ANNUAL REPORT

2019

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EXECUTIVE SUMMARY FOR 2019

REVENUE

NOK 1 866.5 million
(1 488.0 in 2018), a growth of 25%

EBITA

NOK 216.2 million
(142.8 in 2018), EBITA margin of 11.6% (9.6% in 2018)

CASHFLOW

NOK 203.2 million
(63.4 in 2018)

1385 TONS

CARBON EMISSIONS

1412

EMPLOYEES
(1007 in 2018), including subcontractors

12.3%

TURNOVER
(9,2% in 2018),

2.5%

SICK LEAVE

DIVERSITY

21%	28%	34	39
WOMEN (17% in 2018)	WOMEN IN MANAGEMENT (17% in 2018)	NATIONALITIES	AVERAGE AGE

“ I am very proud to be part of an organisation of high performers – together we have successfully created a culture and a company that always strives for improvements and better results.

CEO LETTER

For more than thirty years Data Respons has taken part in the sweeping technological development of our society. It has been an amazing journey so far and the company is now recognised as a business-critical technology partner for IoT, industrial digitalisation (SW) and high-end embedded solutions.

Profitable growth – a part of the company DNA

As we look back on 2019, we are concluding another record year for Data Respons. We have achieved an impressive 17% annual growth over the last 19 years and, at the same time, improved our margins to best in class.

Data Respons is truly a tech and customer driven company, based on a people-centric culture. We strongly believe in a decentralised and dynamic group structure with empowered local management and employees. Mix this with a clear strategy, good local execution, a constant eye on capital allocation, parallel processes to improve our offerings and being a great place to work for our specialist teams– then you have our recipe for success.

A growing family of high performers

Data Respons is well positioned in the underlying megatrends of industrial digitalisation (software acceleration), connectivity (IoT) and automation, which has contributed to a record performance the last years. Although still at an early stage, new and more capable technologies (e.g. 5G, IoT and AI) continue to create new opportunities across all industries.

The company has a highly diversified customer portfolio and signed several major contracts in industries such as the Mobility sector, Telecom & Media, MedTech, Security, Space & Defence, Energy & Maritime, Finance & Public and Industrial Automation. The company has also experienced a growing demand across the different verticals for sustainability-orientated technology projects.

During 2019 we successfully added two more companies to the group, DONAT in Germany and inContext in Sweden. Both are leading players in their niche and represent an important contribution to our offerings. Identifying strong candidates with excellent performance, fantastic engineers and a people-based culture is an important part of our business model – we call it "organic M&A". As we have welcomed new members into our family over the years, this has always been based on mutual trust, respect and team spirit – a key take-away from the long-term success of our M&As.

In 2019, we welcomed 300 new engineers and the group now represents more than 1 400 specialists that are gaining unique experience from demanding projects with a complex mix of specialist software, hardware platforms, new technologies (AI,5G, IoT, CLOUD, CYBER) and industry know-how. These exciting technology projects lead to the products of tomorrow, continue to drive our organisation forward and contribute to a more sustainable future.

Sustainability through technology

At Data Respons, we believe that we can make a difference, and we acknowledge that a more sustainable world is dependent on action today.

Through our core business we help our clients become more efficient by means of automation, improved software and new technology. We also directly enable increased sustainability by building digital platforms for our customers that deliver renewable energy, health technology, new transportation concepts and smart homes, to mention a fraction of what we do.

However, we believe that it's not enough to only do good through others. We believe there is value in taking responsibility even when nobody is watching.

In 2025 our company will be CO2 neutral – because this is the only way forward. We are far from the being the worst polluter on the planet, but that doesn't really matter. Today our business creates 1 370 tons of CO2. In the next five years we will reduce that number to zero.

We also aspire to be an example to follow on how to thrive and experience significant growth, while at the same time reducing emissions from the business – something we will accomplish through a combination of dedicated people and valuable technology.

Joining forces with a leading global tech company

On 19 December 2019, AKKA Technologies SE launched a voluntary cash offer at NOK 48 per share for all of Data Respons' outstanding shares. AKKA's offer corresponds to an equity value of Data Respons of NOK 3.7 billion. At the time of writing AKKA holds more than 90% of the shares in Data Respons.

The businesses of AKKA and Data Respons are highly complementary and fits AKKA's core strategy of being a well-balanced business in terms of geography, industry sectors, clients and solutions portfolio for long term growth.

We share the same values and passion for innovation and technology as AKKA and look forward to joining forces. This will surely generate greater value for our customers and at the same time be an outstanding opportunity for our fantastic employees, which is the heart, soul and most important asset of our company.

Company update related to the COVID-19 outbreak

After the closure of the 2019 accounting, the COVID-19 crisis has emerged and become global. In connection with the COVID-19 outbreak, Data Respons has implemented precautionary measures and protocols based on recommendations from official health authorities, such as the World Health Organization (WHO).

Our priorities in this situation are to safeguard our employees, sub-contractors, partners, suppliers and society at large. Also, to be a responsible company and behave according to government guidelines. And to keep our operations running, to help support customers with business-critical projects, products and services.

Data Respons has a strong focus on maintaining sufficient financial capacity to responsibly mitigate the situation, and will closely monitor events in the coming weeks and months.

A big thanks to everyone that contributed in making 2019 another exceptional year

Kenneth Ragnvaldsen,
CEO Data Respons

BOARD OF DIRECTORS REPORT

Statement on the annual financial statements

In accordance with the Norwegian Accounting Act § 3.3a the Board confirms that Data Respons ASA fulfils the requirements necessary to operate as a going concern, and the 2019 financial statements have been prepared on the basis of this assumption. Data Respons ASA is a publicly listed company and has prepared the consolidated financial statements for the Data Respons group ("Data Respons", "the group" or "the Company") for the financial year 2019 in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

Consolidated income statement

The Company's long-term growth in revenue and improvement in profitability have continued in 2019, with a revenue growth of 25% and a solid EBITA growth of 51%. A combination of organic initiatives, bolt-on acquisitions and strong international expansion explains the continuing positive development. Germany strengthened its position as the fastest-growing geographical region in the group with 28% of total revenue in 2019 driven by the acquisition of Donat Group GmbH and strong momentum in the Mobility segment. Sweden continues to be the largest market with 42% of the revenue, while Norway accounted for 19% and Denmark for 11% of the revenue in Data Respons.

The Company continued to integrate new high performers in the Group during the year. On 2 July 2019, Data Respons acquired inContext AB, a fast-growing Swedish R&D Services company located in Stockholm, which has achieved the prestigious Gazelle status for four consecutive years. inContext is a leading niche provider of specialist services in the field of interconnect, autonomous systems and embedded software.

On 3 July 2019, Data Respons acquired the German SW tech company DONAT Group GmbH, headquartered in Ingolstadt. With this transaction, the Company continues to strengthen its presence in Germany, which is by far the largest industrial market in Europe and a strategically important area for Data Respons. Both companies are included in Data Respons consolidated figures from 1 July 2019. Transaction costs of NOK 7.1 million have been expensed in 2019.

Revenue for 2019 was NOK 1 866.5 million (1 488.0), a growth of 25%. EBITA was NOK 216.2 million (142.8), resulting in an EBITA margin of 11.6% (9.6%). Data Respons had a cash flow from operating activities of NOK 203.2 million (63.4). The total number of employees on 31 December 2019 was 1 412 (1 120) including subcontractors, adding close to 300 engineers to our top-performing specialist teams in Germany and the Nordics.

Consolidated statement of financial position, liquidity & cash flow

The Company's book value of total assets at 31 December 2019 was NOK 2 083 million (1 637). Current assets totalled NOK 620 million (549) and current liabilities were NOK 539 million (528). On 31 December 2019, non-current assets totalled NOK 1 463 million (1 088), of which other intangible assets including goodwill totalled NOK 1 346 million (1 065). The Company's equity was NOK 1 057 million (543), resulting in an equity ratio of 50.7% (33.2%).

KEY FIGURES

NOK million	2019	2018
Revenue	1 866.5	1 488.0
EBITA	216.2	142.8
NOCF	203.2	63.4
Own employees	1 007	776
Subcontractors	405	344

REVENUE BY REPORTING SEGMENT

NOK million	2019	2018
R&D Services	1 316.5	1 009.8
Solutions	564.3	488.3
Eliminations	-14.3	-10.1
Group	1 866.5	1 488.0

EBITA BY REPORTING SEGMENT

NOK million	2019	2018
R&D Services	188.7	127.1
Solutions	68.9	47.1
Corporate	-41.5	-31.3
Group	216.2	142.8

Throughout this report, we compare the consolidated income statement with figures from the same period in 2018 and the statement of financial position with year end 2018 (in brackets).

Data Respons achieved ALL-TIME HIGH REVENUES and EBITA in 2019

The cash balance on 31 December 2019 was NOK 128 million (of which NOK 5 million is restricted). The Company had interest-bearing loans of NOK 69 million (278), which are drawn under the Company's credit facilities of NOK 450 million. The estimated fair value of earn-out liabilities at the end of the year was NOK 395 million (378), of which NOK 106 million (146) are current.

The net operating cash flow (NOCF) in 2019 was NOK 203.1 million (63.4). The implementation of IFRS 16 had a positive impact on the NOCF of NOK 34.1 million.

Financial risk

The group's central finance department manage the financial risk, and the Board of Directors and group Management of Data Respons ASA approve the group's policies for the management of financial risk. The main objective of financial risk management is to identify, quantify and manage financial risk. The group is exposed to credit risks, liquidity risks, currency risks and interest rate risks.

The group is exposed to credit risk from its operating activities, primarily its trade receivables and accrued revenue, and from its cash and cash equivalents deposited with banks. Liquidity risk is the risk that the group will not be able to meet its current and future cash flow and collateral requirements without negatively and materially affecting the group's daily operations or overall financial condition and the potential for expansion. 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) and the group's net investments in foreign subsidiaries. The group is exposed to interest rate risk through the group's interest-bearing loans with floating interest rates and cash management activities.

Operations

Data Respons is a full-service, independent technology company and a leading player in the industrial digitalisation, IoT and embedded solutions market. We provide R&D services and smart embedded solutions to OEM companies, system integrators and vertical product suppliers in a range of market segments such as Mobility, Industry & Automation, Telecom & Media, Space, Defence & Security, Medtech, Energy & Maritime and Finance & Public Sector.

Data Respons ASA is listed on the Oslo Stock Exchange (Ticker: DAT), and is part of the information technology index. The group has offices in Norway, Sweden, Denmark, Germany and Taiwan.

Operating segments

R&D Services

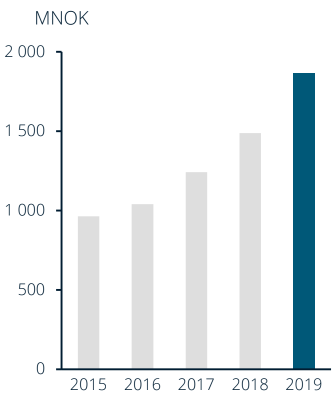
Revenue for 2019 was NOK 1 316.5 million (1 009.8), a growth of 30%. EBITA before group costs was NOK 188.7 million (127.1), an EBITA margin of 14.3% (12.6%).

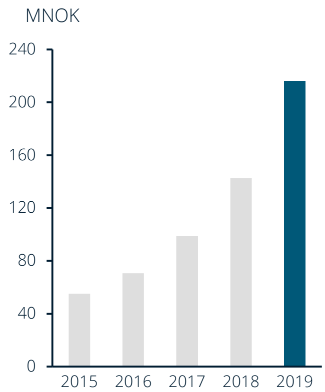
The R&D Services segment delivered a solid performance across all portfolio companies, resulting in strong growth of 30% in 2019. Organic growth reached 11% for 2019. The underlying tech trends continue to be attractive, supporting high overall utilisation, attractive prices and a favourable project mix. Revenue and project synergies between portfolio companies continue to be identified and realised. The bolt-on acquisitions are included in the Company's key supplier or strategic partner status and are given access to large and long-term product development projects, as well as cross selling opportunities of complementary solutions and specialist services.

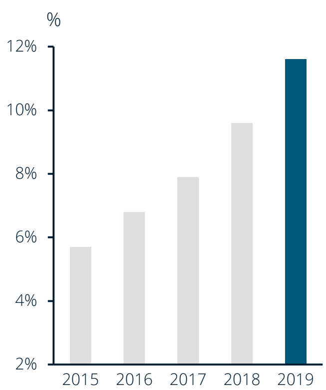
Profitability continues to be record strong with an EBITA growth of 49% and reaching an EBITA margin of 14.3% in 2019. This includes a provision for bad debt of NOK 8 million on a trade receivable in 2019, making the underlying year-end performance even stronger.

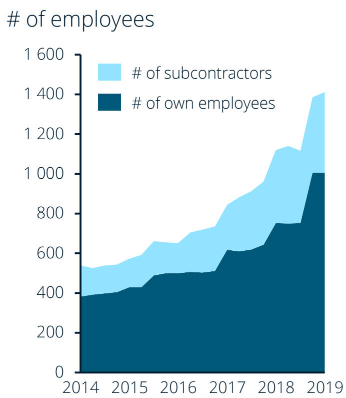
Most of the portfolio companies' engagements are business-critical product-development projects, where the need for in-depth knowledge and understanding, both at a system and domain level, is high. These projects are often long term and create a strategically important relationship with our customers. Creating partnerships instead of pure customer relationships has also allowed for introducing new services and concepts to the existing customer portfolio.

Revenues	EBITA	EBITA margin	# of employees
1 867	216.2	11.6%	1 412









Data Respons continues to leverage its leading market position by offering customers access to highly skilled specialists and project teams with a broad range of expertise in future-orientated technology areas such as automation, IoT, digitalisation and different embedded technologies. A strong R&D competence platform is strategically important for developing new, long-term customer relationships and for standing out as a complete engineering technology partner and specialist R&D Services provider in a more data-driven society.

The competitive market for engineers makes recruitment a key challenge for the entire industry. During the year the group increased the net number of employees by 300 through a combination of the acquisitions and strong onboarding of new talents. Data Respons' position as an R&D specialist, covering the whole value chain from sensors to cloud applications, makes us highly attractive to talented engineers. To address the challenging recruitment situation, our portfolio companies have successfully launched several initiatives such as start-ups, the use of subcontractors, young-engineer programmes and close collaboration with universities. Although we have implemented several initiatives, we never compromise on quality or the qualifications required to become a Data Respons employee.

Given the steady increase in demand for R&D Services, recruitment is still a key task to be addressed. In the Group, we are looking to recruit a new specialist every day throughout 2020 to meet the anticipated demand. Continuing to develop an attractive business culture along with potential for personal development have been important and will continue to be important going forward.

Solutions

Operating revenue for 2019 was NOK 564.3 million (488.3), an increase of 16%. EBITA before Group costs was NOK 68.9 million (47.1), an EBITA margin of 12.2% (9.6%).

The Solutions segment had a revenue growth of 16% in 2019, driven by positive development in both Norway and international operations. Profitability in the Solutions segment continued to improve, reaching a solid EBITA margin of 12.2%. The strong development reflects our long-term strategic repositioning of the portfolio towards more complex and high-end solutions leveraging our multi-disciplinary competence, increased focus on software content and delivering value-added services throughout the lifecycle of a solution. Overall, this has provided a more favourable revenue mix with a higher average margin and EBITA growth.

During 2019, the Solutions segment received several orders from major existing and new customers. We continue to see strong demand in all our segments which is strengthening our diversified position. Our asset-light business model has proven efficient and scalable to meet an increasing demand for customised, smart devices and embedded and industrial IoT solutions. The pipeline of customised solution opportunities continues to remain strong.

Data Respons is positioned as a leading provider of smart devices and embedded and industrial IoT solutions. It has a strong and growing base of recurring solution customers with long-term delivery cycles (5–7 years). In order to meet the continued demand for increased software content, connectivity, higher performance and more functionality, many of our customers focus on strategic partnerships. By using Data Respons, our customers can access specialist competences, shorter time-to-market and a lower total cost of ownership. Profitability has improved over time based on a more competence-orientated and focused business model. This includes strategic relationships with customers in the main markets, higher software content, more value-added services and global partners.

Corporate

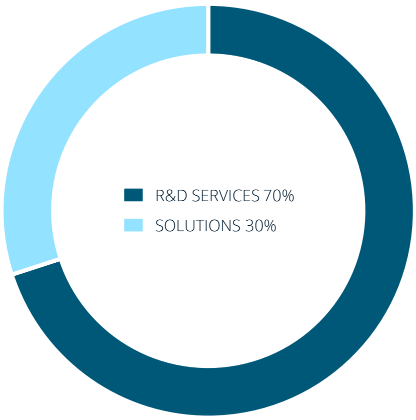
Corporate activities mainly relate to corporate services, management and Group finance. The segment reported an EBITA of NOK -41.5 million (-31.3) in 2019. During 2019, Data Respons expensed transaction costs of NOK 7.1 million related to the cash offer from AKKA Technologies and accrued social security tax of NOK 6.5 million related to the Company's employee share option scheme. The internal revenues generated in the Corporate segment are eliminated in the consolidated income statement with corresponding eliminations of operating expenses.

Market development

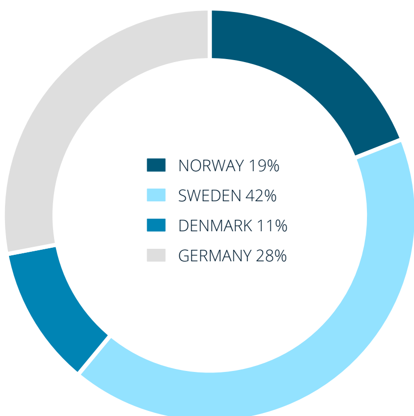
Data Respons has a solid and well-balanced customer base across several industries, which is based on our strong competence within industrial IoT, digitalisation and embedded technologies. Our geographical footprint, coupled with more than 30 years of experience, has given the Company relevant vertical competence within these areas.

The range of services we are providing broadens as we continue to grow. We are steadily becoming an increasingly business-critical component to the digitalisation processes for many of the largest European companies.

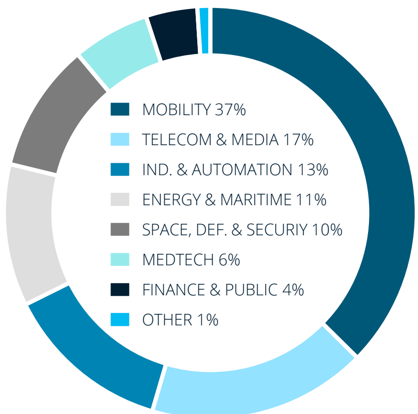
Revenues by **OPERATING SEGMENTS**



Revenues by **COUNTRIES**



Revenues by **INDUSTRY SEGMENTS**



Largest shareholders

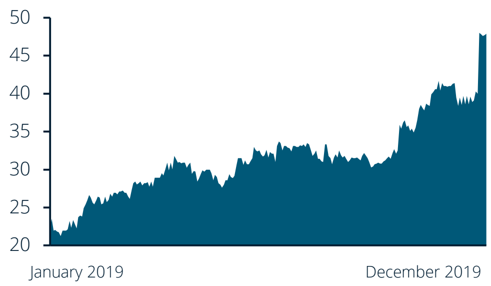
31 DECEMBER 2019

Shareholder	Holding	Share
MP PENSJON PK	4 781 554	6.33 %
HANDELSBANKEN FONDER AB	4 575 063	6.06 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	4 344 098	5.75 %
AKTIA FUNDS	3 932 789	5.21 %
FOLKETRYGDFONDET	3 920 227	5.19 %
THE BANK OF NEW YORK MELLON SA/NV*	3 371 560	4.47 %
DR. LASSMANN INVEST GMBH	3 067 805	4.06 %
MORGAN STANLEY & CO. INT. PLC.*	2 989 120	3.96 %
VERDIPAPIRFONDET DNB NORGE	2 895 875	3.84 %
STATE STREET BANK AND TRUST COMP*	2 787 316	3.69 %
NORDEA NORDIC SM CAP FD	2 485 818	3.29 %
HERALD INVESTMENT TRUST PLC	1 800 287	2.38 %
CITIBANK, N.A.*	1 764 925	2.34 %
CLEARSTREAM BANKING S.A.*	1 709 577	2.26 %
VARNER INVEST AS	1 650 000	2.19 %
DANSKE INVEST NORGE VEKST	1 619 238	2.14 %
GOLDMAN SACHS & CO. LLC*	1 466 602	1.94 %
SOCIÉTÉ GÉNÉRALE*	1 429 248	1.89 %
STOREBRAND NORGE I VERDIPAPIRFOND	968 096	1.28 %
J.P. MORGAN SECURITIES PLC*	935 154	1.24 %
TOTAL 20 LARGEST	52 494 352	69.52 %
OTHERS	23 016 116	30.48 %
TOTAL NUMBER OF SHARES	75 510 468	100.00 %

* Nominee account

Share price

47.90



Share Information

The share price started at NOK 22.50 at the beginning of the year and ended at NOK 47.90 at 31 December 2019. The Data Respons share is listed at Oslo Stock Exchange, and 35.2 million shares were traded and 10 20 544 transactions were registered at the Oslo Stock Exchange during 2019. Data Respons had 1 195 shareholders at 31 December 2019, 73% of the shares are owned by foreign shareholders. Data Respons ASA owned no treasury shares at 31 December 2019. The total number of outstanding shares at 31 December 2019 was 75 510 468.

Our customer list includes leading global companies such as ABB, Analogic, Assa Abloy, Audi, BMW, Bombardier, Bosch, Cargotec, Cisco, Cobham, Daimler, Ericsson, EnBW, Finanz Informatik, Hexagon, Hydro, Klarna, Kongsberg Group, Kistler, Laerdal Medical, Maquet, National Oilwell Varco, Oticon, Porsche, Raytheon, Rolls Royce, Saab, Scania, Schlumberger, Siemens, Schneider Electric, Statoil, Tele2, TDC, Tomra, Thales, Thermo Fisher Scientific, Volkswagen and Volvo.

The number of blue-chip customers is increasing, and the Company expects this trend to continue going forward. There is significant business potential in industrial IoT and the digital transformation of our key markets. The trends of increased automation, digitalisation and 'everything connected' (IoT) fit well with both the Company's business units and competence map. We can develop everything, from the sensor level to the mobile app, making us an ideal partner for our customers in their digital transition.

Areas in which Data Respons is involved:

- Mobility projects such as connected cars, digital car infotainment, fleet management systems, car sharing, ADAS and autonomous systems, remote software update, cloud applications, electrification and sensor & telematics solutions.
- Smart grid/smart home solutions/smart devices/IoT gateway solutions
- Digital shipping, transportation and maritime IoT applications
- R&D IT Services and system integration, assisting all phases of the whole software development cycle
- Digital transition of banking/insurance infrastructure and systems
- Advanced communication systems for security and defence applications
- Projects to transform telecommunications, mobile structures and connectivity platforms towards full IoT accessibility
- Sensor-based smart factory systems
- Data acquisition sensor systems to improve the efficiency of oil & gas exploration
- Future MedTech applications with IoT solution capabilities and a complete digital software platform
- Software-heavy cloud infrastructure systems
- Software components and solutions for IoT applications
- Software end-to-end systems and digital transition of existing industrial products and installations

The market consensus is that industrial digitalisation, automation, IoT and software will continue to experience growth in the coming years. The introduction of 5G technology will most likely speed up these megatrends, and thus the need for the Data Respons solutions and services. Based on the feedback from our customers and partners, the Company expects markets to grow for IoT devices, automation and robotics, advanced communications solutions, connected and integrated systems and the use of consumer-based technologies (mobility, digitalisation). In addition, there is a growing demand for cost-effective and robust solutions to demanding environmental conditions, areas in which Data Respons has strong competence and experience.

Geographic regions

Data Respons has offices in the Nordic region, as well as in Germany and Taiwan. Our business model is based on close cooperation with our customers and understanding their business needs. To facilitate close cooperation, Data Respons believes in having regional offices with skilled engineering staff (specialist level) in key industrial clusters. This builds strategic and long-term relationships, as well as in-depth industry know-how, with our key customers.

The Swedish market accounted for 42% of total revenue and was the largest market area in 2019. Sweden continued its strong revenue growth and improved profitability. The Swedish part of the Company has established a strong position in several market verticals such as Mobility, Telecom & Media, Space, Defence & Security and Industrial Automation, strengthening its ability to win new IoT, digitalisation and embedded solutions contracts with large customers. Data Respons in Sweden has strategic framework agreements with more than 30 large industrial companies. The Company has offices in Stockholm, Gothenburg and Linkoping.

Germany continued its growth and represented 28% of the Company's revenue in 2019. The Company has an increasing number of larger blue-chip customers in market verticals like Mobility, Smart Grid/Smart Home, Banking/Finance, Renewable Energy and Smart Factory. Earlier this year, the Company was awarded a NOK 225 million, five-year contract in Germany – the largest contract in Data Respons' history. The contract confirms that there are large potential synergies between the acquired companies in Germany and the rest of the Data Respons Group. Germany is the largest embedded and IoT industry market in Europe. The Company has offices in Munich, Berlin, Stuttgart, Leipzig, Ingolstadt, Karlsruhe and Nuremberg.

