholders of CM TopCo (MIG AS and C-MAP MFN), transferred the shares in CM TopCo to Nanna MidCo I by way of a contribution in kind in exchange for share capital and premium.
2. Nanna MidCo I transferred the shares in CM TopCo to Nanna MidCo II by way of a contribution in kind in exchange for share capital and premium.
3. Nanna MidCo II transferred the shares in CM TopCo to Navico Group AS by way of a contribution in kind in exchange for share capital and premium.

During step 3, the share capital of Navico Group AS was increased by NOK 2,555,000 by increasing the nominal value of the Company's shares by NOK 0.01 from NOK 0.02 to NOK 0.03.

In connection with the share capital increase, a contribution of USD 0.1017612524 per share, of which NOK 0.01 per share constitutes share capital, was made to the Company by its shareholder Nanna MidCo II AS. No new shares were issued in connection with the share capital increase.

Settlement of the contribution was made by the transfer of 18,200,000 preference shares and 7,800,000 ordinary shares in CM TopCo AS to the Navico Group AS. The effect on equity is reflected in the table above.

## 3. Separately disclosed items

Separately disclosed items mainly relate to one off legal fees and to transaction fees due to the acquisition of the Navico activities in 2016.



## 4. Income tax

| <i>USD (thousands)</i>                           | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>Result before tax</b>                         | <b>(353)</b>                | <b>(491)</b>                | <b>(12,521)</b>             |
| Income tax 23% (2017 - 24%, 2016 - 25%)          | 81                          | 118                         | 3,130                       |
| <b>Corrected for tax adjustments of:</b>         |                             |                             |                             |
| Change in non-recognition of deferred tax assets | (82)                        | (118)                       | (3,130)                     |
| Other  | -                           | -                           | -                           |
| <b>Total income tax (expense) / credit</b>       | <b>(1)</b>                  | <b>-</b>                    | <b>0</b>                    |

| <b>Deferred tax assets/(liabilities)</b>         | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> | <b>31 December<br/>2016</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <i>USD (thousands)</i>                           |                             |                             |                             |
| Intangible assets                                | -                           | -                           | -                           |
| Property, plant and equipment                    | -                           | -                           | -                           |
| Inventories                                      | -                           | -                           | -                           |
| Receivables                                      | -                           | -                           | -                           |
| Current provisions                               | -                           | -                           | -                           |
| Other current liabilities                        | -                           | -                           | -                           |
| <b>Total</b>                                     | <b>-</b>                    | <b>-</b>                    | <b>-</b>                    |
| Tax loss carry forward                           | 807                         | 3,248                       | 3,130                       |
| Not recognised                                   | (807)                       | (3,248)                     | (3,130)                     |
| <b>Net deferred tax assets and (liabilities)</b> | <b>-</b>                    | <b>-</b>                    | <b>-</b>                    |

## 5. Workforce

At 31 December 2018, the company did not employ any employees (31 December 2017 and 2016: zero employees were employed).



### 38. Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the board of directors of the Company.

Egersund, 30 April 2019

Board of Directors

Mr. Hugo Maurstad - Chairman

Mrs. Malou Aamund

Mr. Michael Bruun

Ms. Live Haukvik

Mr. Karl-Thomas Neumann

Mr. David Hess

Mr. Martin Hintze

President & CEO

Mr. Leif Ottosson



## Independent Auditor's Report

To the Annual Shareholders' Meeting of Navico Group AS

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Navico Group AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2018, the income statement, statements of comprehensive income, cash flows and changes in equity 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 financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of 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 consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

#### *Other information*

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. 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 management for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company 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 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 the 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 law, regulations and generally accepted auditing principles 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, 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 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

