Annual report 2019

Content

The Glamox Group

Glamox is a Norwegian industrial group that develops, manufactures and distributes professional lighting solutions for the global market. The Glamox Group is a leading supplier to the world's marine and offshore markets, and a significant supplier to the professional building market in Europe. The Group is organized with Glamox AS as the parent company.

The Glamox Group is a global organization with more than 2 400 employees within sales and production in several European countries, as well as Asia, North and South America. The turnover is NOK 3.1 billion. The Group owns a range of quality lighting brands including Glamox, Aqua Signal, Norselight, Luxo, LINKSrechts, Küttel, Luxonic and ES-SYSTEM. Glamox is committed to meeting customer needs and expectations by providing quality products and solutions, service and support.

Main points

- Order intake ended at NOK 3,100m (NOK 2,935m), an increase of 5.6%
- Revenue was NOK 3,098m (NOK 2,773m), an increase of 11.7%
- Operating profit/margin of NOK 307.3m/9.9% up from NOK 273.1m/9.8% in 2018
- Adjusted operating profit/margin of NOK 379.2m/12.4% compared to NOK 364.6m/13.2% in 2018
- Profit for the year was NOK 238.5m (NOK 212.6m)
- The operating profit in 2019 was charged with NOK 72m as net special items. The corresponding figure in 2018 included net special items of NOK 91.6m
- Positive operating cash flow of NOK 221.2m in 2019 compared with NOK 265m the previous year
- Acquired Luxonic Lighting on 30th April 2019, and ES-SYSTEM on the 10th December 2019
- Proposed ordinary dividend of NOK 2.138 per share (unchanged from last year)

Key figures

		2019	2018	2017	2016	2016	2015
		IFRS	IFRS	IFRS	IFRS	NGAAP	NGAAP
Total revenue	MNOK	3 097.6	2 772.7	2 614.5	2 508.6	2 508.6	2 498.4
Operating profit	MNOK	307.3	273.1	292.7	267.8	263.1	298.5
Adjusted Operating profit	MNOK	379.2	364.6	337.0	284.4	279.8	314.2
Profit before tax	MNOK	309.1	270.3	302.8	255.8	251.5	293.1
Profit after tax	MNOK	238.5	212.6	258.2	194.9	191.1	214.4
Cash flow from operations	MNOK	221.2	265.0	197.2	319.0	310.3	250.3
Total profitability	%	20.3	20.3	23.6	20.4	20.1	25.9
Equity ratio	%	31.7	42.1	45.6	48.2	41.5	39.1
Earnings per share	NOK	3.62	3.22	3.91	2.95	2.90	3.25

The lighting company

Our product brands

The Glamox Group owns eight international product brands.

GLAMOX
Glamox is a leading lighting brand for professional markets, onshore and offshore, established in 1947. The wide assortment of Glamox products is of superior technical quality, and available for a wide range of applications – including challenging environments.

aqua signal®
Aqua Signal has been delivering top-of-the-line marine lighting solutions since before the age of electricity, providing lighting products designed and manufactured to meet all relevant standards for quality and performance at sea.

NORSElight
Norselight delivers added safety and security by providing quality search light systems that work reliably even under the most extreme conditions.

LUXO
For more than 75 years Luxo has designed mainly arm-based innovative, ergonomic lighting products. Luxo products improve lighting conditions, taking particular care of individual needs.

LINKS rechts
LINKSrechts offers a comprehensive range of naval LED lighting systems, including design, integration and programming.
The product range consists of specialized lighting products for all naval applications, including naval aviation.

KÜTTEL
Küttel is a leading supplier of professional lighting solutions, based in Kriens in Switzerland. Products from Küttel combine quality, up-to-date technology and contemporary design.

LUXONIC
Since 1986, Luxonic has excelled in the design and manufacture of energy efficient, aesthetically pleasing lighting products, for the education, healthcare, commercial, retail and industrial sectors.

ES-SYSTEM
Light is Life
ES-SYSTEM's mission is to deliver energy- efficient, innovative and comprehensive lighting solutions while minimizing its negative impact on the natural environment and maximizing care for the users' comfort and health.

Our mission

To be the preferred supplier of lighting solutions to defined market segments.

Our values

Customers
We value the importance of understanding customer needs and expectations.