Norway accounted for 19% of the Group's revenue in 2019. Its industrial market has improved this year due to positive developments in the maritime and oil & gas industries and associated sectors, which have contributed to the revenue growth of the Norwegian operation. The Company has focused on staying close to its key customers and ensuring it remains a cost-effective operation, which has resulted in an increase in profitability. Furthermore, the Company has increased its customer base by expanding in market verticals such as Industrial Automation, Mobility, Telecom & Media, MedTech, Public and Space, Defence and Security. The Company has offices in Oslo (Høvik), Kongsberg, Bergen and Stavanger.

The Danish market represented 11% of the Group's revenue in 2019, and both business segments are developing well with good revenue growth and increased profitability. The Danish operation has offices in Copenhagen and Aarhus.

Data Respons also has a Quality and Technology Centre in Taiwan, where projects are carried out in cooperation with our Asian partners.

Organisation and work force

At 31 December 2019, the group had 1 007 own employees working at 19 locations in Norway (140), Sweden (365), Denmark (36), Germany (455) and Taiwan (11). The average number of employees at the parent company was 6 (7). The average number of employees in the group was 844 (717), and there were 209 (134) female employees in the group at the end of the year, of which 15 (18) are in top or middle management.

Environmental, Social and Governance reporting

Environmental

Taking overall responsibility is a core value at Data Respons. As a responsible business, we strive to address some of the challenges the world is facing in order to contribute to a more sustainable future. Data Respons have mapped the carbon emissions across the group for 2018 and have set several actions for reducing our carbon footprint.

Read more about our efforts to create sustainability through technology and a carbon neutral company in page 87.

Social

Keeping our employees healthy and ensuring their well-being is important to Data Respons. Better health fosters lower sick leave and a joyful work environment, which again results in improved performance at work – supporting our high-performance culture. Average sick leave over the course of the year was 2.5 %, and none of the group's subsidiaries recorded work related accidents that resulted in serious personal injury or property damage.

Diversity, with respect to both gender and ethnicity, can offer significant competitive advantages. Although achieving a gender balance is challenging in a world with few female computer engineers, the group works to promote the profession among young engineers and strives to increase the share of female engineers and encourage female leaders.

Read more about how our turnover, gender balance, sick leave, health and safety and relevant actions in the ESG report.

Governance

Building trust through god corporate governance is key to the licence to operate for every company. Data Respons continue to identify ways to improve on transparency, supply chain management and professional conduct to name a few core areas.
In 2019 we made a comprehensive Code of Conduct that will be launched in 2020 together with an updated whistle-blower service. Also, we launched a Supplier Conduct Principles in 2019 and have scheduled supplier due diligence processes.

Read more about our Board of Directors and our efforts to raising the bar on corporate governance on page 101.

Declaration on the financial statements

We confirm that the financial statements for the year 2019, to the best of our knowledge, have been prepared in accordance with International Financial Reporting Standards (IFRS), gives a true and fair view of the company's and group's consolidated assets, liabilities, financial position and results of operations, and that the annual report includes a fair review of the development, results and position of the company and group, together with a description of the most central risks and uncertainty factors facing the group.

Allocation of the result for the year

Data Respons ASA achieved a profit before tax of NOK 57.5 million (73.2) in 2019. Profit for the year was NOK 58.7 million (76.0).

Due to AKKAs acquisition of the shares in Data Respons ASA, the Board of Directors in Data Respons has not made any proposal for dividends for 2019. The Board of Directors therefore proposes that the entire profit for the year for Data Respons ASA be transferred to retained earnings.

Outlook

The Company believes that the trend towards a more data-driven society will remain strong. The need for smarter and more software-orientated products, platforms and services is becoming increasingly significant for all our customers. Higher degrees of automation, digitalisation and incorporation of the internet of things are driving forces in all our markets. There is also an increasing focus on sustainability oriented technology projects across our customer base. Data Respons is well-positioned as a complete technology partner for industrial digitalisation and smarter embedded and IoT solutions in the Nordic and German markets. The Company is diversified in a wide range of vertical industries and has a balanced portfolio of blue-chip customers.

The overall market outlook remains attractive and we see opportunities in all our key markets. Data Respons seeks to continue its growth through a combination of organic development and selective bolt-on acquisitions in the Nordics and Germany.

Data Respons' main goals are profitable growth and a strengthened position in key markets. Based on current demand from our customers, a focused organisation and a strong order backlog, the Company expects growth, increased profitability and a positive cashflow from operations going forward.

Company update related to the COVID-19 outbreak

After the closure of the 2019 accounting, the COVID-19 outbreak has emerged and become global. Our priorities in this situation are to safeguard our employees, subcontractors, customers, suppliers, partners as well as the society at large, and keep our operations running, to help support customers with business-critical projects, solutions and services. Data Respons will throughout the COVID-19 situation be a responsible company and behave according to government guidelines.

Data Respons is at the time of its annual report experiencing limited operational impact from COVID-19, but the situation is dynamic and could change quickly. Data Respons has reassessed the underlying assumptions in the significant accounting estimates (e.g. impairment assessment and earn-out liabilities), however no significant changes have been identified. The estimates and their underlying assumptions will be assessed continuously going forward.

The COVID-19 outbreak could have an negative impact on our markets during 2020, both from a supply and demand perspective. The coronavirus could disrupt the production and transport from our suppliers, and may result in supply shortages or delays in our deliveries of Solutions. Furthermore, the COVID-19 outbreak will probably have an effect on the overall economy, which might lead to a postponement or reduction of the R&D activity in our markets and a lower demand for R&D Services. If our customers run into financial problems or closes down, this will also most likely lead to a weaker demand for the company's R&D Services and Solutions.

At the time of our annual report we experience a very high uncertainty regarding the impact of the COVID-19 on the company in 2020. It is not possible to forecast how significantly the COVID-19 will impact R&D Services and Solutions revenue during 2020. Data Respons has a strong focus on maintaining sufficient financial capacity to responsibly mitigate the situation and will closely monitor all developments in the coming weeks and months.

THE BOARD OF DIRECTORS OF DATA RESPONS ASA

HØVIK, 26 MARCH 2020

Erik Langaker
CHAIRMAN OF THE BOARD

Janne T. Morstøl
MEMBER OF THE BOARD

Ulla-Britt Fräjdin Hellqvist
MEMBER OF THE BOARD

Martin Burkhalter
MEMBER OF THE BOARD

Morten Thorkildsen
MEMBER OF THE BOARD

Elna Malin Margareta Hov
MEMBER OF THE BOARD

Marius Westgaard
MEMBER OF THE BOARD

The Board of Directors

Erik Langaker

CHAIRMAN OF THE BOARD
Number of shares: 416 746

Erik Langaker (born 1963) is a full-time technology Investor and entrepreneur. He served as a member of the board of Data Respons from November 2011 to April 2015 and was re-elected as Chairman in April 2016. He has extensive experience in building international technology companies through a combination of organic growth and targeted M&A. His experience includes well-known names like StormGeo Group, LINK Mobility and Talkmore Mobile. He currently serves as Chairman in CMR Surgical (UK) Ltd., CAMO Analytics, Brandmaster and Kezzler and non-exec. Director in HitecVision and Resoptima.

Janne T. Morstøl

MEMBER OF THE BOARD
Number of shares: 4 000

Janne T. Morstøl (born 1968) is the CEO at Maritech Systems AS, a company providing software solutions to the global seafood industry. Previously she has spent more than 20 years in the broadcast industry and has held several corporate management positions in Nevion, latest Chief Strategy Officer, and COO/CFO at T-VIPS, a company she co-founded. Before 2004, she held several management positions in Tandberg Television ASA. Ms Morstøl has board experience from listed and unlisted companies. She holds a MSc. in Electronics from NTNU and holds an MBA from the Norwegian School of Economics and Business Administration (NHH).

Morten Thorkildsen

MEMBER OF THE BOARD
Number of shares: 0

Morten Thorkildsen (born 1961) was elected to the Board in April 2018. Thorkildsen holds a MBA degree from BI Norwegian Business School and a bachelor's degree in Business Organisation from Heriott-Watt University. He has an extensive background from the IT industry having spent 27 years in various roles in IBM (from 2003 until 2013 as Country General Manager for IBM Norway) before becoming CEO of the engineering company Rejlers Norge AS in November 2013. Thorkildsen has since 2017 been fully employed by the South-Eastern Norway Regional Health Authority as technology advisor and chairman of the board in Sykehuspartner HF. He currently serves as chairman of the board in Itera ASA, chairman of the board in Winorg AS, and has previously been chairman of the board in the Norwegian Computer Association, and a board member of ICT Norway.

Ulla-Britt Fräjdin-Hellqvist

MEMBER OF THE BOARD
Number of shares: 10 000

Fräjdin-Hellqvist (born 1954) was elected to the Board in November 2011. She holds an MSc in Engineering Physics from Chalmers and has held leading positions at Volvo Cars and the Swedish Confederation of Enterprise. She has extensive board experience at several public, private and state own companies. Her Board positions today are Holmbergs First Holding, Insplorion, Mycronic and Triboron. Fräjdin-Hellqvist works as an independent contractor and partner.

Martin Burkhalter

MEMBER OF THE BOARD
Number of shares: 3 000

Martin Burkhalter (born 1952) was elected to the Board of Data Respons in April 2018. Burkhalter has extensive leadership experience from international companies such as CEO at Intersport International and President of Reebok EMEA. In April 2006, Burkhalter joined Vizrt ASA as Chief Commercial Officer, before he became Chief Operating Officer in June 2009 and CEO in May 2010, a position he held for 6 year. Burkhalter was Senior Vice President and Sports Director at Lillehammer Olympic Organization in 1994 and has board experience from listed company Amer Sports.

Elna Malin Margareta Hov

EMPLOYEE REPRESENTATIVE
Number of shares: 0

Malin Hov (born 1971) was elected as an employee representative in July 2019 (deputy since May 2018). She holds an MSc Eng in Mechanics from Lund University in Sweden. Hov has worked in Data Respons since 2011 and is currently Quality, Environmental and Information Security Manager at the Høvik office.

Marius Westgaard

EMPLOYEE REPRESENTATIVE
Number of shares: 1 047

Marius Westgaard (born 1990) was elected as an employee representative in May 2018. He holds an MSc Eng in Engineering Cybernetics from the Norwegian University of Science and Technology (NTNU). Westgaard has worked at Data Respons since 2015 and is currently a Senior Development Engineer at the Høvik office.

Investor information

Data Respons ASA is listed on the Oslo Stock Exchange (Ticker: DAT), and is included in the information technology index.

TRADING AND TRANSACTIONS

	2019	2018
Highest price (NOK)	48.40	28.00
Lowest price (NOK)	21.20	21.40
Price at year end (NOK)	47.90	22.50
Market value (NOK million)	3 617.0	1 312.1
Dividend per share	-	1.00

TRADING AND TRANSACTIONS

	2019	2018
Number of transactions	20 544	7 585
Average number of transactions per day	83	30
Number of shares traded (million)	35.2	16.3

SHAREHOLDER STRUCTURE

	2019	2018
Number of shareholders	1 195	1 116
Foreign ownership	73%	64.0%
Number of shares outstanding (million)	75.5	58.3

The principal aim of Data Respons' IR work is to create confidence by means of equal treatment of all investors in terms of access to financial information.

All shares have equal rights and are freely transferable. Data Respons has one class of shares and each share carries one vote.

ANALYST COVERAGE

ABG SUNDAL COLLIER
Aksel Øverland Engebakken
aksel.engebakken@abgsc.no

HANDELSBANKEN
Erik Elander
erel05@handelsbanken.se

SB1 MARKETS
Petter Kongslie
petter.kongslie@sb1markets.no

KEPLER CHEUVREUX / SWEDBANK
Emil Johannesen
ejohannessen@keplercheuvreux.com

REGISTRAR

HANDELSBANKEN
PB 322 Sentrum
011 Oslo
NORWAY

Attn: Rune Eriksen
ruer01@handelsbanken.no

FINANCIAL CALENDAR

23.04.2020 – Annual general meeting

23.04.2020 – Quarterly report Q1

14.07.2020 – Quarterly report Q2

22.10.2020 – Quarterly report Q3

28.01.2021 – Quarterly report Q4

KEY FIGURES

NOK 1000

CONSOLIDATED INCOME STATEMENT	2019	2018	2017	2016	2015
Revenue	1 866 488	1 488 033	1 241 798	1 039 630	963 611
Operating expenses	1 611 877	1 340 535	1 139 315	965 255	905 126
EBITA	216 201	142 831	98 643	70 651	55 236
Depreciation	38 409	4 667	3 840	3 724	3 249
Amortisation and impairment	27 290	18 643	8 522	2 213	505
Operating profit/loss (EBIT)	188 911	124 188	90 121	68 438	54 731
Profit loss before tax and non-controlling interest	195 777	95 059	67 269	68 805	48 514
Profit/loss for the year	146 136	59 717	45 627	53 010	46 489

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2019	2018	2017	2016	2015
Total assets	2 082 804	1 637 167	1 138 565	786 082	514 051
Equity	1 056 871	543 113	346 616	282 789	305 858
Interest-bearing loans	68 932	278 140	170 143	95 332	-
Earn-out liabilities	394 887	377 721	278 533	146 494	-
Cash and cash equivalents	128 066	82 424	50 663	62 895	39 016

KEY FIGURES	2019	2018	2017	2016	2015
Revenue growth	25.4 %	19.8 %	19.4 %	7.9 %	13.5 %
EBITA margin	11.6 %	9.6 %	7.9 %	6.8 %	5.7 %
EBIT margin	10.1 %	8.3 %	7.3 %	6.6 %	5.7 %
Cash flow from operations	203 184	63 364	78 339	79 440	49 413
Equity ratio	50.7 %	33.2 %	30.4 %	36.0 %	59.5 %
Net working capital	59 101	85 250	40 325	(20 039)	64 305

KEY FIGURES FOR SHARES	2019	2018	2017	2016	2015
Earnings per share (EPS), basic (NOK)	2.02	0.98	0.80	0.95	0.87
Cash flow from operations per share (NOK)	3.00	1.16	1.55	1.62	1.01
Dividend per share (NOK)	-	1.00	1.00	1.00	1.00
Book equity per share (NOK)	14.00	9.31	6.74	5.74	6.25
Price / book	3.42	2.42	3.55	3.19	2.14
Number of shares as of 31 December	75 510 468	58 317 173	51 436 157	49 228 794	48 940 794
Average number of shares	67 815 622	54 623 510	50 626 394	49 113 594	48 790 294
Average number of share transactions per day	83	30	54	19	7
Share price as of 31 December (NOK)	47.90	22.50	23.90	18.30	13.40
Market capitalisation (NOK million)	3 617.0	1 312.1	1 229.3	900.9	655.8

Consolidated financial statements

Data Respons places great importance on providing up-to-date information on its activities and financial development to shareholders and other participants in the securities market.

CONSOLIDATED INCOME STATEMENT

NOK 1000	*Note*	2019	2018
Revenues	2,4,5	1 866 488	1 488 033
Cost of goods sold	8	835 464	699 633
Employee expenses	6	683 434	544 351
Other operating expenses	3,4,7	92 980	96 550
Depreciation	15,24	38 409	4 667
Amortisation and impairment	2,15	27 290	18 643
Operating profit/loss		188 911	124 188
Financial income	10.21.22	62 895	20 555
Financial expenses	10,21,22,24	(56 030)	(49 685)
Profit/loss before tax		195 777	95 059
Income tax expense	11	(49 640)	(35 342)
Profit/loss for the year		146 136	59 717
ATTRIBUTABLE TO			
Equity holders of the parent		136 790	53 372
Non-controlling interest		9 346	6 345
Basic earnings per share (NOK)	12	2.02	0.98
Diluted earnings per share (NOK)	12	1.95	0.96

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK 1000	*Note*	2019	2018
Profit for the year		146 136	59 717
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		(4 991)	19 195
Currency translation differences on non-controlling interests		(609)	(379)
Net gain / (loss) on cash flow hedges	20	(238)	229
Other comprehensive income		(5 837)	19 045
Total comprehensive income		140 300	78 761
ATTRIBUTABLE TO			
Equity holders of the parent		131 562	72 796
Non-controlling interest		8 738	5 966

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK 1000	*Note*	2019	2018
ASSETS			
Goodwill	2,3,15	1 099 324	882 450
Other intangible assets	3,15	246 656	182 204
Deferred tax assets	2,11	11 241	11 617
Machinery and equipment	15	12 804	8 382
Right-of-use assets	2,24	89 722	-
Other non-current assets		3 106	3 364
Total non-current assets		1 462 852	1 088 017
Inventories	18	33 067	26 273
Trade receivables	16,20	416 333	411 017
Other current receivables	16,20	42 486	29 436
Cash and cash equivalents	17	128 066	82 424
Total current assets		619 952	549 150
Total assets		2 082 804	1 637 167

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK 1000	*Note*	2019	2018
EQUITY			
Issued capital	12	37 755	29 159
Share premium	12	840 985	396 510
Retained earnings		148 635	90 700
Equity attributable to equity holders of the parent		1 027 376	516 369
Non-controlling interests	14	29 495	26 744
Total equity		1 056 871	543 113
LIABILITIES			
Deferred tax liabilities	3,11	71 975	55 642
Non-current Interest-bearing loans	20,21,22	68 642	277 241
Non-current earn-out liabilities	2,20,22	289 317	231 927
Non-current lease liabilities	2,24	55 920	-
Other non-current liabilities		1 433	1 074
Total non-current liabilities		487 287	565 885
Current interest-bearing loans	20,21,22	290	899
Current earn-out liabilities	2,20,21	105 570	145 794
Current lease liabilties	2,24	35 009	-
Trade payables	20	173 570	185 552
Income tax payable	11	8 726	21 704
Public duties payable		69 719	56 825
Other current liabilities	19	145 762	117 395
Total current liabilities		538 646	528 169
Total liabilities		1 025 933	1 094 054
Total equity and liabilities		2 082 804	1 637 167

THE BOARD OF DIRECTORS OF DATA RESPONS ASA

HØVIK, 26 MARCH 2020

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Marius Westgaard
MEMBER OF THE BOARD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the parent						
NOK 1000	*Note*	Issued capital	Share premium	Translation differences	Other equity	Total	Non-controlling interests	Total equity
Equity on 1 January 2018		25 718	228 317	44 701	27 152	325 888	20 727	346 616
Profit for the year					53 372	53 372	6 345	59 717
Other comprehensive income for the year				19 195	229	19 424	(379)	19 045
Total comprehensive income for the year		-	-	19 195	53 601	72 796	5 966	78 761
Sale of non-controlling interests	14				(995)	(995)	3 671	2 676
Dividends	12				(53 663)	(53 663)	(3 620)	(57 283)
Employee share option scheme	6				711	711		711
Issue of share capital	12	3 441	168 192			171 633		171 633
Equity on 31 December 2018		29 159	396 510	63 896	26 804	516 369	26 744	543 113
Profit for the year					136 790	136 790	9 346	146 136
Other comprehensive income for the year				(4 991)	(238)	(5 228)	(609)	(5 837)
Total comprehensive income for the year		-	-	(4 991)	136 552	131 562	8 738	140 300
Investment in non-controlling interests						-	19	19
Dividends	12				(58 317)	(58 317)	(6 005)	(64 322)
Employee share option scheme	6				(15 310)	(15 310)		(15 310)
Issue of share capital	12	8 597	444 475			453 072		453 072
Equity on 31 December 2019		37 755	840 985	58 905	89 730	1 027 376	29 495	1 056 871

CONSOLIDATED STATEMENT OF CASH FLOWS

NOK 1000	*Note*	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before income tax		195 777	95 059
Income tax paid		(63 150)	(43 033)
Depreciation, amortisation and impairment	15	65 699	23 310
Employee share option scheme	6	2 388	711
Net financial items	10	(6 865)	29 130
Changes in working capital:			
- Inventories		(6 794)	3 643
- Trade receivables		25 765	(114 874)
- Trade payables		(16 230)	31 041
- Other current assets / liabilities		8 083	33 315
Net currency (gains) losses relating to operating activities		(1 081)	4 501
Other operating activities		(407)	562
Net cash flow from operating activities		203 184	63 364
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	3,15.21	(268 325)	(243 675)
Purchase of machinery and equipment	15	(6 034)	(3 206)
Interest received	10	1 218	439
Proceeds from sale of financial assets		1 752	-
Net cash flow from investing activities		(271 389)	(246 443)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of interest-bearing loans	22	(359 000)	(49 703)
Proceeds of interest-bearing loans	22	150 000	157 060
Proceeds from issue of shares	12	468 995	172 985
Transaction cost on issue of shares	12	(15 923)	(1 353)
Sale / (purchase) of treasury shares	6	(17 698)	-
Interest paid	10,22	(11 772)	(5 905)
Dividends paid to equity holders of the company	12	(58 317)	(53 663)
Dividends paid to non-controlling interests		(6 005)	(3 620)
Repayment of lease liabilities	24	(34 131)	-
Other financing activities		(1 021)	-
Net cash flow from financing activities		115 129	215 801
Net change in cash and cash equivalents		46 925	32 722
Cash and cash equivalents at the start of the period		82 424	50 663
Exchange gains/losses on cash and cash equivalents		(1 283)	(961)
Cash and cash equivalents at the end of the period	17	128 066	82 424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 1: Accounting principles

General information
Data Respons is a full-service, independent technology company and a leading player in the IoT, Industrial digitalisation and the embedded solutions market. The company is a public limited company, which is listed on the Oslo Stock Exchange and is incorporated in Norway. The company's head office is located at Sandviksveien 26, 1363 Høvik, Norway. These consolidated financial statements of the group have been issued in accordance with approval by the Board of Directors on 26 March 2020 and is subject to approval by the annual general meeting on 23 April 2020.

Statement of compliance
Data Respons' consolidated financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations set out by the International Accounting Standards Board, as approved by the European Union.

Basis of preparation
The consolidated financial statements are based on the historical cost principle except when IFRS requires recognition at fair value. This relates to the measurements of certain financial instruments. The consolidated financial statements are presented in NOK and all values are rounded to the nearest thousand (000), except when otherwise indicated. As a result of rounding differences, numbers or percentages may not add up to the total.

New and amended standards adopted by the group
The accounting policies applied in the consolidated financial statements are consistent with those applied in the previous financial year, except for the implementation of the new accountings standards described below.

IFRS 16 - Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The group does not own any significant assets that is leased to another party.

At the commencement date of a lease, a lessee will recognise a liability at the present value of lease payments with a corresponding asset representing the right to use the underlying asset during the lease term (right-of-use asset). The recognised asset is amortised over the lease period and the depreciation expense is recognised on an ongoing basis. The lease liability will be discounted at the incremental borrowing rate, and the interest expense on the lease commitment is recognised as a financial expense.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The group has, with effect from 1 January 2019, adopted IFRS 16 using the modified retrospective approach. Accordingly, comparable figures have not been restated, and the effects are entered in the statement of financial position in the implementation year 2019. Upon implementation, the right-of-use assets and lease liabilities were the same amount and did not impact on equity.

The group has identified the following lease agreements: office buildings, cars, servers, licenses and office equipment. The group has used the relief option for leases with a duration of less than 12 months as at 1 January 2019 and leases with low value, and these leases will not be recognised in the statement of financial position, but recognised as an operating expense over the lease period. Fixed non-lease components embedded in the lease contracts are neither separated and hence recognised as lease liabilities and capitalised as right-of-use assets. This approach will be applied consistently to all lease contracts.

The impacts of IFRS 16 adoption per 1 January 2019 and the 2019 impacts of IFRS 16 are summarised in note 24.

New standards issued but not effective
At the date of authorisation of these consolidated financial statements, there are no new issued but not effective standards and interpretations that could materially affect the group's consolidated financial statements.

Consolidation
Subsidiaries
The consolidated financial statements comprise the financial statements of Data Respons ASA and its subsidiaries. Control is achieved when the parent company 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, Data Respons ASA controls an investee if, and only if, the company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption, and when Data Respons has less than a majority of the voting or similar rights of an investee, the company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Data Respons' voting rights and potential voting rights

Data Respons 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. Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the company gains control until the date the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Data Respons' accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full in the consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Data Respons loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Non-controlling interests

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. The proportion allocated to the parent and non-controlling interests are determined on the basis of present ownership interests. Total comprehensive income are also attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

All business combinations are accounted for using the acquisition method. Consideration for the acquisition of subsidiaries is measured at the fair value of the transferred assets and obligations assumed. The fair value of any assets or obligations that are contingent on the agreement is also included in the consideration. Identifiable assets and liabilities are recognised at fair value on the acquisition date.

Transaction costs are expensed as incurred. Identifiable assets are defined as both tangible fixed assets and intangible assets, excluding goodwill. Any excess value or shortfall in value beyond that which can be attributed to identifiable assets and liabilities is recognised in the statement of financial position as goodwill.

Excess values in the consolidated financial statements are depreciated on a straight-line basis over the anticipated economic life of the acquired assets, less any residual value. Goodwill and excess values attributed to intangible assets with an indeterminable useful life are not depreciated, but are tested for impairment in accordance with IFRS.

Currency

Transactions in foreign currency

In preparing the consolidated financial statements, subsidiaries translate transactions in foreign currencies at the exchange rate for the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction.