#### **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 concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

##### *Opinion on registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

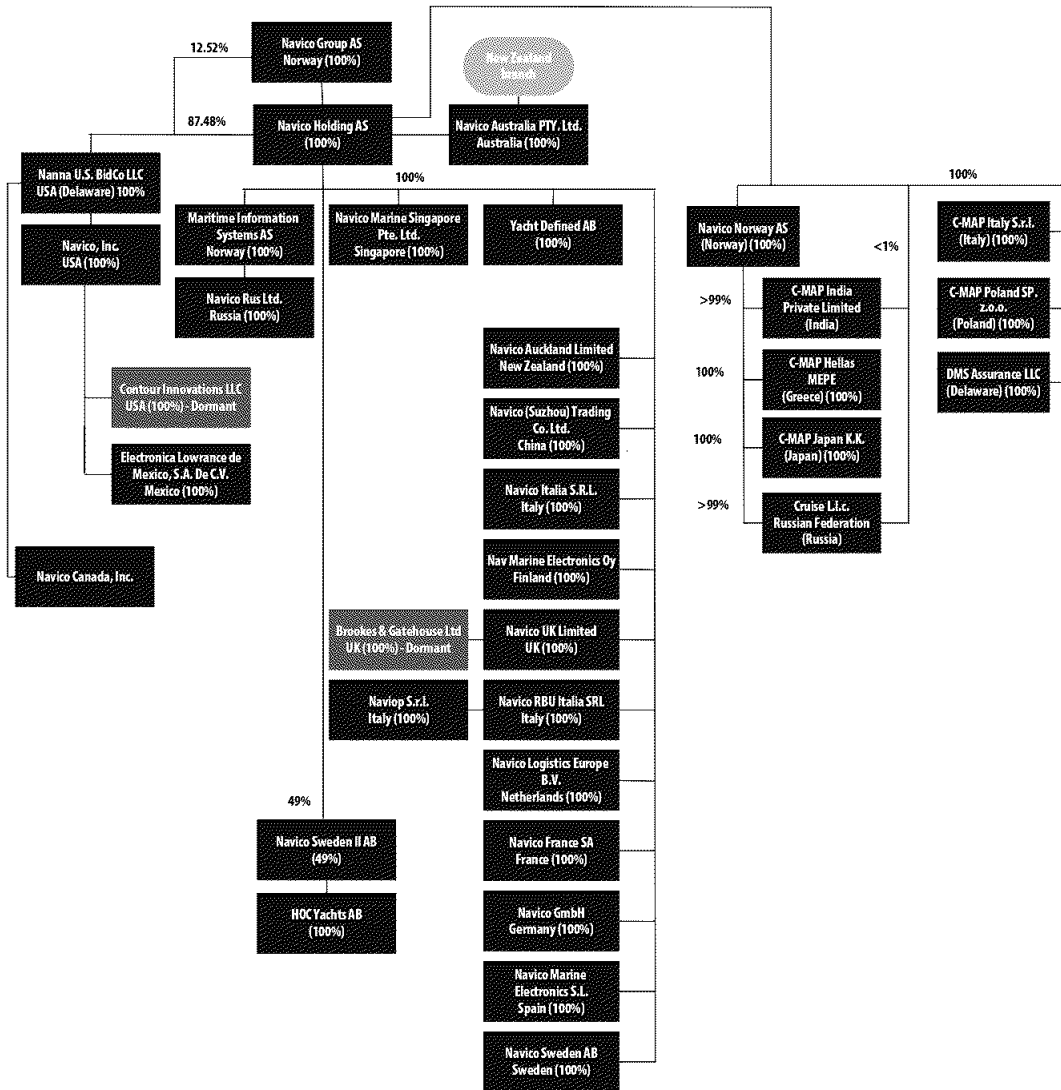
Stavanger, 30 April 2019  
ERNST & YOUNG AS

Erik Søren  
State Authorised Public Accountant (Norway).





# Company Structure







## Company Information

### Americas

#### Navico Inc. (USA)

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Ste. 200 Tulsa, OK 74134  
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10 Al Paul Lane,  
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Tel: +1 603-324-2042

#### Electronica Lowrance de Mexico, S.A. de C.V.

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Ensenada, B.C. 22839  
Mexico  
Tel: +52 (646) 175-1100

### Asia Pacific

#### Navico Australia Pty. Ltd

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PO Box 4121  
NSW 1595  
Australia  
Tel: +61 2 9936 1000

#### Navico Auckland Ltd

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PO Box 331, 146 Takapuna  
Auckland 0740  
New Zealand  
Tel: +64 9 925 4500

#### Navico Marine Singapore Pte. Ltd

52 Telok Blangah Road  
#01-06 Telok Blangah House  
Singapore 098829  
Tel +65 62762472

#### Navico Shanghai Trading Company Ltd

Building E1, No. 8 Qiming Road,  
IFTZ East District,  
No. 288 Shengpu Road,  
Suzhou Industrial Park,  
JianSu Province, China  
Tel: +86 512 87778880

#### Navico (Suzhou) Trading Company Ltd

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No. 288 Shengpu Road,  
Suzhou Industrial Park,  
JianSu Province, China  
Tel: +86 512 87778880

### Europe, Middle East and Africa

#### Navico Group AS

Nyåskaiveien 2  
4370 Egersund  
Norway  
Tel: +47 480 531 22

#### Navico Holding AS

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4370 Egersund  
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Tel: +47 480 531 22

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Montespertoli (FI) 50025  
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Tel: +39 0571 681 21

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Russia

Tel: +7 812 309 26 18

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Tel: +39 0543 724980

#### C-MAP Italy S.R.L.

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54100, Massa,  
Italy

#### Cruise LLC

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Tel: +7 812 327-98-94



[www.navico.com](http://www.navico.com)

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Ernst & Young AS

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Medlemmer av Den norske revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Navico Group AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Navico Group AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2018, the income statement, statements of comprehensive income, cash flows and changes in equity 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 financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of 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 consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

#### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. 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.