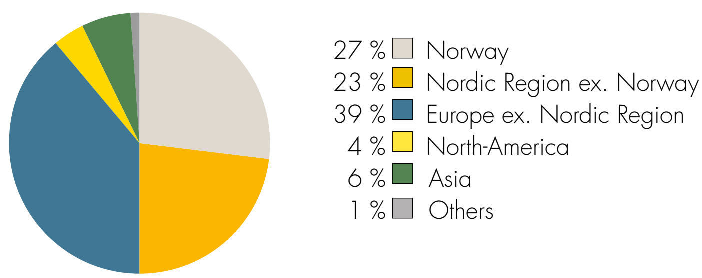
Cooperation
We team up with customers and colleagues to find the best solutions.

Commitment
We are committed to deliver as promised, within the agreed time frame, and with the right quality.

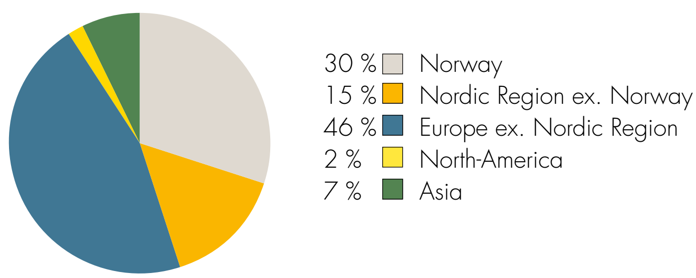
Quality
We deliver the product quality and level of service and support that our customers expect from us.

Ethics
We treat customers, colleagues, suppliers and all others with respect and dignity. We respect laws and regulations, and take pride in our consideration for the environment.

Revenues by market: 3 098 MNOK



Man-years (average) by market: 1 502



Group organisation

The Group's operations are divided between four operational divisions: Professional Building Solutions, Global Marine & Offshore, Sourcing, Production and Logistics and ES-SYSTEM Group. Each division is responsible for its group of companies.

Professional Building Solutions

Professional Building Solutions concentrates on the European market for non residential lighting. The division offers the market complete solutions, including luminaires, systems and services, for office and commercial buildings, industrial buildings, educational establishments, retail and shopping centres, hotels and restaurants and health institutions.

Global Marine & Offshore

Global Marine & Offshore is one of the world's leading suppliers of light fittings to the global marine and offshore market. The division offers the market total solutions within the following segments: Commercial marine, cruise & ferries, offshore energy, onshore energy, recreational boats and navy.

Sourcing, Production and Logistics

Sourcing, Production and Logistics has a key role in the Glamox value chain. Responsibilities include order handling, procurement, manufacturing of goods, warehousing and distribution. The division operates production units in six different locations in Europe and China. Its prime objective is to serve the sales units and their customers with excellent services and products.

ES-SYSTEM Group

ES-SYSTEM is the leader of the Polish lighting industry for non-residential lighting. The division offers end-to-end services and a wide range of high-performance and specification-grade LED lighting solutions for commercial, industrial, retail and outdoor environments. The leading segment of ES-SYSTEM'S business activity is focused on custom-made products.

President & CEO
Rune Marthinussen

Business Development, Group IT and Digitalisation
Håkon Helmersen
Director

Finance and Administration
Thomas Lindberg
CFO/Senior Vice President

HR & Legal
Monica Bårdseth
Director

Professional Building Solutions (PBS)
Knut Rusten
Senior Vice President

- **Norway** Glamox AS BU Norway
- **Sweden** Glamox AB BU Sweden
- **Denmark** Glamox A/S
- **Finland** Glamox OY
- **The Baltic area** AS Glamox BU Estonia
- **Germany** Glamox GmbH
- **United Kingdom** Glamox Ltd
- **United Kingdom** Luxonic Lighting Ltd.
- **Ireland** Glamox Ireland Ltd
- **The Netherlands** Glamox B.V.
- **Switzerland** O. Küttel AG
- **USA** Luxo Corporation

Global Marine & Offshore (GMO)
Frode Scott Nilsen
Senior Vice President

- **Norway** Glamox AS BU Glamox International
- **Germany** Glamox Marine and Offshore GmbH BU Glamox Marine Germany
- **Germany** Glamox Marine and Offshore GmbH BU LINKSrechts
- **The Netherlands** Glamox B.V.
- **USA** Glamox Aqua Signal Corporation
- **Canada** Glamox Inc.
- **China** Glamox Trading Co.Ltd.
- **Singapore** Glamox PTE. Ltd
- **South-Korea** Glamox Co. Ltd.
- **Brazil** Glamox Brasil Iluminacao LTDA