Foreign operations

The group presentation currency is NOK. This is also the functional currency of the parent company. Each group entity with a different functional currency are translated into NOK using the foreign exchange rate at the balance sheet date for balance sheet items and monthly average rates for the income statement. Data Respons uses daily and monthly currency exchange rates as published by Norges Bank for translations into presentation currency. Foreign exchange differences arising from translation from functional currency to presentation currency are recognised in the statement of other comprehensive income. When a foreign subsidiary is partially or completely disposed of or sold, translation differences related to the subsidiary are recognised in the income statement.

Current / non-current classification

An asset is classified as current when it is expected to be realised, or is intended for sale or consumption in the group's normal operating cycle, is held primarily for the purpose of being traded or it is expected/due to be realised or settled within twelve months after the reporting date. Other assets are classified as non-current. A liability is classified as current when it is expected to be settled in the group's normal operating cycle, is held primarily for the purpose of being traded, if the liability is due to be settled within twelve months after the reporting period or if the group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non- current.

Revenue from contracts with customers

The group delivers R&D services and sale of solutions to a wide range of market segments including Telecom, Mobility, Industry & Automation, Energy, Finance & Insurance, Medical, Oil Services and Maritime. Revenue from contracts with customers is recognised when control of the solutions or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those solutions or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 3.

Sale of solutions

Revenue from sale of solutions is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the solutions.

A contract modification is treated as a separate contract only if it results in the addition of a distinct performance obligation and the price is reflective of the standalone selling price of that additions performance obligation.

The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of solutions, the group considers the effects of variable consideration, existence of significant financing components and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the group estimates the amount of consideration (based on the expected value method) to which it will be entitled in exchange for transferring the solutions to the customer. The variable consideration is estimated at contract inception method and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Significant financing component

Generally, the group receives few short-term advances from its customers. Using the practical expedient in IFRS 15 the group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised solutions or service to the customer and when the customer pays for that solutions or service will be one year or less.

Warranty obligations

Data Respons generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, and will be accounted for according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Provisions related to these assurance-type warranties are recognised when the solution is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually. However, in certain non-standard contracts, the group provides extended warranties, and these warranties will be accounted for as separate performance obligations to which the group allocates a portion of the transaction price.

Sale of R&D Services

Revenue from sale of services are satisfied over time because the customers simultaneously receives and consumes the benefits provided by the group. The contracts are normally based on service agreements with hourly fees. Fixed price contracts are recognised as revenue according to the stage of completion, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the group. The input method used to measure progress is based on number of hours worked, as this is considered to provide a faithful depiction of the transfer of services.

Estimated loss on contracts will be recognised in the income statement in its entirety in the period when it has been identified.

Contracts for bundled sales of solutions and services are comprised of two performance obligations because the promises to transfer solution and services are capable of being distinct in the context of the contract and separately identifiable. Accordingly, the group allocates the transaction price based on the relative stand-alone selling prices of the solutions and services.

Contract modifications are accounted for as either a separate contract or as part of the existing contract (either prospectively or through a cumulative catch-up adjustment). This assessment is driven by whether the modification adds distinct solutions and services and the distinct solutions and services are priced at their standalone selling prices.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for solutions or services transferred to the customer. If the group performs by transferring solutions or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer solutions or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the group transfers solutions or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the group performs under the contract.

Cost to obtain and fulfil a contract
The group applies the practical expedient to immediately expense contract acquisition costs when the asset resulting from capitalising such costs would have been amortised within one year or less. The group does not incur any costs to obtain a contract and costs to fulfil a contract that are eligible for capitalization.

Financial instruments

Classification and recognition
Based on the characteristics of the financial instruments that are recognised in the financial statements, the financial instruments are grouped into classes and categories. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The group has classified financial assets and liabilities into the following classes: derivative financial assets, other non-current assets, trade receivables, other current receivables, cash and cash equivalents, current – and non-current interest-bearing loans, current – and non-current earn-out liabilities and trade payables.

The categorisation of the financial instrument for measurement purposes is done based on the nature and purpose of the financial instrument and is determined at the initial recognition. The group has financial assets and liabilities classified in the following categories: derivatives designated as hedging instruments with fair value through OCI, fair value through profit or loss, receivables and financial liabilities measured at amortised cost.

The group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured 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. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument,
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship,
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item.

Cash flow hedges meet all the qualifying criteria for hedge accounting. The effective portion of the gain or loss on the hedging instrument is recognised in OCI and accumulated as cash flow hedge reserve under other equity. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. In 2019, the group had one hedging contract related to a cash flow hedge in Denmark, however this ended during the year, and the group has no other active hedging contracts at 31 December 2019.

The ineffective portion relating to foreign currency contracts is recognised as other operating expenses in the income statement.

Financial instruments at fair value through profit and loss consist of earn-out liabilities with contingent considerations. Receivables consist of unquoted non-derivative assets with fixed or determinable payments. Financial liabilities (interest-bearing loans and trade payables) measured at amortised cost consist of liabilities that are not a part of the category at fair value through profit or loss. The financial instruments are recognised in the group's statement of financial position as soon as the group becomes a party to the contractual provisions of the instrument, using trade date accounting.

Principles for estimating fair values
The estimated fair values of the group's financial instruments are based on available market prices and the valuation methodologies per class are described below.

Fair value hierarchy
The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in measuring fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical financial instruments.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Interest-bearing loans

Interest-bearing loans consist of bank loans and overdrafts, and are classified in the category financial liabilities at amortised cost. These liabilities are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost using the effective interest- rate method.

Receivables

Trade receivables and other receivables are recognised in the balance sheet at nominal value, less provisions for lifetime of expected credit losses. Provisions for losses are made on the basis of individual assessment of the individual receivables, as well as past experience.

Machinery and equipment

Machinery and equipment is recognised in the balance sheet and depreciated on a straight-line basis over the estimated useful life less any residual value. Direct maintenance of machinery and equipment is expensed as other operating expenses, while enhancements or improvements that increase the capacity are added to the cost price and depreciated in line with the asset. Depreciation periods and profiles and residual values are assessed annually.

Intangible assets

Intangible assets consist of identifiable intangible assets. Intangible assets are recognised in the balance sheet if it is probable that the expected future financial benefits attributable to the asset will pass to the company and the asset's historical cost can be measured separately and in a reliable manner. Intangible assets with a limited useful life are recognised at historical cost, less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life. The amortisation period and method are reviewed annually. Intangible assets with an indeterminable useful life are not amortised, but are tested annually for impairment at the date of the statement of financial position, or more frequently if there is an indication of impairment

Goodwill

The difference between the fair value of consideration transferred at the time of acquisition and the fair value of net identifiable assets at the time of acquisition are classified as goodwill. Goodwill is recognised in the balance sheet at historical cost, less any accumulated impairments. Goodwill is not depreciated, but is tested annually for impairment at the balance sheet date, or more frequently if there is an indication of impairment. In cases where negative goodwill is identified in connection with business combinations, the purchase price allocation is reassessed before any negative goodwill is recognised in income.

Research and development

Costs associated with maintaining software or products are recognised as an expense as incurred. Expenses relating to development activities are recognised in the balance sheet if the following criteria are met;

- Development relates to an identifiable, unique product or software controlled by Data Respons
- There is an ability to use or sell the product or software
- It is technically and commercially feasible to complete the development
- The company intends to and has adequate resources to complete the development
- It can be demonstrated how the product or software will generate probable future economic benefits
- The expenditure attributable to the development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development expenses are recognised in the balance sheet at historical cost, less any accumulated depreciation and write-downs. Capitalised development expenses are depreciated over the estimated useful life of the asset, which does not exceed three years.

Intangible assets under development, however, are not depreciated and are tested for impairment annually or more frequently if there is an indication of impairment.

Provisions

Provisions are made in the financial statements where the group has a liability (legal or self-imposed) as a result of a past incident, if it is probable that a financial settlement will be made as a result of this liability, and if the amount of such a settlement can be measured reliably. If the impact is significant, the provisions are calculated by discounting the estimated future cash flows by a discount rate before tax that reflects the market's pricing of the current value of money and, where relevant, risks specifically linked to the liability.

Provisions for restructuring are included if the group has approved a detailed and formal restructuring plan, and the restructuring has either started or been announced. Provisions for loss-making contracts are included when the group's estimated revenue from a contract is lower than the estimated expenses that will be incurred to fulfil the contractual obligations

Inventories

Purchased inventory is valued at the lower of historical cost (using the FIFO principle) or net realisable value. Write-downs are made for any inventory that is assumed to be obsolete.

Leases
The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The group (as a lessee) applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are tested annually for impairment at the date of the statement of the financial position, or more frequently if there is an indication of impairment

Lease liabilities
At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The group applies the short-term lease recognition exemption to its short-term leases of office equipment and servers (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Pension liabilities
A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Data Respons has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. The group does not have any material defined benefit pension arrangements.

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

Employee share option scheme
Employee share options are calculated at the fair value at the time they are granted and accrued on a linear basis over the vesting period until the earliest exercise date. The employer’s social security contributions linked to vested options are accrued correspondingly over the life-span of the option.

Income tax
Income tax expense in the income statement comprises both income tax payable for the period and changes in deferred tax. Deferred tax is calculated at the current tax rate on the basis of temporary differences between the financial accounting and tax-related values, and tax loss carry forward at the end of the financial year. Negative and positive temporary differences that reverse or may reverse during the same period are offset and the tax effect of the net amount is calculated. The tax loss carry forward is recognised in the statement of financial position as a deferred tax asset if it is considered adequately probable that the losses can be utilised in the future.

Cash and cash flow statement

The statement of cash flows has been prepared in accordance with the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments that can be converted immediately and without any significant exchange rate risk to a known cash amount, and with maturity date less than three months from the purchase date.

Contingent liabilities and assets

Contingent liabilities are not recognised unless these arise from, and are assessed as a result of business combinations. Material contingent liabilities are disclosed unless the probability of the liability materializing is remote. Contingent assets are not recognised in the annual financial statements.

Events after the date of the statement of financial position

New information received after the date of the reporting period relating to the company's financial position at the date of the reporting period has been taken into consideration in preparing the consolidated financial statements. Events occurring after the reporting period that do not affect the company's financial position at the date of the reporting period, but that will affect the company's financial position in the future are disclosed if these are material.

Note 2: Significant estimates and judgements

In connection with the preparation of the group consolidated financial statements, management has made assumptions and estimates about future events and applied judgements that affects the reported values of assets, liabilities, revenues, expenses and related disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that the group management believes to be relevant at the time these group consolidated financial statements are prepared.

The group based its assumptions and estimates on parameters available when these group consolidated financial statements were prepared. Accounting estimates may change because of future events. Estimates and their underlying assumptions are assessed continuously. Changes to accounting estimates are included in the financial statements for the period in which the change occurs. If the changes apply to future periods, the impact is spread over the current and future periods.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Business combinations

All business combinations are accounted for using the acquisition method. Consideration for the acquisition of subsidiaries is measured at the fair value of the transferred assets and obligations assumed. The fair value of any assets or obligations that are contingent on the agreement is also included in the consideration. Identifiable assets and liabilities are recognised at fair value on the acquisition date. The acquisition date is the date on which the acquirer obtains control of the acquiree.

If the business combinations include arrangements for contingent payments to employees or selling shareholders, the group has assessed whether the arrangements are contingent considerations in the business combinations or separate transactions. Important factors when assessing the nature of the arrangement is understanding the reason why the acquisition agreement includes a provision for contingent payments, who initiated the agreement and when the parties entered into the arrangement.

Intangible assets acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values at the date of acquisition. The valuation of intangible assets have been based on fair value calculations. Cash forecasts are based on projected discounted cash flows ("DCF") with the following key estimates and judgements; revenue growth, EBIT margin and discount rate. Future revenue growth and EBIT margin are based on management's best estimate and judgement. The assumptions used in the valuation of the intangible assets are the same assumptions used in the valuation of the acquired company.

Amortisation of intangible assets are based on management's estimates of residual value, amortisation method and the useful life of intangible assets. The useful life of an intangible asset is based on an estimated length of time the intangible asset can reasonably be used to generate income and be of benefit to the group. The useful lives of intangible assets are reviewed at least annually taking into consideration the factors mentioned above and all other important relevant

Earn-out liabilities

Earn-out liabilities are recognised as a contingent consideration, at fair value at the time of the acquisition, based on the facts and circumstances available at that time. Earn-out liabilities are usually contingent on the future financial performance of subsidiaries, which needs to be estimated when calculating the expected earn-out liabilities. The earn-out liabilities are initially recognised and measured at fair value at the date of acquisition, with any subsequent remeasurements recognised in profit or loss. The determination of the fair value is based on discounted cash flows, and the key assumption is the estimate of the future financial performance of subsidiaries, normally calculated as a multiple of the company's financial performance measured by EBIT.

At each reporting period, the original estimated fair value of the earn-out liability needs to be adjusted for two reasons:

1. The net present value of cash payments increases as cash settlements move closer in time, requiring an interest cost to be recognised.
2. Updated estimates of the company's financial performance may give rise to changes in the expected cash payments needed to settle the earn-out liability.

The interest component of the change in earn-out liability is a financial cost as it relates in its entirety to the financial structure of the acquisition. If the acquisition had been financed by external debt, an equivalent interest cost would be charged by the source of external funding. The second component of the change in the earn-out liability arises due to changes in estimates. The expected financial performance of the company either surpasses or falls short of the expected performance at the time of the acquisition. This leads to a new estimate of the fair value of the obligation. The effect of a change in estimate is presented as a financial item, as it is relates to a financial liability and changes are considered non-operational. EBITA is also the key KPI analysts and Group Management team use to measure the segment performance, and inclusion of changes in estimates in EBITA could lead to a misleading EBITA and hence make it more difficult to track the segment performance.

Impairment assessment

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if there is an indication of impairment. Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value, less costs of disposal calculation, is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flow forecasts is based on budgets approved by the Board of Directors, with a five-year projection period and do not include restructuring activities that the group is not yet committed to, or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Intangible assets with an indeterminable useful life are not amortised, but are tested annually for impairment at the date of the statement of financial position, or more frequently if there is an indication of impairment.

The group performed its annual impairment test in December 2019, and no indications of impairment losses have been identified for any of the group`s CGUs. The recoverable amounts of these CGUs exceeded their carrying amounts by significant margins. A sensitivity analysis has been performed for these CGUs, in order to determine if a reasonable change in key assumptions would cause the units' carrying amounts to exceed their recoverable amounts.

Revenue from contracts with customers

Revenue for services are to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the group, and satisfies each of its performance obligations (that is, it fulfils its promises to the customer) over time by transferring control of the promised service underlying that performance obligation to the customer. The fact that another entity would not need to re-perform the services that the group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the group's performance as it performs. The input method is considered to be the best method when recognising revenue over time because there is a direct relationship between the group's effort (i.e., labour hours incurred) and the transfer of service to the customer.

A promised solution or service must be distinct to be accounted for as a separate performance obligation when there are multiple promises in a contract. A solution or service is distinct if the customer can benefit from the solution or service either on its own or together with other readily available sources (that is, it is capable of being distinct) and if the service is separately identifiable from the other promises in the contract (that is, distinct in the context of the contract). Determining whether a solution or service is distinct may require significant judgment.

Data Respons has a few bundled sales; with delivery of both products and services. The transaction price in such an arrangement must be allocated to each separate performance obligation based on the relative standalone selling prices of the services being provided and the products delivered to the customer. The allocation could be affected by variable consideration or discounts. Determining the standalone selling price for the services and products may require significant judgment.

Taxes

Deferred tax assets are recognised to the extent that it is probable that the tax assets will be realised. Significant judgement is required to determine the recognised amount and depends foremost on the expected timing, level of taxable profits as well as tax planning strategies and the existence of taxable temporary differences. The judgements relate primarily to tax losses carried forward in some of the group's foreign operations. When an entity has a history of recent losses, the deferred tax asset arising from unused tax losses is recognised only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered as convincing evidence unless the entity has demonstrated the ability of generating significant taxable profit for the current year, or there are certain other events providing sufficient evidence of future taxable profit. Uncertainty related to new transactions and events and the interpretation of new tax rules may affect these judgements.

Leases

The application of IFRS 16 requires the group to make judgments that affect the valuation of the lease liabilities and the right-of-use assets (refer to note 24). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

Identifying a lease will sometimes require a significant amount of judgement based on the elements of the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of a time in exchange for consideration.

The lease term determined by the group comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option. The same economic useful life is applied to determine the depreciation rate of right-of-use assets. In determining the lease term, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into accounts.

Identifying the appropriate rate of discount rate of the lease payments involve significant judgement. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate ("IBR"). A lessee`s IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The approach used in determining the IBR is to take into account the reference rate adjusted for financing spread and lease specific characteristics. The weighted average lessee's IBR applied to the lease liabilities recognised in the statement of financial position at the date of initial application 1 January 2019 was 4 %.

Note 3: Business combinations

On 3 July 2019, Data Respons announced an agreement to acquire 100% of the shares in Donat Group GmbH ("DONAT"), a German R&D Services company headquartered in Ingolstadt with 140 employees. The company is a leading niche provider of software solutions and specialist services within software development and architecture, system integration and test management as well as business critical R&D IT services (DevOps). With this transaction, Data Respons continues to strengthen the position in Germany, which is the largest industrial market in Europe and strategically important for Data Respons. The company had no net interest-bearing debt at closing.

DONAT had revenues of EUR 11 052 thousand and a EBIT of EUR 161 thousand in 2019; of which EUR 6 206 thousand in revenues and EUR 898 in EBIT thousand was recognised in the second half of 2019.

The consideration for the transaction has two parts. The first part is a cash consideration of EUR 8 509 thousand which was paid at closing of the transaction. The second part is an additional earn-out amount (estimated to EUR 9 332 thousand) which will be paid out based on a positive development in the company's EBIT in the current and over the next three financial years (2019, 2020, 2021 and 2022). Earn-out payments will be due in the second quarter of the year following the respective earn-out year. The maximum total consideration will not exceed 7 times the average EBIT of the current and the next three financial years. The initial cash consideration has been funded by a combination of existing loan facilities and cash reserves.

Based on the purchase price allocation, the gross purchase price was estimated to be NOK 172 938 thousand. Book value of the equity was NOK 19 357 thousand, which gave an excess value of NOK 153 581 thousand. The excess value have been allocated to customer relationship intangible asset of NOK 49 901 thousand, deferred tax on customer relationship intangible asset of NOK 14 970 thousand, and goodwill of NOK 118 650 thousand. The goodwill comprises of the value of expected synergies arising from the acquisition, assembled workforce and deferred tax on excess values.

On 2 July 2019, Data Respons announced an agreement to acquire 100% of the shares in inContext AB ("inContext"), a Swedish R&D Services company located in Stockholm with 80 employees. The company is a fast-growing R&D Services company that specialises in interconnect, electrification, embedded software technology, mechanical design and project management. The acquisition of inContext will provide synergies and strengthen Data Respons's position as a complete technology partner for industrial digitalisation, IoT and smart embedded solutions. The company had no interest-bearing debt at closing.

inContext had revenues of SEK 64 193 thousand and an EBIT of SEK 14 296 thousand in 2019; of which SEK 31 375 thousand in revenues and SEK 7 463 thousand in EBIT in the second half of 2019.

The consideration for the transaction has three parts. The first part was a cash consideration of SEK 36 433 thousand which was paid at signing of the agreement. The second part was a private placement of 1 076 810 shares in Data Respons ASA at a price of NOK 31.03 per share, which were issued to the sellers after closing. The third part is an additional earn-out amount (estimated to SEK 76 921 thousand) which will be paid out based on a positive development in the company's EBIT over the next three financial years (May 2019 through April 2022). Earn-out payments will be due in the third quarter in the year of the respective financial year ending in April. The maximum total consideration will not exceed 7 times the average EBIT the next three financial years. The initial cash consideration has been funded by a combination of existing loan facilities and cash reserves.

Based on the purchase price allocation, the gross purchase price was estimated to be NOK 137 459 thousand. Book value of the equity was NOK 9 004 thousand, which gave an excess value of NOK 128 455 thousand. The excess value have been allocated to customer relationship intangible asset of NOK 40 684 thousand, deferred tax on customer relationship intangible asset of NOK 8 706 thousand, and goodwill of NOK 96 477 thousand. The goodwill comprises of the value of expected synergies arising from the acquisition, assembled workforce and deferred tax on excess values.

Both companies are included in Data Respons consolidated figures from 1 July 2019.

Data Respons has expensed NOK 7 117 thousand in transaction costs in 2019 related to the acquisition of DONAT and inContext. The transactions costs are recognised as other operating expenses in the income statement.

For information related to the acquisition of IT Sonix and XPURE in 2018, refer to the consolidated financial statements for 2018.

The fair values of the identifiable assets and liabilities of inContext and DONAT as at the date of acquisition were:

NOK 1000	inContext	DONAT
Non-current assets	1 072	9 581
Trade receivables	16 560	14 522
Cash & cash equivalents	4 117	2 250
Other current assets	2 610	11 596
Total assets	24 358	37 948
Trade payables	702	3 545
Tax and public duties payable	6 291	1 544
Accrued wages and salaries	2 901	5 050
Other current liabilities	5 460	8 452
Total liabilities	15 354	18 591
Estimated purchase consideration	137 459	172 938
Identifiable net assets	9 004	19 357
Total identified excess value	128 455	153 581
Excess value allocated to		
Intangible assets	40 684	49 901
Deferred tax on excess value	(8 706)	(14 970)
Goodwill	96 477	118 650

Note 4: Segments

Operating segments are aligned with the internal management reporting to the group's chief operating decision makers, defined as the group management team. The operating segments are determined based on the underlying operations and geographical location. The operating segments reported are R&D Services, Solutions and Corporate.

Operating segment performance is evaluated based on operating profit before amortisation and impairment of intangible assets (EBITA). The operating segment performance has in previous periods been measured by EBITDA, however from 1 January 2019 the group has changed to EBITA, as depreciations now are considered to be part of the normal operations and should be included in the measurement of the segment performance. In addition is EBITA more relevant as a measure of the operating profit after the implementation of IFRS 16. To enable comparison with prior periods performance, historical information has also been changed from EBITDA to EBITA.

R&D Services

The R&D Services segment delivers consultancy services, R&D development projects and experienced specialists with extensive technology and industry knowledge.

Solutions

The Solutions segment delivers customised software, embedded computer products, and lifecycle services.

Corporate

Corporate comprises the activities of corporate services, management and group finance.

2019

NOK 1000	R&D Services	Solutions	Corporate[1]	Eliminations[2]	Group
External revenue	1 304 399	562 089			1 866 488
Internal revenue	12 115	2 208	8 092	(22 415)	-
Total revenue	1 316 514	564 297	8 092	(22 415)	1 866 488
Cost of goods sold	461 253	388 124	-	(13 914)	835 464
Employee expenses	576 648	76 120	30 666	-	683 434
Other operating expenses	66 156	19 380	15 945	(8 501)	92 980
Depreciation	23 739	11 730	2 941		38 409
EBITA	188 718	68 943	(41 460)	-	216 201
Amortisation and impairment					27 290
Operating profit/loss					188 911

2018

NOK 1000	R&D Services	Solutions	Corporate[1]	Eliminations[2]	Group
External revenue	1 002 228	485 806			1 488 033
Internal revenue	7 597	2 478	7 916	(17 991)	-
Total revenue	1 009 825	488 284	7 916	(17 991)	1 488 033
Cost of goods sold	373 761	335 227	-	(9 356)	699 633
Employee expenses	452 215	72 831	19 305	-	544 351
Other operating expenses	54 609	31 900	18 678	(8 635)	96 550
Depreciation	2 177	1 254	1 237		4 667
EBITA	127 063	47 072	(31 304)	-	142 831
Amortisation and impairment					18 643
Operating profit/loss					124 188

[1] *The item "Corporate" includes all transactions recognised in the parent company Data Respons ASA.*
[2] *The item "Eliminations" includes eliminations of intercompany revenue and expenses.*

Revenue is reported to management in four geographic regions: Norway, Sweden, Denmark and Germany.

2019

NOK 1000	R&D Services	Solutions	Eliminations	Group
Norway	126 599	233 759	(13 037)	347 320
Sweden	644 804	135 960	(105)	780 659
Denmark	116 196	82 095	(846)	197 446
Germany	428 987	113 502	(304)	542 185
Eliminations	(72)	(1 019)	(31)	(1 122)
Total revenue	1 316 514	564 297	(14 323)	1 866 488

2018

NOK 1000	R&D Services	Solutions	Eliminations	Group
Norway	108 455	187 251	(8 066)	287 640
Sweden	568 706	114 476	(769)	682 413
Denmark	101 254	46 319	(630)	146 943
Germany	231 409	142 432	(526)	373 315
Eliminations	-	(2 194)	(83)	(2 277)
Total revenue	1 009 825	488 284	(10 075)	1 488 033

Major customers

In 2019, the top 10 largest customer of the group accounted for 39% (43%) of the revenues in the group. The group does not disclose a breakdown per customer, as sales revenues for any customer do not exceed 10% of the total revenue in the group.