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## Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company 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 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 the 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 law, regulations and generally accepted auditing principles 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, 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 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Independent auditor's report - Navico Group AS

- A member firm of Ernst & Young Global Limited



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## 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 concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Stavanger, 30 April 2019  
ERNST & YOUNG AS

Erik Søreng  
State Authorised Public Accountant (Norway)



**Skattedirektoratet**

|                            |                 |               |
|----------------------------|-----------------|---------------|
| Saksbehandler              | Deres dato      | Vår dato      |
| Jeanette Munkvold Skovholt | 16.01.2017      | 25.01.2017    |
| Telefon                    | Deres referanse | Vår referanse |
| 90076012                   | Wouter Boor     | 2017/59810    |

NANNA TOPCO AS  
Nyåskaiveien 2  
4374 EGRSUND

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Nanna TopCo AS, org.nr. 917 327 173, med datterselskaper

Vi viser til deres brev av 9. januar 2017 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Nanna TopCo AS med datterselskaper;

|                                 |                     |
|---------------------------------|---------------------|
| Nanna TopCo AS,                 | org.nr. 917 327 173 |
| Nanna MidCo I AS,               | org.nr. 917 327 106 |
| Nanna MidCo II AS,              | org.nr. 917 327 181 |
| Nanna BidCo AS,                 | org.nr. 917 327 122 |
| Navico Holding AS,              | org.nr. 917 404 208 |
| Nanna MFN AS,                   | org.nr. 917 508 887 |
| Maritime Information System AS, | org.nr. 977 524 547 |

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Nanna TopCo AS med datterselskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

### Bakgrunn

Nanna TopCo AS med datterselskaper tilbyr tjenester innen maritim elektronikk. Konsernets arbeidsspråk er engelsk. Konsernet opererer i sektorer, der engelsk er det klart dominerende språket. Morselskapets aksjonærer er utenlandske personer eller selskaper, og morselskapet henvender seg jevnlig til potensielle investorer som er basert i utlandet. All kommunikasjon med konsernets primære kunder og kreditorer foregår på engelsk.

### Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om

|                        |  |             |
|------------------------|--|-------------|
| Postadresse            | Besøksadresse:   | Sentralbord |
| Postboks 9200 Grønland | Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>                  | 800 80 000  |
| 0134 Oslo              | Org.nr: 996250318  | Telefaks    |
|                        | E-post: <a href="mailto:skatteetaten.no/sendepost">skatteetaten.no/sendepost</a> | 22 17 08 60 |



regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at morselskapet er eid delvis av utenlandske aksjonærer. Selskapet opererer i en internasjonal bransje, og arbeidsspråket i bransjen er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad  
*seniorrådgiver*  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Jeanette Munkvold Skovholt

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*



### Navico Group AS

Org. nr. 917327122

#### Konsern

#### Kontantstrømoppstilling

2018

##### Kontantstrømmer fra operasjonelle aktiviteter

|   |               |
|---|---------------|
| Resultat før skattekostnad                              | 18 797        |
| Periodens betalte skatter                               | 2 896         |
| Ordinære avskrivninger                                  | 47 814        |
| Endring i varelager                                     | -5 114        |
| Endring i kundefordringer                               | 5 582         |
| Endring i leverandørgjeld                               | 6 225         |
| Effekt av valutakursendringer                           | -3 691        |
| Endring i andre tidsavgrensingsposter                   | 13 513        |
| <b>Netto kontantstrøm fra operasjonelle aktiviteter</b> | <b>80 230</b> |

##### Kontantstrømmer fra investeringsaktiviteter

|   |                |
|---|----------------|
| Utbetalinger ved kjøp av varige driftsmidler                | 34 391         |
| Innbetalinger ved salg av aksjer og andeler i andre foretak | 3 298          |
| <b>Netto kontantstrøm fra investeringsaktiviteter</b>       | <b>-31 093</b> |

##### Kontantstrømmer fra finansieringsaktiviteter

|  |                |
|--|----------------|
| Utbetalinger ved nedbetaling av langsiktig gjeld       | 6 500          |
| Utbetalinger ved nedbetaling av kortsiktig gjeld       | 7 751          |
| Netto endring i kassekreditt                           | -8 720         |
| Utbetalinger av renter                                 | 16 943         |
| <b>Netto kontantstrøm fra finansieringsaktiviteter</b> | <b>-39 914</b> |

Netto endring i kontanter og kontantekvivalenter 9 223

**Beholdning av kontanter og kontantekvivalenter 1.1 5 845**

**Beholdning av kontanter og kontantekvivalenter 31.12 15 068**

##### Tilleggsopplysninger

Kontanter og kontantekvivalenter består av kontanter, bank og postgiro.



## Navico Group AS

Org. nr. 917327122

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### **Kontantstrømoppstilling** **2018**

#### **Kontantstrømmer fra operasjonelle aktiviteter**

|   |              |
|---|--------------|
| Resultat før skattekostnad                              | -354         |
| Endring i kundefordringer                               | 9 101        |
| Endring i leverandørgjeld                               | -27          |
| <b>Netto kontantstrøm fra operasjonelle aktiviteter</b> | <b>8 720</b> |

#### **Kontantstrømmer fra finansieringsaktiviteter**

|  |               |
|--|---------------|
| Utbetalinger ved nedbetaling av kortsiktig gjeld       | 8 720         |
| <b>Netto kontantstrøm fra finansieringsaktiviteter</b> | <b>-8 720</b> |

#### **Tilleggsopplysninger**

Konter og kontantekvivalenter består av konter, bank og postgiro.