Sourcing, Production and Logistics (SPL)
Meelis Peterson
Senior Vice President

- **Norway** Glamox AS BU Production Molde
- **Norway** Glamox AS BU Production Kirkenær
- **Sweden** Glamox AB BU Production Sweden
- **Estonia** AS Glamox BU Production Estonia
- **Germany** Glamox Production GmbH & Co KG BU Production Germany
- **China** Glamox (Suzhou) Lighting Co. Ltd.

ES-SYSTEM Group
Rafał Gawrylak, President
Waldemar Pilch, Vice President

- **Poland** ES-SYSTEM S.A.
- **Poland** ES-SYSTEM Wilkasy Sp z.o.o.
- **Poland** ES-SYSTEM NT Sp. z.o.o
- **Poland** ES-SYSTEM Projekty Sp. z.o.o
- **United Kingdom** ES-SYSTEM Lighting UK Ltd.

Main points from the divisions

Professional Building Solutions (PBS)

The division offers total solutions within the following market segments: Office and commercial buildings, industrial buildings, educational establishments, health institutions, retail and shopping centers, hotels and restaurants.

Office and commercial buildings

Industrial buildings

Educational establishments

Health institutions

Retail and shopping centers

Hotels and restaurants

The Professional Building Solutions (PBS) division has sales and marketing responsibilities toward defined market segments, the division is responsible for product development and product management of own products. These products are manufactured by production units organized in Division SPL.

PBS develop and sells lighting solutions for land-based market segments. The most important markets served by this division are Central and Northern Europe. We are also operating in the Middle East and Australia in collaboration with distributors. In several of PBS' markets, electric heaters are also marketed and sold under the brand name Glamox Heating and produced by Adax AS. PBS has four strong brands: Glamox, Luxo, Luxonic and Küttel.

PBS has expanded its product range and geographical representation in recent years through acquisitions and product development. The Division offers a wide range of products and solutions for non-residential buildings including interior lighting, architectural lighting and industrial lighting, as well as customized luminaries and arm-based tasks lights and illuminated magnifiers. PBS is offering complete lighting solutions, including both systems and service in addition to the luminaires. This includes luminaires, LMS-components and services such as commissioning and maintenance. Over the last years the development and sales of Human Centric Lighting solutions has contributed significantly to the business within the Division.

PBS has its own sales companies in Norway, Denmark, Sweden, Finland, Estonia, Great Britain, Ireland, Germany, the Netherlands, Switzerland and the United States. Glamox is represented through distributors in the other markets. The main market segments are office and commercial buildings, industrial buildings, educational buildings and health institution sectors. Lighting solutions are also delivered to hotels, shops/shopping centers and for outdoor use. Glamox is the market leader in professional lighting in Norway and holds strong market positions in the other Nordic countries, as well as Estonia. We serve all important links in the sales and distribution chain, including architects, consultants, building owners, developers, installation contractors and, in some countries, electrical wholesalers. Our table-lamps are also sold through office furniture dealers. In all markets, there is a strong focus on increased support of the descriptive element (i.e. architects and consultants) in order to be described in projects.

In 2019, PBS has total revenues of NOK 2 167m compared to NOK 2 024m in 2018, an increase of 7.0%. At year-end 2019, the number of man-labour years in PBS was 526, of which 79% were employed in businesses outside Norway.

Main points from the divisions

Global Marine & Offshore (GMO)

The division offers total solutions within the following market segments: Commercial Marine, Cruise & Ferries, Navy, Recreational boats, Offshore Energy and Onshore Energy & Petrochemical Industry.