Note 5: Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the group's revenue from contracts with customers:

	2019				2018			
NOK 1000	Solutions	R&D Services	Eliminations	Total	Solutions	R&D Services	Eliminations	Total
Type of goods or service								
Sale of Solutions	539 025	16 292	(1 266)	554 050	470 988	9 756	(405)	480 339
Sale of R&D Services	25 272	1 300 222	(13 057)	1 312 438	17 296	1 000 068	(9 670)	1 007 695
Total revenue	564 297	1 316 514	(14 323)	1 866 488	488 284	1 009 825	(10 075)	1 488 033
Geographical markets								
Norway	233 759	126 599	(13 037)	347 320	187 251	108 455	(8 066)	287 640
Sweden	135 960	644 804	(105)	780 659	114 476	568 706	(769)	682 413
Denmark	82 095	116 196	(846)	197 446	46 319	101 254	(630)	146 943
Germany	113 502	428 987	(304)	542 185	142 432	231 409	(526)	373 315
Eliminations	*(1 019)*	*(72)*	*(31)*	*(1 122)*	*(2 194)*	-	*(83)*	*(2 277)*
Total revenue	564 297	1 316 514	(14 323)	1 866 488	488 284	1 009 825	(10 075)	1 488 033
Timing of revenue recognition								
Goods transferred at a point in time	539 025	16 292	(1 266)	554 050	470 988	9 756	(405)	480 339
Services transferred over a time	25 272	1 300 222	(13 057)	1 312 438	17 296	1 000 068	(9 670)	1 007 695
Total revenue	564 297	1 316 514	(14 323)	1 866 488	488 284	1 009 825	(10 075)	1 488 033
Industries								
Mobility	103 101	593 131		696 232	83 166	341 492		424 658
Space, Defense & Security	47 386	139 950		187 336	39 913	133 581		173 493
Industry & Automation	160 660	76 479		237 139	149 478	56 546		206 024
Energy & Maritime	137 003	70 268		207 271	113 465	58 959		172 424
Medtech	76 170	43 035		119 205	62 178	41 623		103 801
Finance & Public	2 169	69 149		71 318	180	58 329		58 509
Telecom & Media	20 476	300 085		320 561	23 470	299 820		323 289
Other	7 085	20 340		27 425	8 489	17 346		25 835
Internal revenue	*10 247*	*4 076*	*(14 323)*	-	*7 945*	*2 130*	*(10 075)*	-
Total revenue	564 297	1 316 514	(14 323)	1 866 488	488 284	1 009 825	(10 075)	1 488 033

Contract balances

Set out below is the contract balances of the group's revenue from contracts with customers:

NOK 1000	2019	2018
Trade receivables (Note 16)	416 333	411 017
Contract assets (Note 16)	9 893	3 511
Contract liabilties (Note 19)	5 492	2 007

Contract assets are initially recognised for revenue earned from services as receipt of consideration is conditional on successful completion of the work that was agreed in the service agreement. Upon completion and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. Contract liabilities include long-term advances received to deliver specific solutions and short-term advances received to render services.

Performance obligations

Information about the group`s performance obligations are summarised below:

Sale of Solutions

Solutions segment consist of development and delivery of custom solutions by combining engineering services; with standard embedded computer products from leading partners or deliveries of standard embedded computer service. There could be a number of promised solutions or services in the contracts in the Solutions segment; for example development of solutions, delivery of solutions, maintenance on delivered solutions and support on delivered solutions. All these promises are normally seen as separate performance obligations as the customer can benefit from the solution or service either on its own or together with other readily available sources and the service is separately identifiable from the other promises in the contract. The performance obligations are satisfied upon delivery of the solutions and services are satisfied over time. Payment for solutions is generally due within 30 to 90 days from delivery and payment for services is generally due upon milestones, completion and acceptance of the customer.

Sale of R&D Services

R&D Services segment offers consultancy services (specified in a contract or purchase order) for a range of technology related development projects. The performance obligation is satisfied over-time and payment is generally due upon milestones, completion and acceptance of the customer. Performance obligations in the services contracts are typically comprised of specified consultant work explicitly stated in the arrangement. Normally, there are one performance obligation in the services contracts. However, there could be examples of contracts with multiple performance obligations; development, upgrades, enhancements, installation and support. In practical, the assessment of contract performance obligations, have normally no significant effect on the accounting, since the pricing in the different types of service agreements are based on standalone selling prices and is mainly based on the principle "paid by the hour", which means that the service agreements are priced with hourly fees which are satisfied (and accounted) for as the work is performed. Discounts and variable consideration are typically allocated to all of the performance obligations in an arrangement based on their relative standalone selling price.

Note 6: Employee expenses and remuneration

Employee expenses

NOK 1000	2019	2018
Wages and salaries	510 004	408 820
Social security tax	110 824	85 034
Pension expenses, defined contribution scheme	30 512	27 111
Other benefits	32 093	23 386
Total employee expenses	683 434	544 351

The average number of full time employees in the group was 798 (652) and there were 1 007 (776) employees at the end of the year. There were 209 (134) female employees in the group, 15 (18) of whom were top or middle managers. In addition to the own employees, the group has 405 (344) subcontractors where the cost is booked as cost of goods sold in the income statement.

The pension expenses are related to defined contribution schemes in the group`s subsidiaries. The group does not have any significant defined benefit pension schemes as of 31 December 2019.

The Norwegian subsidiaries are required to operate a company pension scheme pursuant to the Mandatory Occupational Pension Act, and operates pension schemes that meets these requirements.

Remuneration to Group Management

2019

NOK	Base salay	Bonus	Share options	Pensions	Other benefits	Total remuneration	Number of shares	Number of options
Kenneth Ragnvaldsen, CEO	3 798 105	1 337 666	7 277 860	79 884	177 097	12 670 612	360 595	1 061 538
Jørn Toppe, COO	1 543 643	431 250	3 006 700	74 724	13 807	5 070 124	123 965	235 897
Rune Wahl, CFO	2 801 015	980 955	5 083 045	81 156	171 597	9 117 768	155 095	707 692

2018

NOK	Base salay	Bonus	Share options	Pensions	Other benefits	Total remuneration	Number of shares	Number of options
Kenneth Ragnvaldsen, CEO	3 529 411	1 000 000	16 741	77 004	176 978	4 800 134	325 595	400 000
Jørn Toppe, COO	1 546 804	264 000	-	74 580	12 873	1 898 257	167 032	160 000
Rune Wahl, CFO	2 607 957	700 000	16 741	78 252	161 844	3 564 793	124 595	270 000

Remuneration to Board of Directors

	2019			2018		
NOK	Number of shares	Board fee	Fee for Board elected committees	Number of shares	Board fee	Fee for Board elected committees
Erik Langaker, Chairman of the Board, member of M&A commitee and Compensation commitee	416 746	440 000	50 000	195 637	420 000	45 000
Morten Thorkildsen, Board member and member of the Audit Committee	-	210 000	30 000	-	200 000	20 000
Janne Morstøl, Board member and member of M&A Commitee	4 000	210 000	30 000	4 000	200 000	25 000
Ulla-Britt Fräjdin Hellqvist, Board member and member of Compensation Commitee	10 000	210 000	10 000	10 000	200 000	10 000
Martin Burkhalter, Board member and Chairman of the Audit Committee	3 000	210 000	20 000	3 000	200 000	30 000
Åsa Grübb Weinberg, Board member, employee representative (untill November 2019)	10 000	25 000	-	10 000	50 000	-
Elna Margarete Hov, employee representative (from November 2019)	-	25 000	-	-	-	-
Marius Westergaard, Board member, employee representative (from August 2018)	1 047	50 000	-	1 047	50 000	-
Henrik Kai Eriksen, Board member, employee representative (untill August 2018)	-	-	-	1 000	-	-

Remuneration to Nomination committee

	2019	2018
NOK	Total remuneration	Total remuneration
Bård Brath Ingerø, Chairman	25 000	25 000
Fredrik Thorsen, member	20 000	20 000
Christian Dahl, member	20 000	20 000

Remuneration to the Board of Directors

On 12 April 2019 the annual general meeting decided that the Board of Directors shall be remunerated with a fixed salary of NOK 440 000, NOK 210 000 and NOK 50 000 for respectively the Chairman of the board, shareholder elected board members, and employee representatives. Based on the current composition of the Board of Directors this amounts to a total of NOK 1 520 000 in remuneration.

In addition, an annual compensation of NOK 30 000 shall be paid to the Chairman of the Audit Committee and NOK 20 000 for the committee members. For the M&A Committee, a compensation of NOK 30 000 shall be paid to each of the two members. For the Compensation Committee, NOK 20 000 shall be paid to the Chairman of the committee and NOK 10 000 shall be paid to other members. For the Nomination committee, NOK 25 000 shall be paid to the leader and NOK 20 000 shall be paid to other members.

No loans or guarantees have been provided to the Board of Directors, key employees, other employees or their related parties. There are no shareholder agreements in Data Respons ASA.

Board's guidelines and main principles for the stipulation of salaries and other remuneration to key employees

Objective

The objective of the remuneration policy for the CEO and other senior management is to provide a competitive compensation that contains incentives to work for profitable growth and long term value creation for the shareholders within the scope of the group's adopted values and strategies. The Board of Directors is in general positive to compensation that ensures convergence of the financial interests of the executive personnel and shareholders.

Authority

The Board shall determine the salary and other remuneration to the CEO. The CEO shall determine the salaries and other remuneration for other senior management. The Board shall establish guidelines for remuneration to other senior management. Any remuneration to other senior management beyond the guidelines shall be approved by the Board of Directors. Any share-based incentive plans should always be approved by the Board.

Guidelines and principles for remuneration

The CEO and other senior management shall be paid a competitive fixed basic salary and other administrative benefits in line with similar positions in comparable companies. In addition to the fixed salary, the CEO and other senior management have annual variable salaries through bonus agreements in which payments are dependent on achieving goals for profitability improvement, growth and cash flow targets for the company. For the CEO and other senior management the variable salary shall be a maximum of 50% of the fixed base salary.

The group has established a share savings programme for employees in order to create dedication for value creation and ensure convergence of the financial interests of the employees and the shareholders. The CEO and other senior management were invited to participate in the programme on equal terms as other employees. Employees subscribed to shares at a maximum of 20% discount to market value at the time of share subscription. The Board of Directors decide the maximum amount of shares that can be subscribed by employees and the discount. In 2019, 252 989 new shares were issued under this programme. Refer to note 12 for further information.

In order to create a long term incentive for value creation and attract and retain key personnel, the company has a share option scheme for the CEO and other senior management in accordance with the approved framework at the annual general meeting held in 2019. The share option scheme with a duration of three years was established to give the company’s management incentives to create value for the shareholders.

The CEO and other senior management are covered by the prevailing defined contribution pension schemes on the same terms as other employees. The group does not have any defined benefit pension or insurance schemes. The CEO is entitled to 12 months' salary after termination or amendment of his position/employment. Other senior management have a mutual notice period of up to six months and no special arrangements.

Employee share option scheme for senior management

On 14 April 2016 the annual general meeting of Data Respons ASA approved a share option program for 5 employees in top management positions with a total scope of 1 440 000 options. The options were issued in 3 equal parts over a 3 year period. In May 2016 the strike price for the first vesting period was set to NOK 11.31. In May 2017 the strike price for the second vesting period was set to NOK 27.37. In May 2018 the strike price for the third vesting period was set to NOK 25.85.

On 15 April 2019 the participants in the share option scheme exercised a total of 1 440 000 share options (equal to 1 440 000 shares) to an average strike price of NOK 19.51 per share. On the same date Data Respons ASA purchased 1 440 000 treasury shares at a price of NOK 31.80 per share to settle its obligation to deliver the shares. All participants further transferred their rights to receive shares resulting from the exercise of their share options to a third party against a consideration to be determined on the basis of the price subsequently obtained by the third party when selling the shares. The price subsequently obtained was NOK 31.80 per share. Data Respons had a trade loss of NOK 17 698 thousand from the sale of the treasury shares under the employee option scheme, and this was accounted for as an equity transaction.

On 12 April 2019 the annual general meeting of Data Respons ASA approved a share option program for 5 employees in top management positions with a total scope of 2 300 000 options. The options were issued in two parts in 2019 with strike price of NOK 27.00 per share for the first 1 950 000 share options and NOK 32.50 for the remaining 350 000 share options. The share options can be exercised at the earliest after a three year period in October 2022 and February 2023.

Movements in the number of outstanding share options and the associated weighted average exercise prices are as follows:

	2019		2018	
NOK	Average exercise price	Options	Average exercise price	Options
As of 1 January	18.34	960 000	10.31	480 000
Granted - 2016 share option scheme	25.85	480 000	27.37	480 000
Granted - 2019 share option scheme	27.84	2 300 000		
Exercised	19.51	(1 440 000)		
Expired				
Dividend adjustment			(1.00)	
As of 31 December	27.84	2 300 000	18.34	960 000

The fair value of the options granted to employees has been calculated using the Black & Scholes' valuation model for options. The most important input data included in the 2016 share option scheme was the share price of NOK 11.30 when granted, estimated exercise price of NOK 11.31, estimated volatility of 31.62% based on the share prices over a period of three years leading up to the issue date and a risk-free interest rate of 0.51%. The cost is calculated based on the total of 1 440 000 options to be issued and will be accrued over the vesting period with deductions for the estimated number of forfeited options. The most important input data included in the 2019 share option scheme was the share price of NOK 27.00 and NOK 32.50 when granted, estimated exercise price of NOK 27.00 and NOK 32.50, estimated volatility of 33.49% based on the share prices over a period of one year leading up to the issue date and a risk-free interest rate of 1.42%. The cost is calculated based on the total of 2 300 000 options to be issued and will be accrued over the vesting period with deductions for the estimated number of forfeited options.

In accordance with IFRS 2, the fair value of options granted to employees is accrued over the vesting period and in 2019 a total of NOK 2 388 (711) thousand was expensed related to options granted to the CEO and key employees.

Remuneration to the auditor (excl. VAT)

NOK 1000	2019	2018
Auditing services	2 846	1 622
Other certification services	260	280
Tax advice	50	50
Other non-auditing services	1 040	1 700
Total remuneration	4 196	3 653

Note 7: Other operating expenses

NOK 1000	2019	2018
Expenses related to premises and equipment	892	30 399
External services	22 070	18 834
IT expenses	13 734	11 512
Travel expenses	15 740	12 690
Office expenses	8 825	7 006
Marketing expenses	9 560	7 135
Equipment expenses	5 244	3 475
Bad debt provisions/losses	7 825	(216)
Other operating expenses	9 089	5 717
Total other operating expenses	92 980	96 550

Note 8: Cost of goods sold

NOK 1000	2019	2018
Cost of goods sold solutions	376 938	328 246
Cost of goods sold subcontractors	452 690	366 909
Freight	5 747	4 420
Other cost of goods sold	89	59
Total cost of goods sold	835 464	699 633

Note 9: Research and development

The group does not have material costs related to research and devlopment activities. As at 31 December 2019, Data Respons has no intangible assets related to product development.

Note 10: Net financial items

NOK 1000	2019	2018
Financial income		
Interest income on cash reserves	1 218	439
Realised / unrealised currency exchange gain	9 417	6 217
Other financial income[1]	52 261	13 899
Financial income	62 895	20 555
Financial expenses		
Interest expenses on interest-bearing loans	(8 100)	(7 794)
Interest expenses on earn-out liabilities	(15 149)	(11 481)
Interest expenses on lease liabilities	(2 862)	-
Realised / unrealised currency exchange loss	(6 969)	(15 589)
Other financial costs[1]	(22 950)	(14 821)
Financial expenses	(56 030)	(49 685)
Net financial items	6 865	(29 130)

[1] *Other financial income include decrease in earn-out liabilities and other financial costs include increase in earn-out liabilities.*

Note 11: Income tax

NOK 1000	2019	2018
Summary of temporary differences		
Receivables	(8 459)	(483)
Other current assets	(121)	(421)
Non-current assets	(7 309)	(9 693)
Leasing liabilities	(1 207)	-
Pensions	14	257
Total	**(17 081)**	**(10 339)**
Untaxed reserves Sweden	9 575	9 839
Tax loss carryforward	(51 982)	(70 390)
Total positive/(negative) temporary differences	**(59 488)**	**(70 890)**
Deferred tax asset at current tax rate	16 619	19 124
Of which, deferred tax assets not recognised	5 378	7 507
Deferred tax assets recognised	**11 241**	**11 617**
Deferred tax liabilities at current tax rate	71 975	55 642
Deferred tax liabilities recognised	**71 975**	**55 642**

The recognised deferred tax asset relates primarily to the tax loss carryforward in Data Respons Solutions A/S. The company increased its profit in 2019 and it is expected that it will be possible to utilise the deferred tax assets within a seven year period. The tax loss can be carried forward indefinitely. The deferred tax assets not recognised relates primarily to tax losses carried forward in Data Respons Solutions GmbH (NOK 4 598 thousand at 30% tax rate), which due to uncertainties regarding the amount, was not reported as basis for deferred tax asset.

The recognised deferred tax liabilities relate primarily to the intangible assets identified in business combinations. The deferred tax liabilities will be reversed over the amortisation period.

NOK 1000	2019	2018
Income tax for the year consist of		
Income tax payable in Norway	-	-
Income tax payable outside Norway	56 677	38 948
Total income tax payable	**56 677**	**38 948**
Change in deferred tax in Norway	(26)	2 363
Change in deferred tax outside Norway	(7 011)	(5 970)
Total change in deferred tax	**(7 037)**	**(3 607)**
Total income tax expense/(revenue)	**49 640**	**35 342**

NOK 1000	2019	2018
Calculation of tax base for the year		
Profit/loss before tax	195 777	95 059
22 % tax (2018: 23 %)	**43 071**	**21 863**
Tax effect of:		
Permanent differences	(1 027)	8 670
Change in not-recognised deferred tax assets	(1 840)	(511)
Adjustment from previous years	58	(32)
Differences in tax rates	9 378	5 274
Change in tax rates	-	76
Income tax expense/(revenue) for the year	**49 640**	**35 342**
Effective tax rate	25 %	37 %

The effective income tax rate was primarily influenced by non-taxable financial items related to earn-out liabilities and different tax rates in Sweden, Denmark and Germany.

Note 12: Share capital, shareholders and earnings per share

As of 31 December 2019, the registered share capital of Data Respons ASA consisted of 75 510 468 shares with a par value of NOK 0.50. All shares have equal rights and are freely transferable. Data Respons has one class of shares and each share carries one vote. Data Respons did not own any treasury shares at 31 December 2019.

In May 2019, 1 048 956 new shares were issued at an average price of NOK 28.44 per share to the sellers of MicroDoc. In May 2019, 659 658 new shares were issued at an average price of NOK 28.44 per share to the sellers of EPOS CAT. In May 2019, 354 972 new shares were issued at an average price of NOK 25.81 per share to the sellers of IT Sonix & XPURE.

In May and June 2019, a total of 12 000 000 new shares were issued at a price NOK 27.00 per share through a private placement. In June 2019, 252 989 new shares were issued at a price of NOK 20.69 per share to the group's employee share saving scheme.

In July 2019, 1 076 810 shares were issued at an average price of NOK 31.03 per share to the sellers of inContext. In August 2019, a total of 1 800 000 new shares were issued at a price NOK 27.00 per share through a subsequent repair offering.

Top 20 shareholders

Shareholder	Ordinary shares	%
MP PENSJON PK	4 781 554	6.33 %
HANDELSBANKEN FONDER AB	4 575 063	6.06 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	4 344 098	5.75 %
AKTIA FUNDS	3 932 789	5.21 %
FOLKETRYGDFONDET	3 920 227	5.19 %
THE BANK OF NEW YORK MELLON SA/NV*	3 371 560	4.47 %
DR. LASSMANN INVEST GMBH	3 067 805	4.06 %
MORGAN STANLEY & CO. INT. PLC.*	2 989 120	3.96 %
VERDIPAPIRFONDET DNB NORGE	2 895 875	3.84 %
STATE STREET BANK AND TRUST COMP*	2 787 316	3.69 %
NORDEA NORDIC SM CAP FD	2 485 818	3.29 %
HERALD INVESTMENT TRUST PLC	1 800 287	2.38 %
CITIBANK, N.A.*	1 764 925	2.34 %
CLEARSTREAM BANKING S.A.*	1 709 577	2.26 %
VARNER INVEST AS	1 650 000	2.19 %
DANSKE INVEST NORGE VEKST	1 619 238	2.14 %
GOLDMAN SACHS & CO. LLC*	1 466 602	1.94 %
SOCIÉTÉ GÉNÉRALE*	1 429 248	1.89 %
STOREBRAND NORGE I VERDIPAPIRFOND	968 096	1.28 %
J.P. MORGAN SECURITIES PLC*	935 154	1.24 %
TOTAL 20 LARGEST	52 494 352	69.52 %
OTHERS	23 016 116	30.48 %
TOTAL NUMBER OF SHARES	75 510 468	100.00 %

** Nominee account*

Share issues in 2019

Date	Type	Subscription price	Number of shares	After new issue
08.05.2019	Capital increase	25.81	354 972	58 672 145
08.05.2019	Capital increase	28.44	1 708 524	60 380 669
15.05.2019	Capital increase	27.00	2 000 000	62 380 669
07.06.2019	Capital increase	27.00	10 000 000	72 380 669
18.06.2019	Capital increase	20.69	252 989	72 633 658
18.07.2019	Capital increase	31.03	1 076 810	73 710 468
28.08.2019	Capital increase	27.00	1 800 000	75 510 468

Power of attorney to issue shares and purchase treasury shares

Passed	Type	Year issued	Maximum share limit	Shares issued / purchased	Remaining number of shares	Duration
12.04.2019	Capital increase	2019	5 800 000	5 393 295	406 705	23.04.2020
12.04.2019	Treasury shares	2019	2 000 000	1 440 000	560 000	23.04.2020
05.06.2019	Capital increase	2019	11 800 000	11 800 000	-	-

In the annual general meeting on 12 April 2019, the Board of Directors was granted power of attorney to increase the company's share capital by a maximum of NOK 2 900 000 through the issue of maximum 5 800 000 new shares, each with a par value of NOK 0.50. The authorisation is valid until the annual general assembly in 2020 and can be used by the board in connection with acquisitions of new companies within the group's core business and strategy, in connection with the group's employee share option scheme or to raise cash. The company's shareholders have waived their pre-emptive subscription rights in accordance with Section 10-4 of the Norwegian Public Limited Companies Act. The board may decide that the share deposit shall take the form of assets other than cash or rights to incur particular obligations for the company pursuant to Section 10-2 of the Norwegian Public Limited Liability Companies Act.

In the annual general meeting on 12 April 2019, the Board of Directors has been granted power of attorney to purchase up to 2 000 000 treasury shares with an equivalent nominal value of NOK 1 000 000 . The amount which may be paid per share is to be minimum NOK 5.00 and maximum NOK 50.00. The board is free to choose the method by which the purchase or sale is executed. The authorisation is valid until the annual general assembly in 2020. The purpose of the authorisation is to give the company the facility to implement buy-back of shares with subsequent cancellation, in order to optimise the company's capital structure. Furthermore, the company wishes to be able to use such authorisation to purchase and sell treasury shares in connection with complete or partial settlement for acquired companies or in connection with the company's employee share saving scheme

On 15 April 2019 Data Respons ASA purchased 1 440 000 own shares at a price of NOK 31.80 in relation to settlement of the share option scheme for management. Refer to note 6 for details.

On 13 May 2019, Data Respons ASA announced a private placement of 12 000 000 new shares at a price per share of NOK 27.00. The private placement, which was significantly oversubscribed, took place through an accelerated bookbuilding process. The net proceeds from the private placement will be used to fund future M&A activity. The private placement was divided into two tranches. Tranche 1 consisted of 2 000 000 shares and was based on the existing authorisation to issue shares from the annual general meeting on 12 April 2019. Tranche 2 consisted of 10 000 000 shares and was approved in an Extraordinary General Meeting on 5 June 2019. A repair issue of up to 1 800 000 shares was also approved in the extraordinary general meeting on 5 June 2019, and this repair issue was also significantly oversubscribed.

Earnings per share

NOK 1000	2019	2018
Profit/loss for the year attributable to the company's shareholders	136 790	53 372
Weighted average number of outstanding shares (1000)	67 813	54 624
Effect of dilution:		
- Employee share option scheme	2 300	960
- Bonus shares related to the share saving scheme	96	-
Weighted average number of outstanding shares, diluted (1000)	70 209	55 584
Earnings per share, basic	2.02	0.98
Earnings per share, diluted	1.95	0.96

The earnings per share ratio is calculated by dividing the profit/loss for the year attributable to the company's shareholders by a time-weighted average of outstanding ordinary shares throughout the year, less the company's treasury shares.

The diluted earnings per share ratio is based on the same calculation as above, however, it also takes into account potential shares that have been outstanding during the period and will have a diluting effect, i.e. reduce the earnings per share for the ordinary shares. The company has two categories of potential shares that can result in dilution: share options and bonus shares related to the share saving scheme. Potential ordinary shares are treated as dilutive only if their conversion to ordinary shares would decrease profit per share or increase loss per share from continuing operations attributable to ordinary equity holders.

Calculation of time-weighted shares

Date	No. of shares	No. of days	Weighted no. of shares
01.01.2019	58 317 173	127	20 573 003
08.05.2019	60 380 669	7	1 174 069
15.05.2019	62 380 669	22	3 812 152
07.06.2019	72 380 669	11	2 211 632
18.06.2019	72 633 658	30	6 052 805
18.07.2019	73 710 468	40	8 190 052
28.08.2019	75 510 468	123	25 799 410
		360	67 813 122

Dividends

Due to AKKAs acquisition of the shares in Data Respons ASA, the Board of Directors in Data Respons has not made any proposal for dividends for 2019.

Note 13: Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Owned by	Date of acquisition	Registered office	Total ownership and voting interest
Data Respons Asia AS	Data Respons ASA	17.02.2000	Bærum (NO)	100 %
Data Respons Solutions Norge AS	Data Respons ASA	27.11.2001	Bærum (NO)	100 %
Data Respons Solutions AB	Data Respons ASA	27.11.2001	Stockholm (SE)	100 %
Data Respons Solutions A/S	Data Respons ASA	27.11.2001	København (DK)	100 %
Data Respons Solutions GmbH	Data Respons ASA	17.02.2005	Karlsruhe / Erlangen (DE)	100 %
Data Respons R&D Services AS	Data Respons ASA	01.04.2006	Bærum (NO)	100 %
Sylog Sverige AB	Data Respons ASA	06.07.2007	Stockholm (SE)	83 %
YABS AB	Sylog Sverige AB	08.10.2013	Stockholm (SE)	66 %
iWise AB	Sylog Sverige AB	05.12.2013	Stockholm (SE)	62 %
Sylog Väst AB	Sylog Sverige AB	26.09.2014	Göteborg (SE)	83 %
Sylog Öst AB	Sylog Sverige AB	10.06.2015	Linköping (SE)	66 %
Sylog Epic AB	Sylog Sverige AB	31.08.2016	Stockholm (SE)	66 %
MicroDoc Computersysteme GmbH	Data Respons ASA	26.09.2016	Munich (DE)	100 %
MicroDoc Software GmbH	Microdoc Computersysteme GmbH	26.09.2016	Munich (DE)	100 %
Atero AB	Sylog Sverige AB	27.10.2016	Linköping (SE)	83 %
TechPeople A/S	Data Respons ASA	01.03.2017	Herlev (DK)	100 %
EPOS CAT GmbH	Data Respons ASA	30.11.2017	Ingolstadt (DE)	100 %
IT Sonix custom development GmbH	Data Respons ASA	10.10.2018	Leipzig (DE)	100 %
XPURE GmbH	Data Respons ASA	10.10.2018	Leipzig (DE)	100 %
Sylog Jasper AB	Sylog Sverige AB	05.02.2019	Stockholm (SE)	66 %
inContext AB	Data Respons ASA	02.07.2019	Stockholm (SE)	100 %
DONAT Group GmbH	Data Respons ASA	03.07.2019	Ingolstadt (DE)	100 %
DONAT IT GmbH	DONAT Group GmbH	03.07.2019	Ingolstadt (DE)	100 %
Softvision GmbH	DONAT Group GmbH	03.07.2019	Ingolstadt (DE)	100 %
Sylog Systems AB	Sylog Sverige AB	19.08.2019	Stockholm (SE)	66 %

Note 14: Non-controlling interests

Data Respons controls 83% of shares and voting rights in the subsidiary Sylog Sverige AB, and non-controlling interests hold the remaining 17%. Sylog Sverige AB owns 100% of shares and voting rights in Sylog Väst AB and Atero AB. Sylog Sverige AB also owns 75% of the shares and voting rights in iWise and 80% of shares and voting rights in YABS AB, Sylog Öst AB, Sylog Epic AB, Sylog Systems AB and Sylog Jasper AB.

During 2019 Sylog Sverige AB merged with the two 100% owned subsidiaries South Pole Consulting AB and Professional Finder AB and founded the two companies Sylog Systems AB and Sylog Jasper AB.

Profit allocated to non-controlling interests were NOK 9 346 thousand (6 345) in 2019. At the end of the year the equity attributable to the non-controlling interests, amounted to NOK 29 495 thousand (26 744).

The non-controlling interests in Sylog Sverige AB is considered material and the financial information are provided below:

NOK 1000	2019	2018
Current assets	213 876	215 512
Non-current assets	48 618	40 670
Current liabilities	205 502	194 312
Non-current liabilities	6 821	3 003
Revenue	615 289	569 351
Profit or loss after tax	21 536	19 060
Dividends paid to non-controlling interests	6 005	3 620

Other non-controlling interests are not considered material on a standalone basis and the summarised financial information are provided below:

NOK 1000	2019	2018
Current assets	91 403	76 345
Non-current assets	45	-
Current liabilities	63 243	61 382
Non-current liabilities	-	-
Revenue	42 579	35 491
Profit or loss after tax	18 783	11 387

The 2019 figures above include the fully owned subsidiaries of Sylog Sverige AB: Sylog Väst AB and Atero AB. The figures also includes YABS AB, Sylog Öst AB, Sylog Epic AB, Sylog Jasper AB and Sylog Systems AB which are owned 80% by Sylog Sverige AB and iWise which are owned 85% by Sylog Sverige AB.

The 2018 figures above include the fully owned subsidiaries of Sylog Sverige AB: Professional Finder AB, Sylog Väst AB, South Pole Consulting AB and Atero AB. The figures also includes YABS AB, Sylog Öst AB and Sylog Epic AB which are owned 80% by Sylog Sverige AB and iWise which are owned 85% by Sylog Sverige AB.

Note 15: Goodwill, intangible assets, machinery and equipment

NOK 1000	Goodwill	Customer relationship	Other intangible assets	Total intangible assets	Machinery and equipment
Cost or valuation on 1 January 2018	759 599	118 014	7 824	885 436	81 969
Additions	255 438	78 922		334 360	3 206
Translation differences	14 329	3 179	(965)	16 543	(599)
Additions/disposals from acquired/sold companies	937		1 969	2 906	1 714
Cost or valuation on 31 December 2018	1 030 303	200 115	8 828	1 239 246	86 291
Accum. depr. and impairm. on 1 January 2018	145 000	7 721	5 487	158 208	73 967
Depreciation / amortisation for the year		14 767	1 023	15 790	4 667
Impairment	2 853			2 853	
Translation differences		(2 259)		(2 259)	(726)
Additions/disposals from acquired/sold companies				-	
Accum. depr. and impairm. on 31 December 2018	147 853	20 229	6 510	174 592	77 909
Net book value on 31 December 2018	882 450	179 886	2 318	1 064 653	8 382
Cost or valuation on 1 January 2019	1 030 303	200 115	8 828	1 239 246	86 291
Additions	215 128	90 585		305 713	6 034
Translation differences	(3 826)	(859)	488	(4 197)	(709)
Additions/disposals from acquired/sold companies	5 573		515	6 088	3 481
Cost or valuation on 31 December 2019	1 247 177	289 841	9 831	1 546 849	95 096
Accum. depr. and impairm. on 1 January 2019	147 853	20 229	6 510	174 592	77 909
Depreciation / amortisation for the year		25 405	1 885	27 290	5 949
Impairment				-	
Translation differences		(1 013)		(1 013)	(1 565)
Additions/disposals from acquired/sold companies				-	
Accum. depr. and impairm. on 31 December 2019	147 853	44 621	8 394	200 869	82 292
Net book value on 31 December 2019	1 099 324	245 220	1 436	1 345 980	12 804

Data Respons acquired DONAT and inContext, and recognised a total goodwill of NOK 215 128 thousand related to the acquisitions. Refer to note 3 for further information.

Goodwill is recorded in functional currency and as a result, changes in currency exchange rates affect the value of goodwill. Compared to the currency rate at the acquisition date, goodwill was adjusted upwards by NOK 42 686 thousand at the end of 2019, compared to an upwards adjustment of NOK 46 512 thousand at the end of 2018.

Allocation of goodwill

(NOK 1000)	2019	2018
R&D Services Norway	62 000	62 000
R&D Services Sweden - Sylog	99 786	102 524
R&D Services Sweden - inContext	99 264	-
R&D Services Denmark	54 059	54 550
R&D Services Germany - Microdoc	165 802	167 222
R&D Services Germany - EPOS CAT	167 310	168 744
R&D Services Germany - IT Sonix	132 250	133 382
R&D Services Germany - XPURE	134 895	136 051
R&D Services Germany - DONAT	126 401	-
Solutions Germany - Microdoc	27 224	27 458
Solutions Germany - Data Respons	21 785	21 971
Solutions Norway	8 548	8 548
Total	1 099 324	882 450

Impairment test of goodwill
Goodwill recognised through the acquisition of companies and units is allocated to the individual cash generating unit, if the cash flows are still identifiable. The recoverable amount for the cash flow-generating units is calculated based on value in use calculations by using cash flow forecasts for the business operations. Cash flow forecasts are based on budgets approved by the Board of Directors for 2020, with a projection for a five-year period based on the assumptions below. Cash flows beyond the budgeted period are extrapolated using estimated growth rates for the individual units. Future EBIT margin and cash flow is based on the management's best estimate and judgment.

The most significant assumptions for calculation of the recoverable amount are as follows:

Discount rate
A calculated WACC of 8.0% (7.4%) after tax has been used as the discount rate for all units. CGUs in the group are based in the Nordic / Northern European region, and regional differences are estimated to not make a significant impact on the applied WACC rate at the balance sheet date. The corresponding WACC before tax is 10.2% (9.6%). The WACC before tax is calculated by determining the effective discount rate that, applied to the undiscounted pre-tax cash flows, results in the (post-tax) VIU amount.

Revenue growth
Historically the group has achieved a strong growth, and management believe that trend towards a more data-driven society will remain strong. The need for smarter and more software-orientated products, platforms and services is becoming increasingly significant for all our customers. However, as the group is focusing efforts in key markets and downsizing less profitable business units, growth rates are expected to vary among the cash generating units. Expected growth rates in 2020 vary between -15% and 22% (-2 to 16%). Beyond 2020, the group expects growth rates between -50% and 2% (3% to 10%) in the forecasted four-year period.

Extrapolated growth rate
The growth rate beyond five years has been set at 2% (2%) for all units.

EBIT margin
The group has used EBIT margins that reflect management's best estimate of earnings potential in the 5-year period. EBIT margins applied in the calculation of value-in-use range from 5% to 30% (5% to 30%), dependent on past financial performance and expected profit margins for each unit.

Sensitivities
The group has not identified any needs for impairments for any of the groups cash generating units. The recoverable amounts of these CGUs exceed their carrying amounts by significant margins. A sensitivity analysis has been performed for these CGUs, in order to determine if a reasonable change in key assumptions would cause the units' carrying amounts to exceed their recoverable amounts. A reduction in the estimated growth rate by 5 percentage points, a reduction in the estimated EBIT margin by 1 percentage point or an increase in WACC after tax by 1 percentage point would not lead to impairment losses in either of the units.

Other intangible assets

Intangible assets consist of intangible assets recognised at fair value upon the acquisition of companies, licenses and capitalised development expenses. Customer relationship is related to the acquisitions of Microdoc in 2016, EPOS CAT, TechPeople in 2017, IT Sonix & XPURE in 2018 and DONAT and inContext in 2019. See note 3 for further information on the 2019 acquisitions of DONAT GmbH and inContext. Customer relationships are amortised over 10 years, licenses over 3 years and capitalised development expenses over 2.5 – 3 years.

Machinery and equipment

The group use straight-line depreciation for all machinery and equipment. The estimated economic life of machinery and equipment is 3 to 5 years.

Note 16: Trade and other receivables

NOK 1000	2019	2018
Trade receivables	425 762	411 683
Provisions for impairment of receivables	(9 429)	(666)
Trade receivables, net	416 333	411 017
Accrued revenue	9 893	3 511
Prepayments	21 799	12 282
Other current receivables	10 794	13 644
Total other receivables	42 486	29 436
Total receivables	458 820	440 453
Provisions as of 1 January	666	502
Realised losses	-	(36)
Changes in provisions for the period	8 763	199
Provisions as of 31 December	9 429	666

Losses on trade receivables are classified as other operating expenses in the income statement. The provision for loss is measured at an amount equal to lifetime expected credit losses. The provision reflects expected credit losses on the trade receivables and is based on an analysis of the overdue receivables. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions

As of 31 December 2019, Data Respons Solutions AS has made a provision for loss of NOK 8 014 thousand on a receivable against READ Group AS. Data Respons Solutions AS had an accounts receivable of NOK 8 014 thousand excl. VAT to READ AS, and the receivable was secured with a parent company guarantee from READ Group AS, with a pledge in the company`s assets. On 12 February 2019, READ AS was declared bankrupt by the district court in Asker and Bærum, and Data Respons Solutions AS claimed READ Group AS for the outstanding amount. During the third quarter 2019, the Enforcement Office in Oslo, Asker and Bærum ("Namsfogden") concluded in favor of Data Respons Solutions AS, and started the process with enforcing the claim against READ Group AS. However, based on the significant credit – and legal process risk, Data Respons Solutions AS has made a provision for loss on the full amount of the receivable.

Ageing analysis of trade receivables

NOK 1000	Carrying amount	Not due	Number of days past due date		
			0-30	31-60	61+
Trade receivables as of 31 December 2019	425 762	313 864	84 489	16 960	10 449
Trade receivables as of 31 December 2018	411 683	366 196	23 089	7 331	15 066

Note 17: Cash and cash equivalents

NOK 1000	2019	2018
Cash and bank deposits	128 066	82 424
- of which restricted	(4 718)	(4 400)
Unrestricted cash and cash equivalents	123 347	78 024
Unutilised overdraft facilities	50 000	50 000
Unutilised other credit facilities	331 068	121 860
Cash reserve	504 415	249 884

Data Respons has established a corporate account system in which Data Respons ASA is the corporate account holder, while the other group companies are subaccount holders. The bank can set off any withdrawals or deposits against each other. The net position represents the balance between the bank and Data Respons ASA. As of 31 December 2019 there was a net positive balance in the corporate account system of NOK 24 894 (25 334) thousand. The overdraft limit for the corporate cash pool system is NOK 50 000 (50 000) thousand, and the group had unrestricted cash outside the cash pool of NOK 98 453 (52 690) thousand.

The group has also a 5 year NOK 400 million revolving credit facility with Swedbank AB and Handelsbanken Norwegian Branch of Svenske Handelsbanken AB. As of 31 December 2019, a total of NOK 68 932 (278 140) thousand was drawn under the credit facilities.

The total unutilised cash reserve for the group at 31 December 2019 is NOK 504 415 (249 884) thousand. Restricted cash consists of employee's tax deductions of NOK 4 718 (4 400) thousand.

The revolving credit facility of NOK 400 million is available to the company for five years until 2023.

Data Respons is subject to certain covenants as part of its revolving credit facilities. Refer to note 22 for details.

Note 18: Inventories

NOK 1000	2019	2018
Goods purchased for resale		
Historical cost	33 093	26 776
Write-down and provisions for obsolescence	(27)	(504)
Book value	33 067	26 273

Note 19: Other current liabilities

NOK 1000	2019	2018
Contract liabilities	5 492	2 007
Accrued wages	73 614	53 689
Accrued expenses	66 655	61 699
Total other current liabilities	145 762	117 395

Note 20: Financial assets and liabilities

Financial instruments and their carrying amounts recognised in the consolidated statement of financial position at 31 December are presented below. There are no significant differences between total carrying value and fair value.

2019

NOK 000	Derivatives designated as hedging instruments (FVTOCI[1])	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
Financial assets					
Derivative financial assets					-
Other non-current assets			3 106		3 106
Trade receivables			416 333		416 333
Other current receivables			42 486		42 486
Cash and cash equivalents			128 066		128 066
Total financial assets	-	-	589 991	-	589 991
Financial liabilities					
Non-current interest-bearing loans				68 642	68 642
Non-current earn-out liabilities		289 317			289 317
Current interest-bearing loans				290	290
Current earn-out liabilities		105 570			105 570
Trade payables				173 570	173 570
Total financial liabilities	-	394 887	-	242 502	637 389

2018

NOK 000	Derivatives designated as hedging instruments (FVTOCI[1])	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
Financial assets					
Derivative financial assets	229				229
Other non-current assets			3 135		3 135
Trade receivables			411 017		411 017
Other current receivables			29 436		29 436
Cash and cash equivalents			82 424		82 424
Total financial assets	229	-	526 012	-	526 241
Financial liabilities					
Non-current Interest-bearing loans				277 241	277 241
Non-current earn-out liabilities		231 927			231 927
Current interest-bearing loans				899	899
Current earn-out liabilities		145 794			145 794
Trade payables				185 552	185 552
Total financial liabilities	-	377 721	-	463 692	841 413

[1] FVTOCI: Fair value through other comprehensive income

Derivative financial assets

Derivatives designated as hedging instruments reflect the positive changes in fair value of USD/DKK foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in USD. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

The foreign exchange forward contracts are entered into to eliminate the credit risk in a transaction where the purchases from the supplier are in USD and the sales to the customer are in DKK.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts 100% match the terms of the expected highly probable forecast transactions (amounts and expected payment dates). The group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts are identical to the hedged risk components. To test the hedge effectiveness, the group uses the hypothetical derivative method and compared the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks, and no hedge ineffectiveness was identified. Refer to note 23 for further information on currency risk.

The foregin exchange forward contracts was in 2018 classified as other non-current assets in the statement of financial position, however since the cash flow hedge ended in November 2019, there is no balance at 31 December 2019. The negative change of NOK 238 thousand in 2019 is recognised through OCI.

Note 21: Fair value measurements

NOK 1000	Fair value level	Category	2019	2018
Current earn-out liabilities	3	FVTPL[1]	105 570	145 794
Non-current earn-out liabilities	3	FVTPL[1]	289 317	231 927
Total			394 887	377 721

[1] *FVTPL: Fair value through profit and loss*

Data Respons has earn-out liabilities that are initially recognised and measured at fair value at the date of acquisition, with any subsequent remeasurements recognised in profit or loss. The fair value of the earn-out liabilities is calculated by estimating the future financial performance of subsidiaries, normally calculated as a multiple of the company's financial performance measured by EBIT.

The earn-out liabilities are classified in the statement of financial position as disclosed in the table above. Re-estimation effects following changes in estimates of future financial performance of subsidiaries are recognised as net financial items in the income statement.

Data Respons has earn-out liabilities in foreign currencies and is as such exposed to currency fluctuations when translating into the group currency NOK. As of 31 December 2019 the total earn-out liabilities consists of EUR 31 293 thousand (35 934), SEK 81 993 thousand (6 975) and DKK 6 666 thousand (10 193). In 2019, Data Respons recognised a net foreign currency gain of NOK 2 387 thousand (- 8 407) on the earn-out liabilities in foreign currencies.

Changes in earn-out liabilities

NOK 1000	2019	2018
1 January	377 721	278 533
Recognised in the income statement during the year		
- Interest cost	15 132	11 481
- Re-estimation	(31 283)	(875)
Recognised in the statement of the financial position during the year		
- Paid during the year	(183 532)	(140 035)
- Issue of shares	(91 161)	(111 425)
- Additions from acquired companies	310 397	331 635
- Translation differences	(2 387)	8 407
31 December	394 887	377 721
Classified as current earn-out liabilities	105 570	145 794
Classified as non-current earn-out liabilities	289 317	231 927

The financial performance for TechPeople, Microdoc and Atero in 2019 surpassed the expected performance at the time of the acquisitions, resulting in increase in the earn-out liabilities of NOK 1 852 thousand, NOK 598 thousand and NOK 365 thousand respectively. As the financial performance for EPOS is expected to surpass the expected performance for 2020, Data Respons increased the earn-out liability with NOK 16 467 thousand during 2019. Data Respons has also re-estimated the earn-out liabilities for IT Sonix & XPURE and DONAT during 2019, resulting in decrease in the earn-out liabilities of NOK 32 683 thousand and NOK 17 872 thousand respectively. There has not been any material change in the earn-out estimate for inContext during 2019.

A interest cost related to the earn-out liabilities of NOK 15 132 (11 481) thousand has been expensed as a financial item in the income statement. The earn-out liabilities are interest-free, but since the liabilities are calculated as net present value of future payments, an interest cost needs to be recognised.

The earn-out liabilities are usually settled over specified time period, where the previous owners receive additional payments based on the performance of the acquired company at a specified time period after the acquisition. Earn-out liabilities as of 31 December 2019 relate to the acquisition of Atero, Microdoc, EPOS CAT, TechPeople, IT Sonix & XPURE, DONAT and inContext. The additional payments for Atero will be made in cash by the acquiring company Sylog Sverige AB. Remaining earn-out liabilities from the acquisitions will be settled by Data Respons ASA. The additional payments for Microdoc, EPOS CAT, TechPeople, IT Sonix & XPURE, DONAT and inContext will be made by a combination of cash and issuance of new shares (up to 50% of the settlement according to Data Respons' desire at the time of payment). by the acquiring company Data Respons ASA. Remaining earn-out liabilities from the acquisitions will be settled during 2020 - 2023. Refer note 23 for maturity table.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2019 and 2018 are as shown below:

Description of signficant unobservable inputs to valuation

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to the fair value
Earn-out liabilities	DCF method	Long-term growth rate for cash flows for subsequent years	2019: 2.5% - 15% 2018: 2.5% - 15%	1% (1%) increase (decrease) in the growth rate would result in an increase (decrease) in fair value by NOK 8 700 (8 500) thousand
		Long-term operating margin	2019: 5% - 30% 2018: 5% - 30%	1% (1%) increase (decrease) in the margin would result in an increase (decrease) in fair value by NOK 20 400 (17 500) thousand.
		Discount rate	2019: 4-5% 2018: 4-5%	1% (1%) increase (decrease) in the discount rate would result in a decrease (increase) in fair value by NOK 6 000 (5 500) thousand.

Note 22: Interest-bearing loans

NOK 1000	2019	2018
Revolving credit facility	68 932	278 140
Total interest-bearing loans	68 932	278 140
Of which:		
Current interest-bearing loans	290	899
Non-current interest-bearing loans	68 642	277 241

As of 31 December 2019, Data Respons has interest-bearing loans of NOK 68 932 thousand (278 140). The interest-bearing loans are drawn under a revolving credit facility of NOK 400 million with Handelsbanken and Swedbank.

Data Respons made repayments of NOK 209 000 thousand of the revolving credit facility during 2019.

The revolving credit facility has a quarterly interest repayment profile over five years with a lump-sum down payment in May 2023. The revolving credit facility has floating interest rate, NIBOR with a margin set based on a defined leverage ratio. On 2 August 2019 the margin decreased from 1.20% to 0.95% per annum.

Data Respons is subject to certain covenants as part of its revolving credit facility. The equity ratio should be minimum 25% for the group, and as of 31 December 2019, the ratio was 50.7% (33.2). Furthermore, there is a covenant requirement that the leverage ratio should not exceed 3.0. As of 31 December 2019, the ratio was -0.2 (1.2). The leverage ratio is defined as EBITDA 12 month rolling divided by net interest bearing debt.

Changes in interest-bearing loans and lease liabilties

NOK 1000	2019	2018
1 January interest-bearing loans	278 140	170 143
1 January lease liabilities	64 711	-
Cash changes		
- Repayment interest-bearing loans	(359 000)	(49 703)
- Proceeds interest-bearing loans	150 000	157 060
- Interest and fee payments[1]	(6 898)	(5 199)
- Repayment of lease liabilities	(34 131)	-
Non cash changes		
- Translation differences interest-bearing loans	-	333
- Accrued interest and fee interest-bearing loans	6 690	5 506
- Additions & disposals lease liabilities	57 850	-
- Translation differences lease liabilities	(362)	-
- Accretion of interest lease liabilities	2 861	-
31 December	159 860	278 140
Whereas interest-bearing loans	68 932	278 140
Whereas lease liabilties	90 928	-

[1] *Interest payments are included in the line interest paid and fee payments are included in the line other financing activities in the consolidated statement of cash flows.*

Note 23: Financial risk management

The group's policies for the management of financial risk are approved by the Board of Directors and group management of Data Respons ASA. The main objective of financial risk management is to identify, quantify and manage financial risk, and hence reduce the probability for financial losses. The group is exposed to credit risks, liquidity risks, currency risks and interest rate risks. There have been no material changes in the group's objectives, policies or processes for managing capital during the reporting period.

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 its trade receivables and accrued revenue, and from its cash and cash equivalents deposited with banks. Identified default risks for individual customers are reflected in bad debt allowances. Data Respons' customers largely consist of large and medium-sized companies with good solvency and the customer base is diversified into different vertical market segment. Neither of the group's operating segments had any significant concentration of credit risk. Credit checks are performed on new customers. Historically, bad debt losses have been low, and the group does not expect to see any major increase in losses.

Liquidity risk and capital management

Liquidity risk is the risk that the group will not be able to meet its current and future cash flow and collateral requirements without negatively and materially affecting the group's daily operations or overall financial condition and the potential for expansion. The primary objective of Data Respons' capital management is to maintain a healthy capital ratio and financial flexibility to support the group's continued operations and potential expansion, and dividend payments according to the established dividend policy. The group manages liquidity risk through continuous review of future commitments and sources of liquidity. Cash flow forecasts are prepared and adequate utilised financing facilities are monitored on a monthly basis.