Commercial marine

Cruise & ferries

Navy

Recreational boats

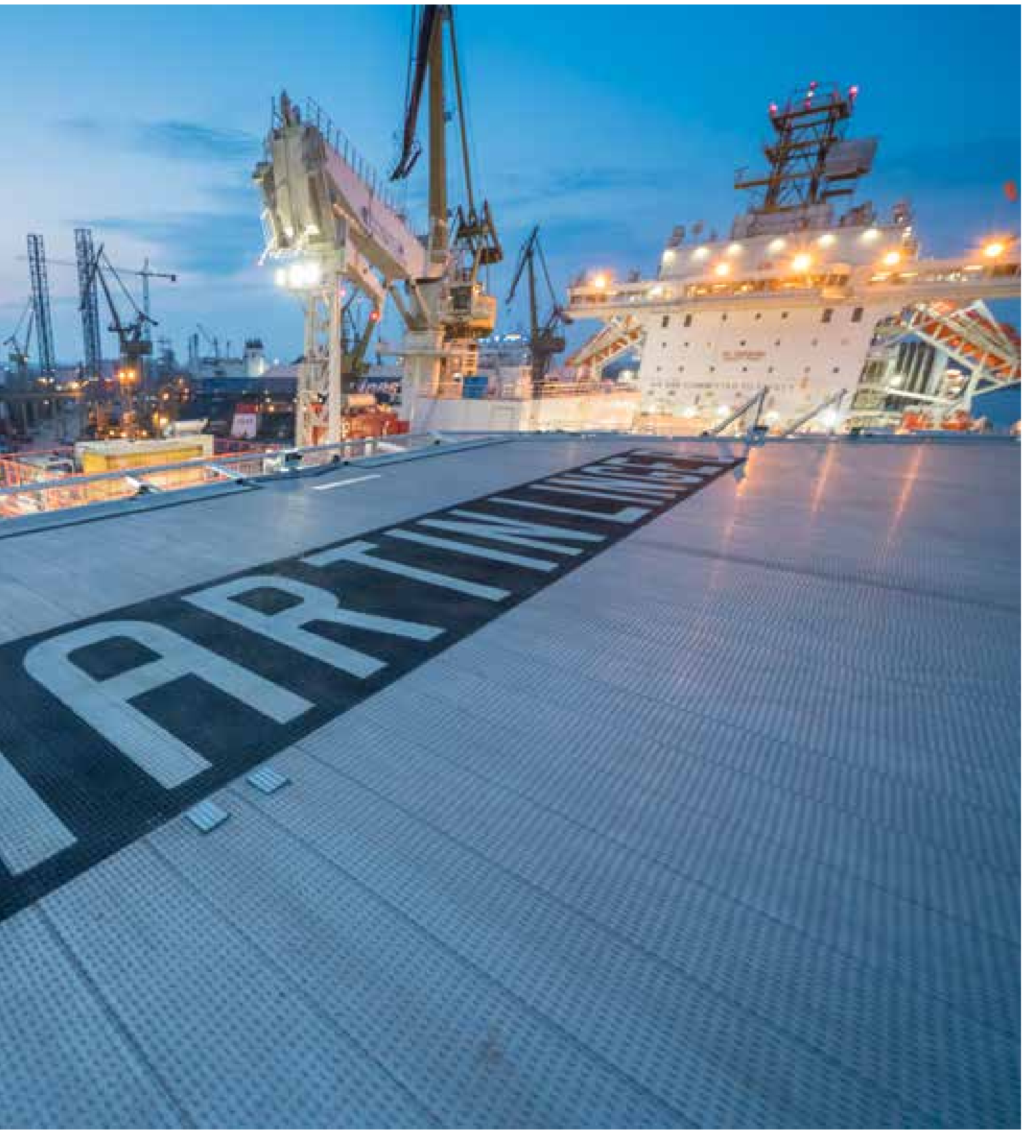
Offshore Energy

Onshore Energy and Petrochemical Industry

The Global Marine & Offshore (GMO) division has sales and marketing responsibilities toward defined market segments, the division is responsible for product development and product management of own products. These products are manufactured by production units organized in Division SPL and in the division's Canadian production unit.

GMO is one of the world's leading suppliers of lighting solutions to the global marine and offshore markets. The division has 5 strong international brands: Aqua Signal, Glamox, Luxo, Norselight and LINKSrechts.

The division is represented on all continents through its own sales companies, agents



and distributors. The division has sales units in Norway, Germany, Finland, England, Scotland, the Netherlands, Singapore, China, South Korea, United States, Canada and Brazil. In addition, the division has the responsibility for our production unit in Canada.

GMO delivers a wide range of complete lighting solutions to most markets and market segments worldwide. All products being developed are based on LED-technology designed to satisfy market requirements and specifications across the industry segments. GMO operates within the commercial marine, cruise and ferries, navy, recreational boats, offshore energy, onshore energy and petrochemical industry market segments.