The group emphasises financial flexibility. An important part of this emphasis is to minimise liquidity risk through ensuring access to a diversified set of funding sources. The group will finance potential expansions through cash generated by the operational activities, issue of shares and the use of credit facilities. To cover potential funding needs, the group has secured a revolving credit facility of NOK 400 000 thousand in addition to a overdraft limit in the corporate cash pool system of NOK 50 000 thousand. Refer to note 16 for details on unutilised credit facilities and note 22 for the used credit facilities per 31 December 2019.

The group has 45-90 days in credit terms from the main suppliers. Surplus cash holdings will be kept in interest-bearing bank accounts with reputable banks. As of 31 December 2019 the group has NOK 128 026 (82 424) thousand in cash. The group will primarily finance dividends through cash generated by the operational activities.

The Board has established a dividend policy which forms the basis for the proposals on dividend payments presented to the General Meeting. Data Respons' objective is to pay out a minimum of 50% of net income in the form of dividends and the payout should reflect Data Respons' aim to give its shareholders competitive returns benchmarked against alternative investments in comparable companies. Data Respons may consider buying back shares in addition to ordinary dividend payments. Such considerations will be made in the light of the financial situation of the company. The last six years the yearly dividend has been NOK 1.00 per share, however due to AKKAs acquisition of the shares in Data Respons ASA, the Board of Directors in Data Respons has not made any proposal for dividends for 2019.

The following table shows the maturity profile of the group's financial liabilities based on contractual payments. The amounts disclosed in the table are undiscounted cash flows.

2019

NOK 1000	2020	2021	2022	2023	Total
Interest-bearing loans[1]	2 000	2 000	2 000	70 755	76 755
Earn-out liabilities	107 309	147 266	125 382	42 023	421 980
Trade payables	173 570				173 570
Total	282 879	149 266	127 382	112 778	672 305

2018

NOK 1000	2019	2020	2021	2022	2023	Total
Interest-bearing loans[1]	6 801	6 820	6 801	6 801	282 870	310 093
Earn-out liabilities	148 074	93 520	98 408	61 591		401 593
Trade payables	185 552					185 552
Total	340 427	100 340	105 209	68 392	282 870	897 238

[1] Note that interest-bearing loans include the forecast future nominal interest payment.

Credit risk

Currency risk is the risk that the fair value or future cash flows of an exposure 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) and the group's net investments in foreign subsidiaries.

Data Respons has operations in five different countries with five different currencies and is as such exposed to currency fluctuations when translating into the group reporting currency NOK.

As of 31 December 2019, the group has no interest-bearing loans in foreign currency. The group has nevertheless earn-out liabilities in foreign currencies (refer to note 21 for details) and is as such exposed to currency fluctuations when translating into the group currency NOK. A change of +/-10% in the exchange rate between NOK compared to EUR, SEK and DKK will have an impact of approximately +/-NOK 39 500 thousand on the earn-out liabilities in foreign currency.

In addition to the earn-out liabilities above, the group had trade receivables, trade payables and some other current financial assets and liabilities denominated in foreign currencies at 31 December 2019 and under standard credit terms (where applicable). Due to the short term nature of these financial assets and liabilities, the foreign currency risk is considered low.

Exposure from individual subsidiaries vary according to the nature of their business. The R&D Services segment abroad generate a currency exposure for the group on the net profit only, as both revenue and expenses are in the same local currency. Hedging has been deemed unnecessary. For the Solutions segment the exposure is higher, as parts are purchased from different suppliers across the globe and predominately invoiced in USD or EUR. With most of our major customers, the group has entered into a agreements whereby material fluctuations in price of components due to currency, lead to a corresponding adjustment of the selling price. The group then achieves a natural hedge on a significant part of its embedded products and solutions sales. In instances where it is not possible to enter such an agreement with the customer, currency hedges on large deliveries of components will be considered. In 2018, the group entered into a foreign exchange forward contract which ended in 2019. Refer to note 22 for details.

The group's activities are global and the foreign currency risk related to its operating activities may change from year-to-year depending on the different jurisdictions the group operates in. In general, the majority of operating revenues and costs are denominated in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rate. The group is exposed to interest rate risk through the group's interest bearing loans with floating interest rates and cash management activities. Changes in interest rates affect the fair value of assets and liabilities. Interest income and interest expense in the income statement are influenced by changes in interest rates in the market.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant:

NOK 1000	Increase/decrease in basic points	Effect on profit before tax
2019	+100	-900
	-100	900
2018	+100	-1 949
	-100	1 949

Note 24: Leases

The group has lease contracts for office buildings, cars, servers, licenses and office equipment. Leases of office buildings have lease terms between 1-5 years, while cars, servers, licenses and office equipment have lease terms between 1-3 years. The group's obligations under its leases are secured by the lessor's title to the leased assets. The group also has certain leases with lease terms of 12 months or less and leases with low value, and the group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets

NOK 1000	Office buildings	Cars	Other	Total
Cost on 1 January 2019	57 702	4 562	2 446	64 711
Additions & disposals	54 069	3 305	476	57 850
Depreciation expense	(27 770)	(3 038)	(1 645)	(32 452)
Currency effect	(352)	(24)	(10)	(386)
Cost on 31 December 2019	83 649	4 806	1 267	89 722

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease liabilities

NOK 1000	2019
As at 1 January	64 711
Additions & disposals	57 850
Accrection of interests	2 861
Currency effect	(362)
Payments[1]	(34 131)
As at 31 December	90 928
Current lease liabilities	35 009
Non-current lease liabilities	55 920

[1] The lease payments for office buildings are adjusted for the consumer price index each year. The lease payments for cars and other leasing agreements are fixed.

The following are the amounts recognised in profit or loss:

Amounts recognised in profit & loss

NOK 1000	2019
Depreciation expense of right-of-use assets	32 452
Interest expense on lease liabilities	2 862
Expenses relating to short-term leases and low-value assets	3 400
As at 31 December	38 714

Set out below is the maturity table for lease liabilities:

Maturity table lease liabilities

NOK 1000	1 year	2 year	3 year	4 years+	Total
Lease liabilities[1]	35 668	22 831	16 318	22 929	97 745

[1] Note that the amounts disclosed are undiscounted cash flows.

The group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. The group is also in most contracts restricted from assigning and subleasing the leased assets.

Note 25: Guarantees and commitments

NOK 1000	2019	2018
Gurantees		
Gurantees	6 387	5 736
Book value of secured assets used a collateral		
Trade receivables	66 060	74 612
Inventories	20 566	16 488
Machinery and equipment	3 045	2 365
Shares in subsidiaries	842 334	821 941
Total	932 005	915 406

Guarantees of NOK 5 915 (5 251) thousand have been provided in connection with lease agreements and a guarantee of NOK 472 (485) thousand has been provided to Swedish customs.

Data Respons ASA` shares in the subsidiaries Data Respons Solutions AS, Data Respons R&D Services AS, Data Respons Solutions AB, Sylog Sverige AB, TechPeople A/S, Data Respons Solutions A/S, EPOS CAT GmbH and Microdoc Computersysteme GmbH are pledged as security for the revolving credit facility.

The accounts receivable, inventory and machinery & equipment in Data Respons Solutions AS and Data Respons R&D Services AS are also pledged as security for the revolving credit facility. A total lien of NOK 80 000 thousand has been placed on inventories, a total lien of NOK 10 000 thousand as been placed on machinery and equipment and a total lien of NOK 80 000 thousand has been placed on trade receivables.

Note 26: Related parties

There have been no related party transactions in 2019, besides ordinary business transactions between group companies. All transactions within the group are based on ordinary commercial terms using the arm's length principle.

Note 27: Events occurring after the reporting period

AKKA`s acquisition of the shares in Data Respons

On 19 December 2019, AKKA Technologies SE ("AKKA") and Data Respons ASA announced that AKKA will offer to acquire all of the shares of Data Respons through a voluntary cash offer of NOK 48.00 per share. AKKA completed the voluntary offer to acquire all the shares in Data Respons ASA on 21 February 2020 Payment of the offer price was received by the shareholders of Data Respons ASA who accepted the voluntary offer on 24 February 2020. On 9 March 2020, AKKA announced the launch of the mandatory offer on Data Respons. The key terms are the same as in the voluntary offer and the offer period will last until 9 April 2020.

All board members who were holding shares in the Data Respons ASA and group management accepted the voluntary offer and sold their shares. The outstanding share option scheme for group management and all bonus shares related to former employee share saving schemes were settled by cash on the 26 February 2020. Following the completion of the cash settlement there are no outstanding share options and no rights to shares in Data Respons ASA.

On 16 March 2020, AKKA announced that they holds in total 69 667 008 shares and voting rights representing approximately 92.69% of the total shares and voting rights in Data Respons ASA. They further announced that a compulsory acquisition (a squeeze out) of the remaining shares not owned by AKKA and a delisting of Data Respons ASA from the Oslo Stock Exchange will be carried out in due course.

COVID-19 outbreak

After the closure of the 2019 accounting, the COVID-19 outbreak has emerged and become global. Our priorities in this situation are to safeguard our employees, subcontractors, customers, suppliers, partners as well as the society at large, and keep our operations running, to help support customers with business-critical projects, solutions and services. Data Respons will throughout the COVID-19 situation be a responsible company and behave according to government guidelines.

Data Respons is at the time of its annual report experiencing limited operational impact from COVID-19, but the situation is dynamic and could change quickly. Data Respons has reassessed the underlying assumptions in the significant accounting estimates (e.g. impairment assessment and earn-out liabilities), however no significant changes have been identified. The estimates and their underlying assumptions will be assessed continuously going forward.

The COVID-19 outbreak could have an negative impact on our markets during 2020, both from a supply and demand perspective. The coronavirus could disrupt the production and transport from our suppliers, and may result in supply shortages or delays in our deliveries of Solutions. Furthermore, the COVID-19 outbreak will probably have an effect on the overall economy, which might lead to a postponement or reduction of the R&D activity in our markets and a lower demand for R&D Services. If our customers run into financial problems or closes down, this will also most likely lead to a weaker demand for the company's R&D Services and Solutions.

At the time of our annual report we experience a very high uncertainty regarding the impact of the COVID-19 on the company in 2020. It is not possible to forecast how significantly the COVID-19 will impact R&D Services and Solutions revenue during 2020. Data Respons has a strong focus on maintaining sufficient financial capacity to responsibly mitigate the situation and will closely monitor all developments in the coming weeks and months.

FINANCIAL STATEMENTS
DATA RESPONS ASA

STATEMENT OF COMPREHENSIVE INCOME
DATA RESPONS ASA

NOK 1000	*Note*	2019	2018
Revenues		8 092	7 916
Employee expenses	2	30 666	19 305
Depreciation	6,12	2 941	1 237
Other operating expenses	3	15 945	18 678
Operating profit/loss		(41 460)	(31 304)
Income from investments in subsidiaries	10	108 937	110 832
Financial income	4	2 665	5 645
Financial expenses	4	(12 660)	(11 969)
Profit/loss before tax		57 482	73 204
Income tax expense	5	1 219	2 746
Profit/loss for the year		58 701	75 950

OTHER COMPREHENSIVE INCOME

Other comprehensive income		-	-
Total comprehensive income		58 701	75 950

STATEMENT OF FINANCIAL POSITION
DATA RESPONS ASA

NOK 1000	*Note*	2019	2018
ASSETS			
Intangible assets	6	-	13
Deferred tax assets	5	11 803	10 584
Machinery and equipment	6	1 562	997
Right-of-use assets	12	6 520	-
Shares in subsidiaries	9	1 507 752	1 216 159
Total non-current assets		1 527 637	1 227 752
Trade receivables	11	92	133
Other current receivables		1 143	1 337
Cash and cash equivalents		740	659
Total current assets		1 974	2 129
Total assets		1 529 612	1 229 881

STATEMENT OF FINANCIAL POSITION
DATA RESPONS ASA

NOK 1000	*Note*	2019	2018
EQUITY			
Issued capital		37 755	29 159
Share premium		840 985	396 510
Retained earnings		24 229	39 154
Total equity		902 969	464 823
LIABILITIES			
Interest-bearing loans	8	68 642	277 241
Non-current earn-out liabilities	7	289 317	229 014
Non-current lease liabilities	12	4 592	-
Total non-current liabilities		362 550	506 255
Current interest-bearing loans	8	290	899
Current loans group companies	11	141 457	104 318
Current lease liabilities	12	2 012	-
Trade payables	11	2 188	1 364
Public duties payable		7 542	1 972
Current earn-out liabilities	7	102 223	142 047
Other current liabilities		8 379	8 204
Total current liabilities		264 092	258 803
Total liabilities		626 642	765 058
Total equity and liabilities		1 529 612	1 229 881

THE BOARD OF DIRECTORS OF DATA RESPONS ASA
HØVIK, 26 MARCH 2019

Erik Langaker
CHAIRMAN OF THE BOARD

Janne T. Morstøl
MEMBER OF THE BOARD

Ulla-Britt Fräjdin Hellqvist
MEMBER OF THE BOARD

Martin Burkhalter
MEMBER OF THE BOARD

Morten Thorkildsen
MEMBER OF THE BOARD

Elna Malin Margareta Hov
MEMBER OF THE BOARD

Marius Westgaard
MEMBER OF THE BOARD

STATEMENT OF CHANGES IN EQUITY
DATA RESPONS ASA

NOK 1000	*Note*	Issued capital	Share premium	Other equity	Total equity
Equity on 1 January 2018		25 718	228 317	16 159	270 194
Profit for the year				75 950	75 950
Total comprehensive income for the year		-	-	75 950	75 950
Dividends				(53 663)	(53 663)
Employee share option scheme				711	711
Issue of share capital		3 441	168 192		171 633
Equity on 31 December 2018		29 159	396 510	39 154	464 823
Profit for the year				58 701	58 701
Total comprehensive income for the year		-	-	58 701	58 701
Dividends				(58 317)	(58 317)
Employee share option scheme				(15 310)	(15 310)
Issue of share capital		8 597	444 475		453 072
Equity on 31 December 2019		37 755	840 985	24 229	902 969

STATEMENT OF CASH FLOWS
DATA RESPONS ASA

NOK 1000	*Note*	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before income tax		57 482	73 204
Income tax paid		-	-
Depreciation, amortisation and impairment	6,12	2 941	1 237
Employee share option scheme		2 388	711
Net financial items		(98 763)	(104 508)
Changes in working capital:			
- Trade receivables		41	63
- Trade payables		824	(2 709)
- Other current assets / liabilities		5 939	(27 512)
Net currency (gains) losses relating to operating activities		(1 024)	(99)
Other adjustments		91	482
Net cash flow from operating activities		(30 081)	(59 131)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired		(271 114)	(247 490)
Dividends from subsidiaries	10	72 537	97 595
Group contributions received	10	36 400	13 237
Purchase of machinery and equipment	6	(1 304)	(254)
Other investing activities		339	222
Net cash flow from investing activities		(163 141)	(136 690)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of interest-bearing loans	8	(359 000)	(49 703)
Proceeds of interest-bearing loans	8	150 000	157 060
Net change in group internal loans	11	37 140	(23 897)
Proceeds from issue of shares		468 995	172 985
Transaction cost on issue of shares		(15 923)	(1 353)
Interest paid		(8 588)	(5 492)
Sale / (purchase) of treasury shares		(17 698)	-
Dividends paid to equity holders of the company		(58 317)	(53 663)
Repayment of lease liabilities	12	(2 285)	-
Other financing activities		(1 021)	-
Net cash flow from financing activities		193 303	195 937
Net change in cash and cash equivalents		81	116
Cash and cash equivalents at the start of the period		659	543
Exchange gains/losses on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the period		740	659

NOTES TO THE FINANCIAL STATEMENTS

CONTENTS NOTES

1. General information and summary of significant accounting policies
2. Employee expenses and remuneration to auditors
3. Other operating expenses
4. Net financial items
5. Income tax
6. Intangible assets, machinery and equipment
7. Fair value measurements
8. Interest-bearing loans
9. Subsidiaries
10. Income from investments in subsidiaries
11. Intercompany balances
12. Leases

Note 1: General information and summary of significant accounting principles

Data Respons ASA is a holding company and contains the corporate services, management and group finance.

The financal statement for Data Respons ASA has been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations set out by the International Accounting Standards Board, as approved by the European Union.

Data Respons ASA's accounting principles are consistent with the accounting principles for the Group, as described in note 2 of the consolidated financial statements. Where the notes for the parent company are substantially different from the notes for the group, these are shown below. Otherwise, refer to the notes to the consolidated financial statements.

Shares in subsidiaries are valued in accordance with the historical cost method. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on financial assets in the income statement. Any contingent consideration, resulting from an investment in subsidiaries, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. Re-estimation effects in earn-out liabilities following changes in estimates of future financial performance of subsidiaries are recognised as part of the cost of the shares in Data Respons ASA.

Data Respons ASA uses the indirect method for the statement of cash flows. Cash and cash equivalents consist of liquid assets, short-term placements and drawings from cash pool. Net change in group internal drawing rights are loans to, and placements from group companies. These loans and placements have high turnover and are presented net.

Revenues are mainly sale of group services to other group companies.

Note 2: Employee expenses and remuneration to auditors

The group's Chief Executive Officer and the Board of Directors have the same positions in Data Respons ASA. See note 6 of the consolidated financial statements for further information about compensation to the Board of Directors and management.

NOK 1000	2019	2018
Wages and salaries	16 283	14 499
Social security tax	10 096	2 315
Pension expenses, defined contribution scheme	462	267
Other benefits	3 824	2 224
Total employee expenses	30 666	19 305

The average number of FTEs during the financial year was 6 (7). There was 1 (2) female employees in Data Respons ASA, 1 (2) of whom were top or middle managers. Data Respons ASA is required to operate a company pension scheme pursuant to the Mandatory Occupational Pension Act, and operates a pension scheme that meets this requirement. This scheme covered a total of 7 people in 2019.

Remuneration to the auditor (excl. VAT)

NOK 1000	2019	2018
Auditing services	461	320
Other certification services	244	265
Other non-auditing services	1 040	1 700
Total remuneration	1 746	2 285

Note 3: Other operating expenses

NOK 1000	2019	2018
Lease of premisis	-	810
External services	10 369	12 007
IT expenses	1 841	2 755
Travel expenses	1 372	1 242
Office expenses	164	144
Marketing expenses	1 577	1 083
Other operating expenses	621	637
Total other operating expenses	15 945	18 678

Note 4: Net financial items

NOK 1000	2019	2018
Financial income		
Interest income on cash reserves	339	-
Realised / unrealised currency exchange gain	2 326	3 766
Other financial income	-	1 879
Financial income	2 665	5 645
Financial expenses		
Interest expenses on interest-bearing loans	(7 730)	(7 414)
Interest expenses on lease liabilities	(179)	-
Realised / unrealised currency exchange loss	(2 202)	(1 231)
Other financial costs	(2 549)	(3 324)
Financial expenses	(12 660)	(11 969)
Net financial items	(9 995)	(6 324)

Note 5: Income tax

NOK 1000	2019	2018
Summary of temporary differences		
Non-current assets	(1 280)	(1 537)
Leasing	(84)	-
Group contributions[1]	(50 711)	(36 400)
Total	(52 074)	(37 937)
Tax loss carryforward	(1 577)	(10 172)
Total positive/(negative) temporary differences	(53 651)	(48 109)
Deferred tax asset at current tax rate	11 803	10 584
Of which, deferred tax assets not recognised	-	-
Deferred tax assets recognised	11 803	10 584
Deferred tax liability at current tax rate	-	-
Deferred tax liability recognised	-	-

NOK 1000	2019	2018
Income tax for the year consist of		
Income tax payable	-	-
Total income tax payable	-	-
Change in deferred tax	(1 219)	(2 746)
Total change in deferred tax	(1 219)	(2 746)
Total income tax expense/(revenue)	(1 219)	(2 746)

NOK 1000	2019	2018
Calculation of tax base for the year		
Profit/loss before tax	57 482	73 204
22 % tax (2018: 23 %)	12 646	16 837
Tax effect of:		
Permanent differences	(13 865)	(20 064)
Change in tax rates	-	481
Income tax expense/(revenue) for the year	(1 219)	(2 746)
Effective tax rate	-2 %	-4 %

[1] In accordance with IFRS, group contributions are entered as income in the parent company the year after the allocation for tax purposes in the subsidiaries.

Note 6: Intangible assets, machinery and equipment

NOK 1000	Intangible assets	Machinery and equipment
Cost or valuation on 1 January 2018	481	15 513
Additions	-	254
Cost or valuation on 31 December 2018	481	15 767
Accum. depr. and impairm. on 1 January 2018	344	13 657
Depreciation / amortisation for the year	124	1 113
Accum. depr. and impairm. on 31 December 2018	468	14 770
Net book value on 31 December 2018	13	997
Cost or valuation on 1 January 2019	481	15 767
Additions	-	1 304
Cost or valuation on 31 December 2019	481	17 070
Accum. depr. and impairm. on 1 January 2019	468	14 770
Depreciation / amortisation for the year	13	738
Accum. depr. and impairm. on 31 December 2019	481	15 508
Net book value on 31 December 2019	-	1 562

Note 7: Fair value measurements

NOK 1000	Fair value level	Category	2019	2018
Current earn-out liabilities	3	FVTPL[1]	102 223	142 047
Non-current earn-out liabilities	3	FVTPL[1]	289 317	229 014
Total			391 540	371 061

[1] *FVTPL: Fair value through profit and loss*

Refer to note 21 - Group for information about earn-out liabilities.

Note 8: Interest-bearing loans

NOK 1000	2019	2018
Revolving credit facility	68 932	278 140
Total interest-bearing loans	68 932	278 140
Of which:		
Current interest-bearing loans	290	899
Non-current interest-bearing loans	68 642	277 241

Refer to note 22 - Group for information about interest-bearing loans.

Note 9: Subsidiaries

Company	Currency	Issued capital	Ownership	Book value (NOK 000)
Data Respons Solutions AS	NOK	555	100 %	65 293
Data Respons R&D Services AS	NOK	832	100 %	97 940
Data Respons Asia AS	NOK	100	100 %	-
Data Respons Solutions AB	SEK	100	100 %	24 377
Sylog Sverige AB	SEK	100	83 %	64 477
Data Respons Solutions A/S	DKK	2 277	100 %	22 050
MicroDoc Computersysteme GmbH	EUR	100	100 %	272 945
Data Respons Solutions GmbH	EUR	52	100 %	52 056
EPOS CAT GmbH	EUR	50	100 %	235 102
TechPeople A/S	DKK	500	100 %	60 149
IT Sonix custom development GmbH	EUR	25	100 %	157 051
XPURE GmbH	EUR	25	100 %	157 051
DONAT Group GmbH	EUR	102	100 %	158 392
inContext AB	SEK	100	100 %	140 867
Total subsidiaries				1 507 752

In 2019, Data Respons ASA acquired DONAT Group GmbH and inContext AB. Refer to note 3 - Group for information about the acquisitions of these companies.

The impairment test performed as of 31 December 2019 did not result in any impairment of book value of the investments. The impairment tests for book value of subsidiaries were based on the same assumptions as used in the impairment test of goodwill in the group accounts. See note 15 – Group for further information.

Note 10: Income from investments in subsidiaries

Income from investments in subsidiaries in both 2019 and 2018 relates to received group contributions and dividends from equity accumulated during the period of ownership by Data Respons ASA.

Note 11: Intercompany balances

NOK 1000	Trade receivables		Trade payables	
	2019	2018	2019	2018
Data Respons Solutions AS	15	19	151	21
Data Respons R&D Services AS	32	64	2	15
IT Sonix custom development GmbH	-	-	49	-
Data Respons Solutions AB	4	-	-	-
Data Respons Solutions A/S	3	-	-	-
Data Respons Solutions GmbH	37	49	-	-
Total	92	132	202	36

Data Respons ASA had an overdraft in the corporate cash pool of NOK 141 457 (104 318) thousand at 31 December 2019, presented as short term loans from group companies in the statement of financial position.

Note 12: Leases

Data Respons ASA has lease contracts for the head office building, cars, servers, licenses and office equipment. Lease of the head office building in Høvik has lease terms of 5 years and ends in 2023. Cars, servers, licenses and office equipment have lease terms between 1-3 years. Data Respons ASA's obligations under its leases are secured by the lessor's title to the leased assets. Data Respons ASA also has certain leases with lease terms of 12 months or less and leases with low value. Data Respons ASA applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets

NOK 1000	Office buildings	Cars	Other	Total
Cost on 1 January 2019	1 545	389	1 462	3 396
Additions & disposals	4 940	4	370	5 313
Depreciation expense	(905)	(204)	(1 082)	(2 190)
Currency effect	-	-	-	-
Cost on 31 December 2019	5 580	189	751	6 520

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Lease liabilities

NOK 1000	2019
As at 1 January	3 396
Additions & disposals	5 313
Accrection of interests	179
Currency effect	0
Payments[1]	(2 285)
As at 31 December	6 603
Current	2 012
Non-current	4 592

[1] The lease payments for the office building are consumer price index adjusted each year. The lease payments for cars and other leasing agreements are fixed.

The following are the amounts recognised in profit or loss:

Amounts recognised in profit & loss

NOK 1000	2019
Depreciation expense of right-of-use assets	2 190
Interest expense on lease liabilities	179
Expenses relating to short-term leases and low-value assets	890
As at 31 December	3 259

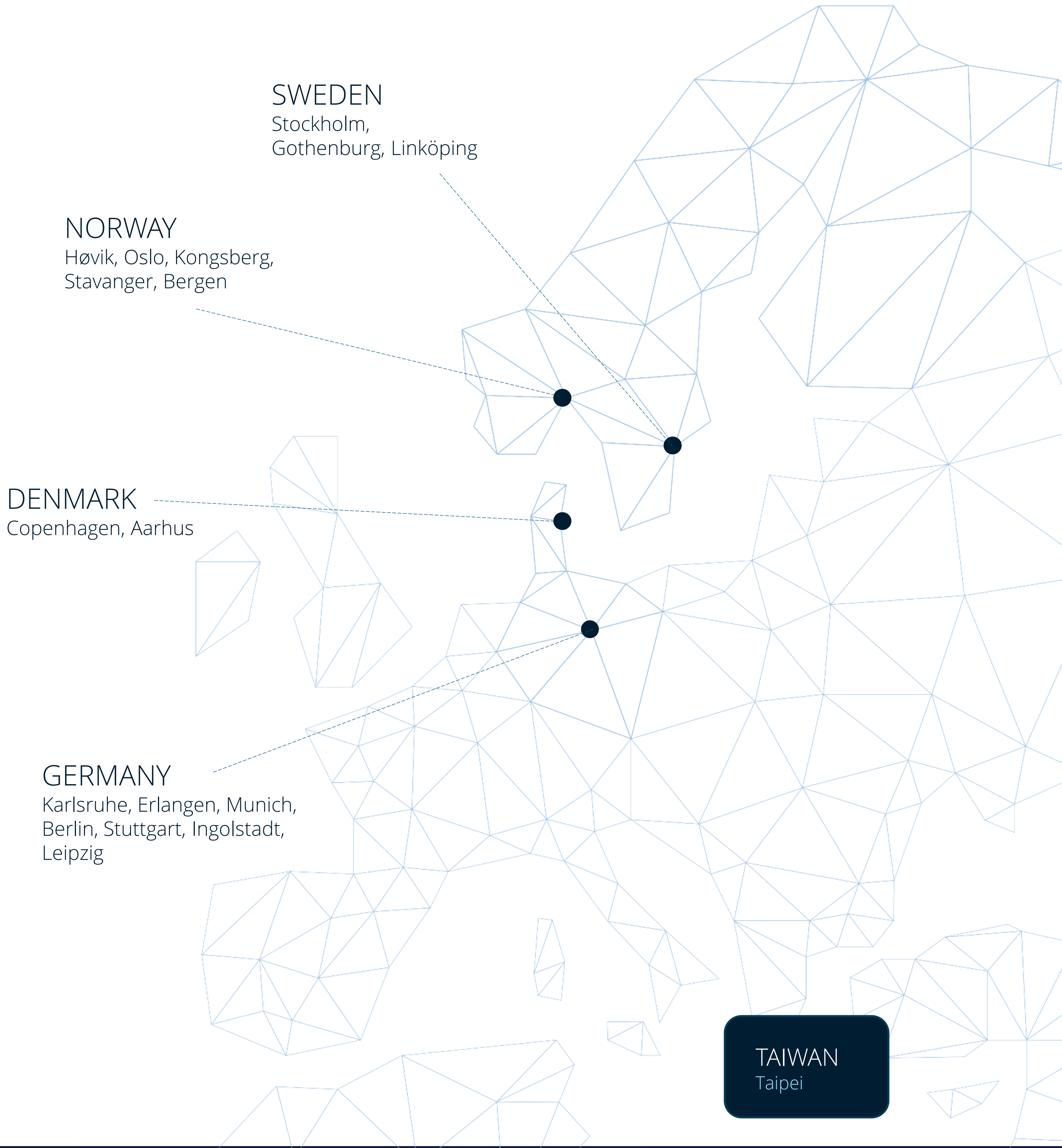
Set out below is the maturity table for lease liabilities:

Maturity table lease liabilities

NOK 1000	1 year	2 year	3 year	4 years+	Total
Lease liabilities[1]	2 048	1 217	1 137	2 842	7 243

[1] Note that the amounts disclosed are undiscounted cash flows.

Data Respons ASA has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. Data Respons ASA is also in most contracts restricted from assigning and subleasing the leased assets.



OUR COMPANIES

epos
DONAT IT
inContext
RD DATA RESPONS
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TechPeople
data respons
XPURE
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SYLOG

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Data Respons ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Data Respons ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2019, income statement, the statement of comprehensive income, statement of cash flows and statement of 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of earn-out liabilities

Data Respons has provided for earn-out liabilities of NOK 394,9 million or 19 % of total equity and liabilities of the Group as of 31 December 2019. As described in note 21 to the consolidated financial statements, the earn-out liabilities relate to the acquisition of Donat Group GmbH and inContext AB in 2019 and acquisitions performed in prior years. The share purchase agreements contain earn-out payments based on the future financial performance of the acquired companies, normally measured at earnings before interest and tax (EBIT) over a measurement period of three years from the acquisition date. Significant judgements and estimation are involved in the determination of the earn-out liabilities due to uncertainty regarding future EBIT and changes in the EBIT during the measurement periods. Valuation of the earn-out liabilities was therefore a key audit matter.

Our audit procedures included assessments of the share purchase agreements and evaluations of the methodology and assumptions used by management in estimating the future EBIT in the measurement periods and valuation of the earn-out liabilities at the acquisition dates. We compared projected EBIT to approved budgets and considered the growth rates applied. We also evaluated the projected EBIT by comparing it to the historical EBIT of the acquired companies. Furthermore, we tested the calculations and mathematical accuracy of the earn-out models. We also assessed the calculated earn-out liabilities at year-end, by assessing actual achieved EBIT to future estimated EBIT.

We also assessed the presentation of the Group's disclosures in notes 2, 20 and 21 regarding the valuation of the earn-out liabilities.

Assessment of impairment of goodwill

Goodwill accounts for NOK 1 099,3 million or 53 % of total assets of the Group as of 31 December 2019. Estimating the recoverable amount of goodwill requires management judgement, including estimates of future revenues, gross margins, operating costs, terminal value growth rates, capital expenditures and discount rate. Management's annual impairment test of goodwill was a key audit matter because the assessment process is complex, requires significant judgement and implies significant estimation uncertainties.

Our audit procedures included an assessment of the design of management's internal controls related to impairment assessments. We also evaluated the impairment model applied and the assumptions used. We compared projected revenues, gross margin, operating costs and capital expenditures to budgets approved by the Board, historical performance and external market data when available. In addition, we compared the growth rates applied by the Group in the terminal value to available market data. Furthermore, we assessed the components of the applied discount rate and compared the key assumptions to market data. We also evaluated the level of consistency applied in the valuation methodology from previous years, in addition to historical accuracy of managements estimates by comparing actual achieved EBIT to previous and future estimated EBIT. We also tested the mathematical accuracy of the impairment model and evaluated the sensitivity analyses disclosed by management.

Furthermore, we assessed the Group's disclosures included in notes 2, 3 and 15 in the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

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 on the other information obtained prior to the date of the auditor's report, 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 the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's 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.

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and 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.

Oslo, 26 March 2020
ERNST & YOUNG AS

Leiv Aschehoug
State Authorised Public Accountant (Norway)

DEFINITIONS

ALTERNATIVE PERFORMANCE MEASURES

Data Respons' financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition to the ordinary financial performance measures prepared in accordance with IFRS, it is management's intent to provide alternative performance measures ("APMs") to enhance the understanding of the group's underlying performance. The APMs are calculated consistently over time and are based on financial data presented in accordance with IFRS. APMs should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement.

EBITDA: is defined as operating profit adjusted for depreciation, amortisation and impairments. This performance measure is considered useful to the users of the financial statements when evaluating operational profitability on a more variable cost basis as they exclude depreciation, amortisation and impairment related to capital expenditure, and also items not considered as a part of ordinary operations.

EBITA: is defined as operating profit adjusted for amortisation and impairments of intangible assets. EBITA margin is defined as EBITA divided by revenues. This performance measure is considered useful to the users of the financial statements when evaluating operational profitability on a more variable cost basis as they exclude amortisation and impairment related to capital expenditure, and also items not considered as a part of ordinary operations.

EBITA before corporate costs: is defined as operating profit adjusted for amortisation and impairments of intangible assets, before allocation of corporate costs. EBITA margin before corporate costs is defined as EBITA before corporate costs divided by revenues.

EBIT: is defined as earnings before interest and tax. Equivalent to operating profit. EBIT margin is defined as EBIT divided by total revenues and other income. This performance measure is considered useful as it enables comparability of profitability regardless of capital structure or tax situation.

Equity ratio: is defined as total equity divided by total assets. The equity ratio is important as it is indicating the relative proportion of equity used to finance the company's assets. In addition to this, Data Respons has an equity ratio covenant on its revolving credit facility.

Net interest-bearing debt: is defined as total interest-bearing loans, less cash and cash equivalents. Net interest-bearing debt shows how much cash would remain if all debts were paid off and if the company has enough liquidity to meet its debt obligations.

Net working capital: Net working capital is defined as non-interest-bearing current assets net of cash and cash equivalents less non-interest-bearing current liabilities and indicates how much funding is needed for business operations.

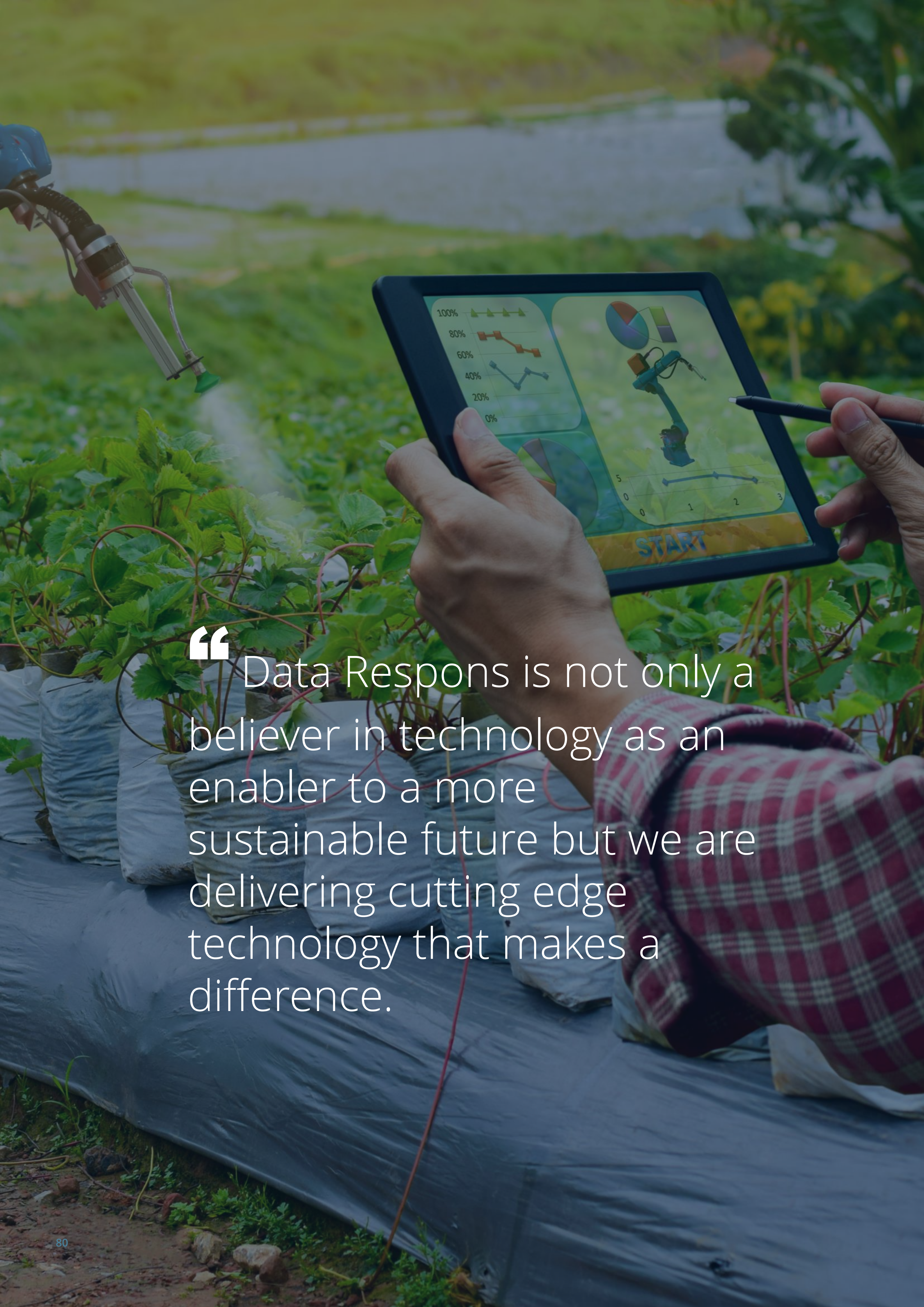
Organic growth: is a measure of the company's ability to grow organically by generating additional net sales to existing and new customers, as opposed to through acquired growth. Organic growth is calculated by comparing the actual revenue with the proforma revenue for the same period last year Organic growth is an important key figure for Data Respons and for the users of its financial statements as it illustrates underlying operational growth by adjusting for effects related to acquisitions.

Data Respons ASA
Sandviksveien 26, 1363 Høvik
Tel: +47 67 11 20 00
info@datarespons.no

CEO, Data Respons ASA
Kenneth Ragnvaldsen
Tel: +47 913 90 918
Email: kr@datarespons.no

CFO, Data Respons ASA
Rune Wahl
Tel: +47 950 36 046
Email: rw@datarespons.no

Driving the world forward



"Data Respons is not only a believer in technology as an enabler to a more sustainable future but we are delivering cutting edge technology that makes a difference.

> **We believe in taking responsibility, even when nobody is watching.**

We are dedicated to setting the bar as high as possible

The global ICT business accounts for 2% of the global emissions but can reduce global emissions with 20% by broader implementation of current technology. Data Respons is firm believer in technology as an enabler to a more sustainable future. And we are delivering cutting edge technology that we know makes a difference.

In this report you will learn more about how we contribute to state of the art recycling machines, how our software enables epilepsy scanning in the poorest countries and how we participate in the next generation smart homes that produces electricity rather than using it.

We want to be part of the group of companies that define and shape the gold standard when it comes to fighting climate change, combining business and social considerations and ensuring complete trust in our operation through transparent and professional governance.

We will continue cultivating a modern and attractive workplace.

In the European ICT sector 17% of the 8 million specialists are women, and that's a systemic challenge. As a company we are moving in the right direction, but not as fast as we want to. That is why we have set a target to have at least 25% women by 2025, working our way towards 50% as the end goal. We will also work to reflect the same ambition at the management level, where the ratio today already is 28 %.

Going forward we will continue to promote a workplace with good work/home balance and facilitate for a healthy lifestyle. We strongly believe that a well-functioning body is important to a happy and curious mind. In terms of cultivating curiosity and personal development we also emphasize on the job training, social activities and knowledge sharing across teams, departments and business units.

A sustainable world tomorrow means action today

In 2025 our company will be CO2 neutral – because this is the only way forward. We are far from being the worst polluter on the planet, but that doesn't really matter. We aspire to set an example to follow on how to thrive and experience growth, while at the same time reduce emissions from our operations.

Today our operation emits 1,370 tons of CO2. In the next five years we will reduce that number to zero by improving awareness, actively selecting sustainable alternatives in-house and incentivising suppliers and customers to do the same.

When it comes to sustainable growth, professional governance is just as importance as mapping emissions and taking on social responsibilities. That is why we in 2019 launched a revised Code of Conduct along with a new Supplier Code of Conduct and produced our first ESG report.

Kenneth Ragnvaldsen,
CEO Data Respons

WE MEASURE, SO WE CAN MAKE A DIFFERENCE!

A message from the ESG team

We measure, so we can make a difference
We take responsibility for our entire carbon footprint. That includes the emissions beyond our direct control, like those from sourcing materials, making our products, and our customers using their devices. We calculate our carbon footprint in three major areas: equipment use, corporate facilities, transport of people and goods. We use this information to tell us where to focus.

In addition to our environmental impact, we measure several key indicators within the social dimension, such as sick leave, gender balance and injuries.

In terms of governance, we measure the implementation and integration of our Code of Conduct. Also, we do supplier audits and independents audits in compliance with law and regulations.

We believe that measuring our impact and progress is the only serious and meaningful way to engage in the ESG framework.

Reporting creates positive awareness
Data Respons has adopted the ESG framework in our bid to become an even more sustainable, respectable and attractive company.

Gathering data for the ESG report creates a very positive drive and awareness around several important topics like sustainability, diversification and transparency.

As a company the ESG reporting is quite new to us, but we are already harvesting good experiences and positive interactions with new parts of the Group. As such we have experienced that the work of producing a quality ESG report also entails better cooperation and positive awareness on important topics.

A future ESG orientated company
Going forward our focus is to make the ESG framework part of the company DNA. Thus, creating a win-win-win situation where its possible to grow the business without increasing any risk or increasing our environmental impact, and we increasingly contribute to services and solutions that are key in moving the world in the right direction.

The ESG backdrop for our business

People and tech-orientated business

Data Respons is positioned as a leading provider of smart devices and embedded and industrial IoT solutions. We are serving an increasing appetite for software content, connectivity, higher performance and more functionality. By using Data Respons, our customers can access specialist competences, shorter time-to-market and a lower total cost of ownership.

Data Respons has a solid and well-balanced customer base across several industries, which is based on our strong competence within industrial IoT, digitalisation and embedded technologies. Our geographical footprint, coupled with more than 30 years of experience, has given the Company relevant vertical competence within these areas. The range of services we are providing broadens as we continue to grow. We are steadily becoming an increasingly business-critical component of the digitalisation processes for many of the largest European companies.

In the business of driving the world forward

Through our core business, we help our clients become more efficient by means of automation, improved software and new technology. We also directly enable increased sustainability by building digital platforms for our customers that deliver renewable energy, health technology, new transportation concepts and smart homes, to mention a fraction of what we do.

Almost everything we deliver and provide is part of a bigger effort among our customers to do more with less. Regardless of what service we provide or what sector we provide it to, it is usually about digitalising a manual operation or creating a digital platform that allows for new services and customer experiences. Hence Data Respons is a net contributor to increased efficiency, which in most cases is positive within an environmental dimension.

We have a complex international operation

Data Respons has offices in the Nordic region, as well as in Germany and Taiwan. Our business model is based on close cooperation with our customers and understanding their business needs. To facilitate close cooperation, Data Respons believes in having regional offices with skilled engineering staff (specialist level) in key industrial clusters. This builds strategic and long-term relationships, as well as in-depth industry know-how, with our key customers.

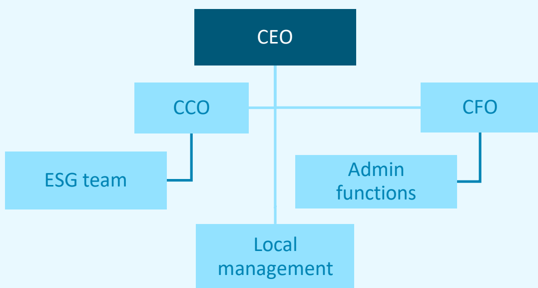
Our international presence is important to our business but requires more from us as a company when it comes to implementing good corporate governance throughout the value chain. And with an international presence comes more travel and transportation that increases emissions.

However, as an international company we get an opportunity to promote awareness regarding climate change, social inequalities and new corporate governance standards.

How we organise our ESG efforts

Data Respons ESG work is owned by the Chief Communication Officer (CCO), which report to the CEO.

Data Respons has a highly decentralised organisational structure with empowered local management and employees. To achieve consistency at a global level the Group has a network of ESG correspondents to ensure that each subsidiary adapt to the overall Data Respons ESG policy and objectives.



Our strategic response to ESG related challenges

In our strategic response to relevant ESG challenges we focus on ten pillars:

1. Integrating sustainability into business considerations – Data Respons' Board of Directors vowed in 2019 to integrate ESG factors across all asset classes and regions and to deliver long-term sustainable value for our customers.
2. Going for zero carbon emissions in 2025 – Data Respons will define decreasing carbon budgets and ramp up the use of renewable energy over the next five years.
3. Educating key personnel in how increased focus on sustainability creates improved competitiveness.
4. Providing a Code of Conduct that all employees are obliged to read and understand.
5. Setting gender balance targets for all subsidiaries.
6. Working with all relevant stakeholders to increase the recruitment of women to the industrial tech industry.
7. Performing regular due diligence reviews of our suppliers.
8. Setting yearly targets for an increasing circular economy.
9. Integrating ESG scoring of candidates into M&A processes.
10. Integrating sustainability and carbon footprint into customers agreements.

ESG AREA	SUSTAINABILITY-RELATED RISK	MITIGATION EFFORTS
ENVIRONMENTAL	Stricter regulations on environmental matters can result in increased costs or further investments for the companies within Data Respons that are subject to such regulation. Significant negative environmental impacts by Data Respons' production companies or suppliers may lead to financial fines, loss of license to operate and reputational damage.	• Part of UNGC since 2018 • Started yearly Co2 mapping in 2019 • Going to carbon neutral in 2025 • ESG reporting started for 2019 • Have developed Code of Conduct and Supplier Conduct Principles that sets new environmental requirements • Introducing carbon budgets • Increasing guaranteed use of renewable energy across the company
SOCIAL	New requirements in terms of gender balance and diversity may necessitate an increase in human relations efforts. Also, failure to comply with new requirements might reduce the brand attractiveness and thus affect income. Further high level of sick leave or low level of employee satisfaction will impact the business. Most students state that personal development and learnings new skills is more important than competitive pay. Hence ensuring competence development is important to retain talent	• Code of Conduct developed to ensure a fair and respectful workplace. • Activity program to improve employee health and reduce sick leave • Our ambitions are to have 25% women in the total workforce (long term goal is 50%), 40% women in the management by 2025 (long term goal is 50%). • On the Job Training in each subsidiary will continue to deliver workforce development
GOVERNMENTAL	Data Respons' operations may be affected by regulatory changes, government legislation and restrictions in the countries where Data Respons is active. Any breach of export control regulations, data privacy laws, anti-corruption or anti-trust regulations would be damaging to Data Respons' reputation and sales opportunities and would have significant legal implications. Unmanaged negative impacts on human rights, i.e. through inadequate labour conditions in the supply chain could entail a reputational risk for Data Respons. Unmanaged negative impacts in companies owned or acquired by Data Respons could entail a reputational risk. On the customer side, Data Respons may face risks if customers misuse the company's products in ways that infringe on human rights. Any lack of a serious whistle-blower system could have reputational damage.	• ESG reporting initiated • Compensation schemes announced in the yearly report • Code of Conduct produced • Supplier Conduct Principles produced and distributed • Whistle-blower system part of CoC • Independent board and audit is set and done • IR-policy published • Supply chain audits

THE UN GLOBAL COMPACT AND THE SDG's

United Nations
Global Compact

A WORLDWIDE ROADMAP

Why it is important to us

We believe climate change is likely to affect lives, markets and supply chains around the world. Therefore, we aim to be an active part in strengthening actions to reduce emissions, while also taking steps to strengthen the resilience of our business.

United Nations Global Compact

SUSTAINABLE DEVELOPMENT GOALS

Status 2019

Signatory member of the UN Global Compact programme

Being the world's largest corporate sustainability initiative, The United Nations Global Compact enables companies across the globe to take shared responsibility for achieving a better world. Data Respons is committed to supporting the UN Global Compact and conducting our business in line with the ten universal principles related to human rights, labour standards, environment and anti-corruption.

As a signatory participant in the Global Compact programme, we report on our goals and efforts described in the annual Communication of Progress, COP. These can be accessed on the Global Compact website and on datarespons.com

The UN Sustainable Development Goals

The UN Sustainable Development Goals were adopted by all the world's governments at the United Nations in 2015 and provide a common and necessary roadmap. At Data Respons, we celebrate these goals and believe in making a difference from the inside; inside technology and inside our companies. We strive to explore technology projects contributing to a more sustainable world, especially those making the world greener, stronger, smarter and more equal.

All 17 of the UN SDGs are relevant to our business, yet we have chosen to focus on five main areas; Good Health and Well-being, Quality Education, Climate Action and Environmental Issues and Reduced Inequalities and Ensuring Access to Affordable, Reliable and Sustainable Energy for all. We find that we can contribute more within these areas and that they are enablers to further strengthen the full set of UN goals.

Ambitions

Continue support and increase our stake

For 2020 we will increase our engagement level in the Global Compact and move from signatory level to participant level which allows us to increase our knowledge about the programme and further helps us to achieve our sustainability objectives.

Execution

In 2020 we will increasingly use our internal communication platform to educate our workforce on sustainability and the UN Global Compact pledges. We will also increase our efforts in establishing an internal programme for sustainability ambassadors in each subsidiary.

3 GOOD HEALTH AND WELL-BEING

Ensuring healthy lives and promoting well-being for all at all ages.

Emerging technologies like AI, 5G and smart devices enable digitalisation within healthcare. For example, we have developed technology that ensures high training of medical staff for a customer in the medtech industry.

As a responsible business we support several efforts in promoting good health. All our employees benefit from our motivational In-Shape programme facilitating activity in everyone's daily lives.

4 QUALITY EDUCATION

Ensuring inclusive and quality education for all and promoting lifelong learning.