The division is the global leader in the commercial marine sector. GMO also holds a strong position within the navy segment through our combined lighting and specification competence within this field.

In the offshore segment, GMO has a strong position with regard to installations in Europe and Asia. Further, GMO has a strong position in the recreational boat sector in Europe and the United States within navigation lights.

The most important factor in terms of demand for our products is new building of ships and offshore constructions. During 2019, GMO has seen an increase of demand for upgrade of existing installations with LED-solutions on both ships and offshore installations.

In 2019, GMO had a total revenue of NOK 853m compared with NOK 745m in 2018, an increase of 14.5%. At year-end 2019, the number of man-labour years in GMO was 186 of which 80% of this are employees in business units outside Norway.

Main points from the divisions

Sourcing, Production and Logistics (SPL)

The division operates production units in six different locations, and is responsible for procurement, manufacturing, warehousing and distribution within the Glamox Group.

The division has a key role in the Glamox value chain. Responsibilities include order handling, procurement, manufacturing of goods, warehousing and distributions. The division operates production units in five different locations in Europe and one in China. Its prime objective is to serve the sales units and their customers with competitive products, good delivery capability, high quality and good technical support.

The production units within SPL are product owners of our Group developed products. They are responsible for the production of four product brands in the Glamox Group:

Aqua Signal, Glamox, Norseligh and Luxo.

The Glamox Group is a leading supplier of lighting solutions, providing products of superior technical quality that work reliably even under challenging conditions. The products are manufactured and certified in accordance with relevant quality and standards.

Glamox Group operates modern testing laboratories in Norway, Germany, UK and Poland for the simulation of a wide variety of environmental conditions and tests required to meet the various standards.
As part of the Group's business concept, Glamox will position itself as an environmental company through systematic and long-term efforts. The Group's production units in Molde, Kirkenær, Sweden, Estonia and Luxonic are certified in accordance with EN ISO 14001.

At year-end 2019, the number of man-labour years in Sourcing, Production and Logistics was 749, of which 65% were employed in businesses outside Norway.

Main points from the divisions

ES-SYSTEM Group

ES-SYSTEM is the largest manufacturer and distributor of lighting solutions in Poland with an increasing international presence. We determine the direction of the Polish industry's development in the areas of innovative technological solutions, energy saving and design.

The company's portfolio includes a full range of modern and specialist products for architectural, industrial, commercial and urban environments. ES-SYSTEM has extensive experience in carrying out non-standard projects and manufacturing and delivering intriguing, customized products. This kind of creativity and flexibility results in non-standard luminaires constituting more than 30% of the yearly sales.

Our original lighting control systems have been created to provide active, convenient and safe lighting management. To bring out the best of the potential of IoT, ES-SYSTEM has developed advanced lighting control systems that allow for active lighting management, which results in electricity costs being as much as 80% lower compared to conventional solutions lacking lighting

control and improvement of the efficiency of people's everyday activities.

The Research and Development Department located within the company's structures constantly conducts research, improves, develops and implements the latest Human Centric Lighting solutions. In an effort to minimize the negative consequences of a disrupted circadian rhythm, ES-SYSTEM introduced luminaires with CIRCADIAN technology to its product offer. ES-SYSTEM is a premium trusted brand and winner of multiple prestigious lighting awards, including the German Design Award, Lux Award, and Iconic Award.

All products are manufactured in 2 production facilities located in Poland. With its own factories, ES-SYSTEM has full control over the entire production process. ES-SYSTEM NT production facility has a total area of 6,400 sqm, is located in Dobczyce and is equipped with the latest technologies. ES-SYSTEM NT manufactures complex integrated circuits and electronic modules. ES-SYSTEM WILKASY with a total area of over 30,000 sqm has remarkable traditions and produces impressive non-standard solutions for users all over the world. Currently, the main focus is placed on the production of luminaire housings made of plastic and sheet metal. The machining center in Wilkasy is one of ES-SYSTEM's largest investments.

ES-SYSTEM has its own laboratory that is accredited by the Quality Research Office of the Association of Polish Electrical Engineers and holds the status of a Supervised Manufacturer's Testing laboratory. It is one of four private research institutions of this class in Poland operating in the lighting industry. Numerous tests and measurements are performed there on the manufactured luminaires. The laboratory also carries out tests associated with the photobiological safety of luminaires. ES-SYSTEM has spent years undertaking activities to promote and spread awareness of the concept of photobiological safety among users.
In 2019 ES-SYSTEM has total revenues of PLN 219,7m compared to PLN 191,7m in 2018, a growth of 14.6%. At year end 2019 the number of man-labour years in ES-SYSTEM was 905 of which 73 was temporary employees.

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Main points and key figures

- Order intake ended at NOK 3,100m (NOK 2,935m), an increase of 5.6%
- Revenue was NOK 3,098m (NOK 2,773m), an increase of 11.7%
- Operating result/margin of NOK 307.3m/9.9% up from NOK 273.1m/9.8% in 2018
- Adjusted operating result/margin of NOK 379.2m/12.4% compared to NOK 364.6m/13.2% in 2018
- Profit for the year was NOK 238.5m (NOK 212.6m)
- The operating result in 2019 was charged with NOK 72m as net special items. The corresponding figure in 2018 included net special items of NOK 91.6m
- Positive operating cash flow of NOK 221.2m in 2019 compared with NOK 265m the previous year
- Acquired Luxonic Lighting on 30th April 2019, and ES-SYSTEM on the 10th December 2019
- Proposed ordinary dividend of NOK 2.138 per share (unchanged from last year)

About Glamox

Glamox is a Norwegian industrial group that develops, manufactures and distributes professional lighting solutions for the global market. Glamox has more than 2,400 employees and the Group's operations are divided between four operational divisions: Professional Building Solutions (PBS), Global Marine & Offshore (GMO), Sourcing Production Logistics (SPL) and ES-SYSTEM. Glamox operates production units in nine different locations in Europe, Canada and China, and an extensive network of sales offices and agents in Europe as well as in Asia, USA, Canada and Brazil to ensure access to attractive markets. The head office is in Oslo, Norway.

Financial results

In 2019, Glamox had order intake of NOK 3,100m compared to NOK 2,935m in 2018, an increase of 5.6%. Revenues were NOK 3,098m compared to NOK 2,773m in 2018, an increase of 11.7%.
Market development within the land-based division (PBS) is governed by activities within new-build and modernisation of non-residential buildings. Most of this division's main markets showed a slow-down in the overall demand growth compared to the year before.
Market trends within the maritime and offshore-related division (GMO) are dictated by the level of activity within new build, refurbishment and rehabilitation of all types of maritime vessels and offshore installations. Most segments reported an increase in revenue in 2019 compared to the previous year. However, the energy and cruise & ferry segments were the main drivers behind the increase in orders received while Navy continued on high historical levels.

Adjusted for acquisitions and currency effects, the Group experienced a 3.5% decrease in orders received and an increase in revenue of 1.4%. In the land-based division most geographies experienced a negative development in both order intake and revenue, while the marine and offshore division contributed positively with strong growth in the offshore energy segment. The high level of activity in product development continued in 2019 and several new product series were launched. All new product families are launched with LED technology.

The Group's operating result was NOK 307.3m compared to NOK 273.1m in 2018, representing an increase of 12.5%. Operating margin was 9.9% compared to 9.8% in 2018. The accounts in 2019 were charged with NOK 72m in net special items, compared to NOK 91.6m in net special items in 2018. The net special items in 2019 include NOK 53m related to ongoing restructuring activities, provisions for potential claim costs of NOK 24m, acquisition and integration costs of NOK 26m, and NOK 8m is related to the cancellation of orders to Russia and Iran following our withdrawal from these markets due to ongoing sanction restrictions. Further, NOK 5m are related to other items. In addition, the net special items include extraordinary revenue of NOK 43m. Of this, close to NOK 37m is related to the sale of a property in Bremen, Germany, and almost NOK 7m is related to the reversal of an accounting provision.

Adjusted for the net special items, the Group's operating result in 2019 was NOK 379.3m compared to NOK 364.6m in 2018, representing an increase of 4.0%.

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Adjusted operating margin was 12.4% compared to 13.2% in 2018.

The Group had net financial income of NOK 1.9m in 2019 compared to net financial expenses of NOK 2.8m in 2018. Profit before tax was NOK 309.1m, compared with NOK 270.3m the previous year. Profit after tax was NOK 238.5m in 2019 compared to NOK 212.6m the previous year.