Education is key to achieving many of the other sustainability goals. Quality education can break the cycle of poverty, reduce inequalities and reach gender equality.

Data Respons supports several organisations working to increase access to quality education for children living under challenging conditions.

10 REDUCED INEQUALITIES

Reducing inequalities within and among countries.

According to the UN, inequalities based on income, gender, age, disability, sexual orientation, class, ethnicity and religion continue to persist across the world. Aside from technological efforts we cooperate with a range of charities promoting the education of women and opportunities for the mentally disabled, and enabling children living in poverty to go to school.

7 AFFORDABLE AND CLEAN ENERGY

Ensuring access to affordable, reliable, sustainable and modern energy for all

Transitioning the global economy towards clean and sustainable energy is one of our greatest challenges in the coming decades. At Data Respons we seek out opportunities to help our customers facilitate access to clean, renewable energy and to make energy more efficient and advance cleaner fossil-fuel technology.

13 CLIMATE ACTION

Taking urgent action to combat climate change and its impact

In 2019 we mapped our company's footprint and are now developing a roadmap to becoming CO_2 neutral by 2025.

In addition to taking responsibility for our own emissions, we want to engage ourselves in customer development projects that have a positive impact on the environment. Our specialists across the company take part in technology projects that seek to cut emissions from vehicles, develop battery technology and reverse vending solutions. We are also involved in projects optimising wind power and smart house management solutions.

SUSTAINABILITY THROUGH TECHNOLOGY

ACCELERATING CHANGE

Why it is important to us

We believe technology development is vital to enable a sustainable future. Data Respons strives to explore technology projects contributing to a more sustainable world, especially those making the world greener, stronger, smarter and more equal.

GOAL
50 SUSTAINABLE
TECHNOLOGY PROJECTS

Status

Ahead of schedule

We believe technology development is vital to enable a sustainable future! Data Respons has set goals to explore more than 50 technology projects that contribute to a more sustainable world, especially those making the world greener, resilient, smarter and more equal

Segment	Number of projects
Solutions	17
R&D	52
Total	69

Ambitions

As we increasingly work on projects with a sustainability edge to them, it's natural that we increase our ambitions. We aim to deliver a minimum of 100 projects that have valuable effects on the SDGs by 2022.

Execution

Sustainability has been an integrated part of our strategy for years. However we have not managed to integrate sustainability in our day-to-day business to a satisfactory level. We are now working to visualise carbon cost in our customer contracts and employ eco design as a natural step in the product cycle. By 2020 we aim to roll out an educational toolbox to hopefully increase sustainability awareness in our sales and production processes.

Reliable control system for Danish recycling system

Dansk Retursystem manages a world class recycling system which retrieves, counts and sorts empty cans and bottles. An impressive 90% is sent for recycling. Data Respons Solutions delivers a customised and trustworthy central control system that ensures reliable operations 24/7.

1,850 mill. items are recycled through reverse vending annually. (Source: Dansk Retur and Swedish Waste Management Association, Swedish EPA)

Scanning for epilepsy using smartphones

A solution that scans the brain using an electrode head-cap, a recording unit and a smartphone app. The Data Respons subsidiary, TechPeople assisted BrainCapture with hardware development.

Approx. 1% of the world's population suffers from epilepsy, yet people living in developing countries do not have access to the necessary scanning equipment to get a diagnose. Solutions like this make expensive scanning facilities remote and available.

IoT-based solution for innovative energy management

EnergyBase automatically optimises energy consumption with self-learning algorithms and controls the energy flows in your home. Engineers from our subsidiary MicroDoc support the development of complex software infrastructure for management of a green energy mix.

Homes with EnergyBase installed produce their own clean solar power and rely less on carbon-based energy sources. The energy management system allows households to reduce their carbon emissions.

REDUCING OUR CLIMATE FOOTPRINT IS OUR RESPONSIBILITY

ENVIRONMENT

Why it is important to us

We believe climate change is likely to affect lives, markets and supply chains around the world. Therefore, we aim to be an active part in strengthening actions to reduce emissions, while also taking steps to strengthen the resilience of our business.

Status 2019

Reducing emissions

We are dedicated to reducing our environmental impact. We are not a big emitter and our business is about cultivating specialists that mainly develop software. But we do have a direct negative impact of 1,385 tons of CO_2 equivalents from our business that we will neutralize in the next five years.

During 2019 we undertook a mapping of our CO_2 footprint for Scope 1 and Scope 2* for all the companies within the group. The mapping was externally assured by Endrava, a company specialised in carbon reporting.

Ambitions

Striving for a circular economy

Our work aims to break the link between the growth of our business and the production of waste. Our end objective is to be part of a circular economy where we can grow the business without growing our environmental footprint. For our daily operation it implies more use of renewable energy and renewable materials in combination with 100% recycling of our products and our waste.

Engaging all stakeholders

An important tool for all companies is to leverage its customers and supplier relationships to promote environmental awareness. Going forward we will work to highlight the environmental cost of choosing transport by air rather than sea to our customers. Also, every employee gets a yearly and decreasing carbon budget and our suppliers must abide by our Supplier Conduct Principles that requireactions to reduce any negative environmental effects.

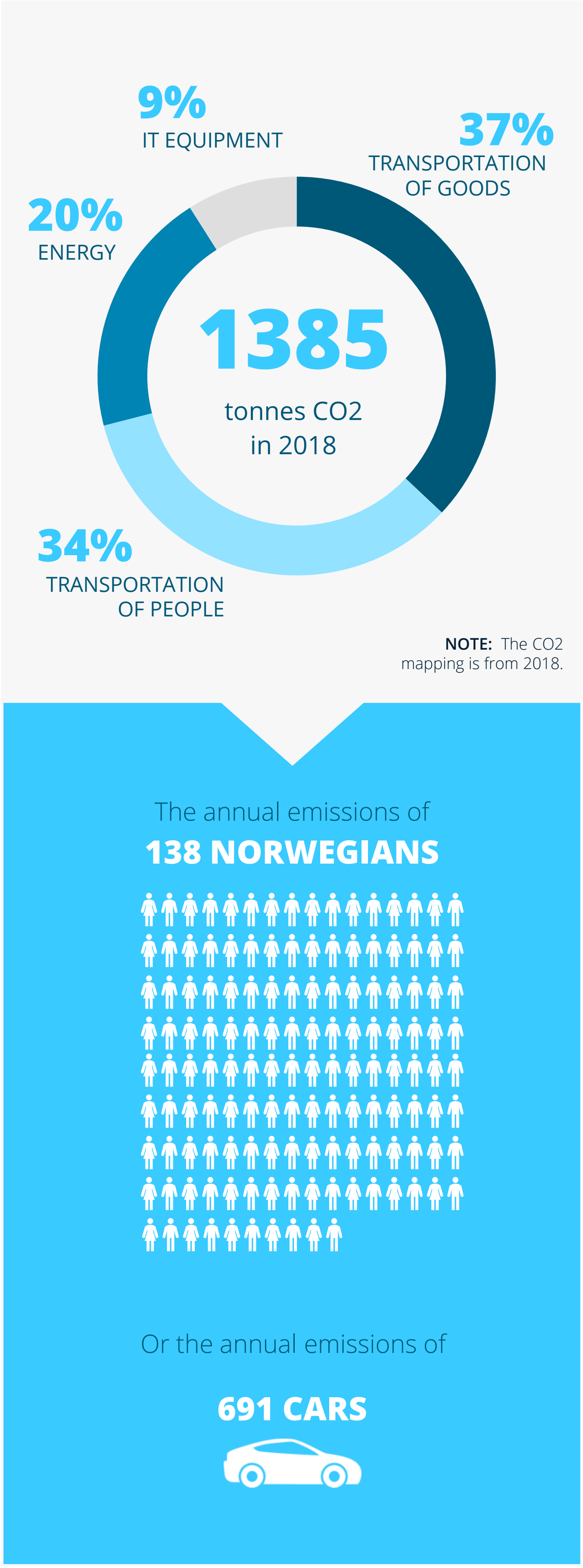
Execution

Integrating sustainability in the business

Our take on sustainability is to integrate an environmental awareness into all levels ofthe company, meaning we want sustainability to permeate the business. From how we write the contracts with our customers to the waste management in every office.

We have been a member of the United Nations Global Compact initiative since 2018, and thus established a corporate culture where ESG reporting and sustainable thinking have been part of our processes for years.

This year each subsidiary will get a decreasing carbon budget that they need to deliver on, as they do on the fiscal budgets.



*https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf

Smart farming: automated precision feeding

The Data Respons subsidiary, Data Respons R&D Services, has assisted TKS Agri, a Norwegian producer of agricultural solutions, to optimise its precision feeding solution, FeedStation™.

Agricultural precision feeding systems can reduce the amount of methane and nitrogen lost in production, directly reducing the impact of farming operations on the environment. By not overfeeding or underfeeding their stock, the farmer uses the correct amount of food and less feeding waste is left, which also keeps the stock healthy.

2 ZERO HUNGER
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Reducing waste with reverse vending

TOMRA is the world leader in the field of reverse vending, with over 82,000 installations across more than 60 markets. Data Respons R&D Services is helping TOMRA develop a reverse vending machine for a new market, mainly with software (SW steering motors, camera sensors Graphical User Interface) and hardware development. We are proud to partner up on solutions which reduce plastic waste and greenhouse emissions.

13 CLIMATE ACTION
14 LIFE BELOW WATER

Environmental CO_2 calculation tool for vehicles

Our subsidiary EPOS has developed an application used to create, manage and configure an environmental balance.

The application uses disassembly data and assessment with environmental factors to create CO_2 equivalents for production, use and recycling.

13 CLIMATE ACTION

This solution helps vehicle and fleet owners to use data to understand their emissions and make the necessary cuts to keep the emissions down.

Energy efficiency through digitalisation

Eniram (a Wärtsila company) is a Helsinki-based company providing the maritime industry with energy management technology to reduce fuel consumption and emissions.

Our teams at Data Respons Solutions in Sweden have been helping Wärtsila company Eniram with rugged hardware solutions for both passenger ships and industrial vessels throughout several life cycles, enabling Eniram to reduce fuel consumption and emissions.

13 CLIMATE ACTION

Eniram's solutions help cut emissions that are harmful to the environment by optimising energy emissions on i.e. cruise ships, tankers and container vessels.

BUILDING AND MAINTAINING A FAIR, RESPONSIBLE AND ATTRACTIVE WORKPLACE

SOCIAL

Why it is important to us

Since Data Respons is a people-centric business, the social dimension in the ESG framework is very important to us. People are our primary income, resource and value. Hence creating a sustainable workplace is key to the success of our company.

DIVERSITY

Status 2019

Working to get the right balance of specialists
Since the company was founded there has been a strong commitment to fostering a culture of diversity and inclusion throughout our company. A commitment that has only grown stronger as we included more companies, nationalities and cultures into Data Respons.

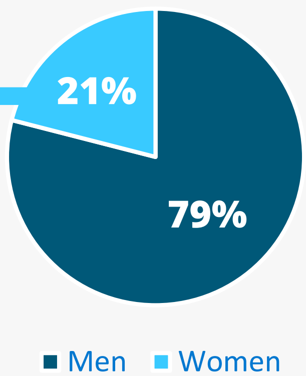
From a Group perspective, the Data Respons Code of Conduct helps govern issues such as fair employment, diversity, discrimination, harassment and health and safety. All companies in the Group are obliged to adopt and implement the Code to ensure a uniform approach to these issues across the Group.

Equal pay
In Data Respons, the practice is equal pay for work of equal value regardless of gender. Salary and terms of employment for comparable positions are the same for women and men. Recruitment, promotion and development of the employees are based on merit and equal opportunity regardless of ethnicity, religion, gender, age, national origin, sexual orientation, marital status and disability.

Discrimination, bullying or harassment is not accepted at Data Respons. Employees are asked to report incidents of such behaviour to their immediate supervisor or the employee representative.

GENDER DIVERSITY

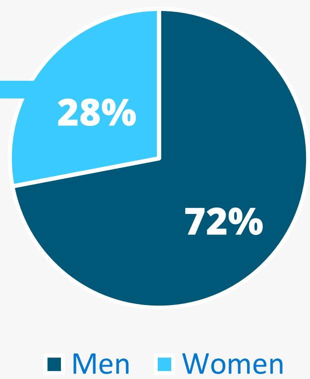
EMPLOYEES



+ 4%

In 2018 17% of our employees were women. The 4% rise in female employees is a result of both organic growth in addition to acquisitions

MANAGEMENT



+ 27%

In 2018 22% of our management were female.

Ambitions

Promoting a better gender balance in a male dominated industry is one of our key priorities. We increased the number of women from 17% to 21% in 2019, and we aim to have at least 25% women by 2025 (long term goal is 50%). Furthermore, the female representation in the management teams is at 28% today, but we aim to increase that number to 40% by 2025 (long term goal is 50%).

Execution

We will continue to strengthen a culture that creates an international and attractive work environment regardless of gender. Furthermore, we will continue to focus on our recruiting efforts in 2020, hopefully increasing the number of women among the job applicants and maintaining the mix of nationalities.

We will also use our sponsorships, Enabling the Young, to increase female interest in software and hardware development.

HEALTHY WORKPLACE

Status 2019

Facilitating a healthy workplace and a sustainable lifestyle

From the start, physical activity has been an important part of the culture at Data Respons. We already have some of the best and brightest minds, but we acknowledge that there is more to life than zeros and ones. Physical activity has been promoted as a cornerstone in our culture. That is also why most of our internal sponsorships involve stimulating our employees to balance long days in front of the computer with physical activities.

By encouraging an active lifestyle, we hope to keep sick leave at the current low level of 2.5%, while cultivating a culture of healthy high performers.

Staying in shape together

Our colleagues across the group help each other stay in shape by exercising together and challenging one another to take part in various sports events. In addition, all employees within the group can take part in our InShape programme where we motivate and reward being active in our daily lives.

Employees from Data Respons R&D Services in Bergen, Norway

Move for Charity

Across the group, there are a number of initiatives that combine physical activity with charity. An example is the annual sponsored Unicef run in Ingolstadt. Another is the Move for Charity concept embraced by the teams in Norway. The teams collect money for a chosen charity based on the number of active people they manage to register.

Colleagues from our subsidiary IT Sonix

Continuous learning and development

Workforce development is one of the biggest issues facing economies around the world, especially as technology accelerates the pace of change for the jobs of today and tomorrow.

In order to develop cutting edge hardware and software, we need to constantly improve the skills and competence our 1,400 specialists possess. This is done through our on-the-job training philosophy, where local management is always looking for new opportunities for their employees to challenge themselves.

Keeping our specialists in customer-driven R&D projects creates a continuously changing and market-oriented competence structure.

Ambitions

Maintaining the current low level of sickness is very important to us. In 2020, we will ensure that all subsidiaries have the same low level.

We are also working on programmes to ensure professional development and connect employees from different subsidiaries.

Execution

We will continue to support the broad range of physical activities that takes place in each subsidiary. And we will continue to uphold the value of activity in the communication from the top management.

We will engage with local management in 2020 to explore the opportunities for becoming better at establishing frameworks that clearly define the opportunities for personal development.

WE WANT YOUNG PEOPLE TO HAVE THE BEST OPPORTUNITIES TO GROW AND PROSPER

ENABLING THE YOUNG

Why it is important to us

Young people are our future and we want to be a part of giving coming generations the best starting point possible and the ability to grow and prosper into educated, healthy and valuable individuals.

Sponsorship examples

Scholarly programmes

Several of our subsidiary companies support students with a scholarship programme during bachelor or master studies to encourage more students to choose an education within STEM.

Sports sponsorships

Data Respons has, fourth year running, signed an agreement for supporting the international chess championship, Stockholm Chess Challenge, for young talents. We define it as enabling the young through chess.

From the start, physical activity has been an important part of the culture at Data Respons. Enabling young people to perform, whether it is in sports, education or other aspects of life, is deeply embedded in our company values.

Sport conveys many strong values that make up both a lively everyday life and a strong corporate culture: namely team spirit, a clear strategy and, above all, a large portion of emotion and pure passion for a common cause.

Data Respons companies sponsor both small local teams and youth national teams within various sports such as cycling, ice hockey, football and hand ball.

Enabling children in low-income countries

An estimated 617 million children and adolescents around the world are unable to reach minimum proficiency levels in reading and mathematics – even though two thirds of them are in school. This learning problem is the greatest global challenge to preparing children and adolescents for life, work and active citizenship. (UNICEF)

Data Respons supports various organisations helping children across the nations. One of them is The Society for Street Children in Nepal, a non-profit fundraising society providing accommodation for street children in Nepal, with the highest priority given to girls since they, in particular, are particularly prone to the risk of human trafficking. The Society also provides education for children and young people who would otherwise have no access to education as well as food for children still living on the streets.

Another example is the humanitarian organisation On Own Feet, which works with children in war-torn countries. The organisation provides school materials, builds and reconstructs schools, provides medical kits to women's clinics and more. Data Respons has supported the organization for nearly 20 years.

OUR VALUES

Taking responsibility
To perform
Being generous
Having fun

TRANSPARENCY AND RESPONSIBLE BUSINESS CONDUCT

GOVERNANCE

Why it is important to us

Trust is something that is difficult to establish and easy to lose. As a company we are dependent on trust from all our stakeholders to function and to thrive. And nothing builds trust as well as good corporate governance.

Status 2019

The Data Respons Code of Conduct

Stakeholders' expectations regarding responsible business conduct are constantly changing. Although our core principles and standards remain the same, we have gathered all relevant policies into a Code of Conduct (CoC) to ensure that we stay ahead of the developments.

The Code of Conduct is built on Data Respons' values and, together with our policies and procedures and applicable laws and regulations, provides a framework for what we consider responsible conduct.

Our Code of Conduct supersedes any policy and any strategy. It is also mandatory for all employees to read and incorporate the CoC. The Code of Conduct is made with the intention to always do the right thing, even when nobody is watching.

Data Respons is committed to respecting and promoting the human rights of all individuals potentially affected by our operations. We respect the fundamental principles set forth in the Universal Declaration of Human Rights and related UN documents.

Transparency and responsibility

As a listed company and company subject to Norwegian law we of course deliver on all requirements regarding transparency, independence and standards. However, this ESG report is a concrete ambition to upping the ante on good corporate governance.

In our annual reports we operate with complete transparency when it comes to compensation, benefits and shares.

In 2019 we upgraded our whistle-blower service, making it easier for every employee to report any transgression.

A responsible value chain

We acknowledge that we do not operate in a vacuum and that we have responsibilities and obligations throughout our value chain. We have therefore made a set of Supplier Conduct Principles (SCP) that ensures our corporate governance standards follow our products and services from start to finish.

Ensuring a responsible supply chain is important to Data Respons as it helps prevent disruptions in supply as well as potential reputational risks. Within its sphere of influence, Data Respons strives to ensure that its suppliers follow the principles set out in the SCP.

Supplier audits

Data Respons performs audits of both new and existing suppliers based on both desk research and onsite visits. Audit schemes and processes differ from division to division depending on risk levels and operational contexts.

Data Respons divisions that manufacture hardware have adopted a systematic evaluation process for all new suppliers containing several steps of scrutiny to ensure compliance with Data Respons' policies.

Key suppliers of manufacturing entities are evaluated through internal formal visits, reviews and evaluations in order to ensure that they strictly respect the Data Respons Code of Conduct. Third party assessment is used in cases where an issue cannot be verified directly with the supplier

Data security and integrity

As we detect and prevent thousands of attempts at cyber-attacks every year, we are constantly developing our security efforts, in line with the external and internal threat picture. We realise that advanced security solutions are needed to handle a wide range of cyber threats. Our foremost task is to protect our customers' data in compliance with relevant authorities and legal frameworks.

Data security and integrity are critical issues for the Data Respons Group for a number of reasons. In addition to existing country data protection regulations, the EU General Data Protection Regulation (GDPR) became effective on 25 May 2018. The GDPR regulates the protection of Personal Data (PD) that companies collect and process.

Under the GDPR, Data Respons has firm legal requirements to protect against PD breaches and specific timelines within which to report and communicate applicable breaches to affected personnel. The GDPR requirements extend to all vendors that Data Respons uses to collect, store and process PD on its behalf.

Data security and integrity is managed at Data Respons through a combination of Group-wide and complementary daughter company policies and processes. Information security is managed within each subsidiary with oversight at a Group level.

Data Respons will continue to implement Information Security programmes aimed at improving the overall security posture of the company. The programmes will focus on both preventative and reactive measures to ensure Data Respons remains resilient to the rapidly changing threat landscape.

Boards of Directors and committees

Data Respons' organisation is structured and managed in accordance with the Norwegian Code of Practice for Corporate Governance. The Board of Directors states that Data Respons has complied with the Code throughout 2019. The Board of Directors' report on corporate governance is available on the group's website: www.datarespons.com/investors.

Nomination committee

Data Respons has incorporated in the articles of association that the group should have a Nomination Committee for the Board of Directors.

The Annual General Meeting elects the Nomination Committee. The Committee makes proposals to the General Meeting regarding the election of shareholder-elected members to the Board and proposes remuneration of the Board of Directors.

The Annual General Meeting decides the remuneration of the Nomination Committee. The members of the Nomination Committee should be selected to take into account the interests of shareholders in general and the majority of the Committee should be independent of the Board of Directors and senior management.

The Committee comprises three members, none of whom are Board members or employees at Data Respons. The Committee involves shareholders, Board members and the CEO in proposing candidates to the Board of Directors. Shareholders can propose candidates through the group website.

The Nomination Committee proposes the remuneration of the directors for the coming year to the General Meeting. Proposals from the Nomination Committee are justified, and the proposals are made available on the group's website along with the invitation to the AGM.
The current members of the Nomination Committee are Bård Brath Ingerø, Fredrik Thoresen and Christian Dahl. In addition, Data Respons has an Election Board for the election of employee representatives to the Board of Directors. The Election Board comprises three members, who are employed at Data Respons.

Board of Directors

The Board of Directors is composed in a way that enables it to maintain the interest of the majority of the group's shareholders. Each Board member is presented on our website (www.datarespons.com/investors), including information about their age, skills, experience and share ownership in Data Respons.

The composition of the Board of Directors complies with the requirement that the Board be independent from the group management and independent from major business associates of the group. Management is not represented on the Board of Directors. At least two of the members of the Board elected by shareholders are independent of Data Respons' main shareholders.

The Chairman of the Board of Directors and other Board members are elected by Data Respons' shareholders in the General Meeting. Board members are elected for a term of one year until the next Annual General Meeting. Board members are encouraged to own shares in Data Respons. Page 13 of the annual report provides a detailed description of the individual members' backgrounds, qualifications and shareholdings.

The work of the Board is governed by detailed rules of procedure. The Board has an annual programme of work including specific topics and fixed items, such as the approval of the annual financial statements, interim financial statements and budgets. The Board is also responsible for overall strategy and for setting long-term goals, as well as important decisions about acquisitions, establishment of new operations and major investments. The Board of Directors evaluates its performance and competence annually. A Board member shall not participate in the discussions or decisions of any matters that are of particular personal or financial interest to them or to any related party.

In 2019, there were seven directors on the Board, five of whom were elected by the General Meeting and two of whom were elected by the employees. In 2019, the Board held a total of ten meetings. In 2019, there were four men and three women on the Board.

Audit Committee

The Board has appointed an Audit Committee that provides assistance to the Board in fulfilling its responsibility to the shareholders, potential shareholders and investment community relating to corporate accounting, reporting practices of the group, and the quality and integrity of the financial reports of the group.
As part of this process, the external auditors participate in several meetings of the Audit Committee. In carrying out its responsibilities, the Audit Committee should ensure that the corporate accounting and reporting practices of the group are in accordance with all legal requirements and are of the highest quality. The Audit Committee comprises two Board members.

Compensation Committee

The Board also appoints a Compensation Committee comprising two Board members. The Board's Compensation Committee is a subcommittee of the Board of Directors of Data Respons ASA and is independent of management. Its role is to prepare for the Board's discussions of questions involving compensation. The Compensation Committee is responsible only to the full corporate Board and its authority is limited to making recommendations to the Board.

Risk management and internal control

The Board of Directors oversees the quality of Data Respons' risk management and ensures that the internal control functions are aligned with our business objectives and sufficiently take into consideration the scope and nature of the group's operations. The Board of Directors evaluates, at least annually, the group's most significant risks and the related internal control measures in place.

The Board of Directors oversees and evaluates the group's internal control and risk management functions related to financial reporting. The management is responsible for establishing and maintaining adequate internal control of financial reporting.

The objective of the internal control of financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Data Respons' financial statements for external reporting purposes in accordance with International Financial Reporting Standards. The Board of Directors evaluates the effectiveness of internal control of financial reporting annually.

As part of the audit of the financial statements, the external auditor reports on the effectiveness of internal controls related to financial reporting to the Audit Committee and the Board of Directors at least once every year.

Ambitions

A key ambition is to onboard all 1400 employees on our new Code of Conduct, and integrate it the culture of our subsidiaries.

We want to make certain that our supply chain is following the same principles we have in the company .

Execution

We will make sure the Code of Conduct is part of all onboarding programs in the company.

We will also conduct supplier audits in 2020 to ensure that our value chain is in accordance with our principles and requirements.

data respons