As of 31.12.2019, the Group has a tax deficit carry forward of NOK 143m (NOK 141m), and an untaxed profit of NOK 309m (NOK 260m).
The Group generated a positive cash flow of NOK 52.8m in 2019, compared with NOK 83.5m in 2018. Cash flow from operations was NOK 221.2m, compared with NOK 265.0m in 2018. Higher operating profit is offset by changes in working capital and other operating changes. Investments in tangible fixed assets and intangible assets totalled NOK 81.6m in 2019 compared to NOK 67.1m in 2018. The increase in cash flow from investments is driven by higher investments in the Group's new ERP system, which is being implemented according to plan, and other digitalization initiatives. Acquisition of subsidiaries totalled NOK 355.4m and related to the acquisitions of Luxonic Lighting and ES-SYSTEM. Net cash flow from financing activities was NOK 196.4m including NOK 405.1m of proceeds from new debt, a dividend distribution of NOK 141.1m and other financial items with a negative effect of NOK 67.7m.

Revenue in the parent company Glamox AS was NOK 1,505m, compared to NOK 1,470m in 2018. Operating result was NOK 91.7m compared to NOK 124.0m in 2018. The decrease in the operating result is caused by an increase in raw material cost as a percentage of revenue and an increase in other operating expenses compared to last year. Profit before tax in Glamox AS was NOK 268.6m, compared to NOK 255.8m in 2018. The increase in profit before tax is primarily due to an increase in net financial income. In accordance with the Group's currency policy, the parent company takes currency exchange positions to even out exchange rate exposure arising at group level, primarily as a result of equity values in subsidiary companies.

The Board is pleased with the Group's achievements in 2019 despite difficult market conditions within some of its main market segments. Adjusted for net special items, the 2019 operating result was the best in the Group's history. The Board wishes to thank all Glamox employees for their contribution to the good result in 2019.

Financial position

The closing balance at 31.12.2019 was NOK 2,505m, compared with NOK 1,658m as of 31.12.2018. The increase is mainly driven by the acquisitions of Luxonic Lighting and ES-SYSTEM in addition to the implementation of IFRS 16 Leases from 1st January 2019. See notes 4.2 and 8.2 for further details.

At the turn of the calendar year, the Group's equity capital was NOK 793m. The equity ratio was 31.7% (42.1%). Glamox AS had equity capital of NOK 534m and an equity ratio of 30.2% (32.3%).

At the end of 2019, the liquidity reserve for the Group amounted to NOK 1,025m, compared with NOK 1,005m the previous year.

The Group had net interest-bearing debt of NOK 532m as of 31.12.2019, compared to net interest-bearing deposits of NOK 9m as of 31.12.2018. NOK 171m of the increase in net interest-bearing debt is related to increased leasing liabilities after the implementation of IFRS 16 from 1st January 2019.

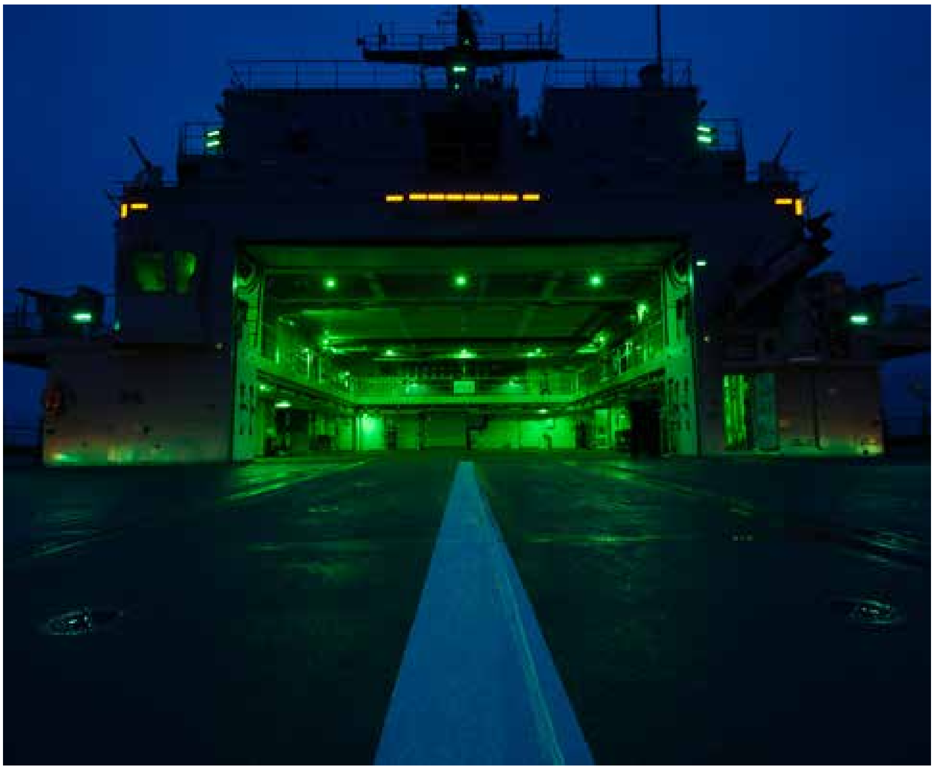
The Board believes the company's equity and liquidity as of 31.12.2019 to be satisfactory, including after the provision for a dividend of NOK 2.138 per share, corresponding to total dividend distribution of NOK 141.1m. The Board of Directors confirms that the accounts have been prepared on a going concern basis.

Financial risk

The Group is exposed to credit risk, interest risk and exchange risk in its day-to-day business operations and aims to keep risk at an acceptable level in these areas. The underlying loan contracts are instrumental for managing interest risk. Currency risk is managed through internal invoicing rules, matching income against expenses in the same currency and loans against equity in the same currency, as well as the use of financial instruments. For further details, see note 5.5 in the Annual Accounts.

Development by business areas and divisions

The Group has two business areas - Professional Building Solutions (PBS) and Global Marine & Offshore (GMO). They operate in strategically different markets, have different sales channels, marketing strategies and risks. Each of the two business areas represent a complete value chain and are supported by the Sourcing, Production and



Logistics (SPL) division implying that all cost of the SPL division is distributed between the two operating segments based on the products sold. In addition, ES-SYSTEM, acquired 10th December 2019, has operated as a separate business area and division in 2019. Operationally, the Group is organized in four divisions - Professional Building Solutions (PBS), Global Marine & Offshore (GMO), Sourcing, Production and Logistics (SPL) and ES-SYSTEM, see note 1.1 and 2.1 for more details. During 2020 the plan is to integrate ES-SYSTEM into the PBS and SPL divisions.

Professional Building Solutions

Professional Building Solutions (PBS) is a leading supplier of lighting solutions to the European non-residential building market. PBS develops complete solutions for educational and healthcare institutions, commercial and industrial buildings. PBS achieved an order intake of NOK 2,190m in 2019, an increase of 3.1% compared to 2018 (NOK 2,125m). In the same period, revenue was NOK 2,167m, an increase of 7.0% from 2018 (NOK 2,024m). The business area achieved an adjusted EBITDA result in 2019 of NOK 359m (16.6%) compared to NOK 360m (17.8%) in 2018.

The most important geographical markets for PBS are North and Central-Europe. The most important markets have seen a slight decline or low single digit growth in 2019. The growth in order intake and revenue for PBS is driven by acquisitions.

Global Marine & Offshore

The GMO division is responsible for lighting solutions for the maritime and offshore-related markets, plus onshore energy and the petrochemical industry. GMO achieved an order intake of NOK 888m in 2019 (NOK 802m), an increase of 10.7 %. In the same period, revenue was NOK 853m (NOK 745m), an increase of 14.5%. The adjusted EBITDA result in 2019 was NOK 91m (10.6%) compared to NOK 65m (8.7%) in 2018. Higher revenue volume and relative reduced cost level is the main reason for increase in the profitability level.

The increase in orders received and revenue mainly comes from higher activity within the

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offshore energy segment, primarily the North Sea sector were MRO work and Johan Sverdrup field start-up drove up demand. Orders for new build merchant vessels worldwide dropped in 2019 caused by uncertainty over demand for seaborne trade. Market conditions are still challenging as most shipyards experience shrinking order books. Given the general weak market conditions within commercial marine, GMO has managed to keep up activity by focusing on specialised vessels in key markets.

Sourcing, Production and Logistics (SPL)

The SPL division is operationally responsible for the purchase of raw materials and trading products, production of the products the Group has developed itself, and for logistics throughout the Group. It operates production units at six different sites in Europe and one in China. Two of the European sites are in Norway, one in Germany, one in Sweden, one in Estonia and one in UK.

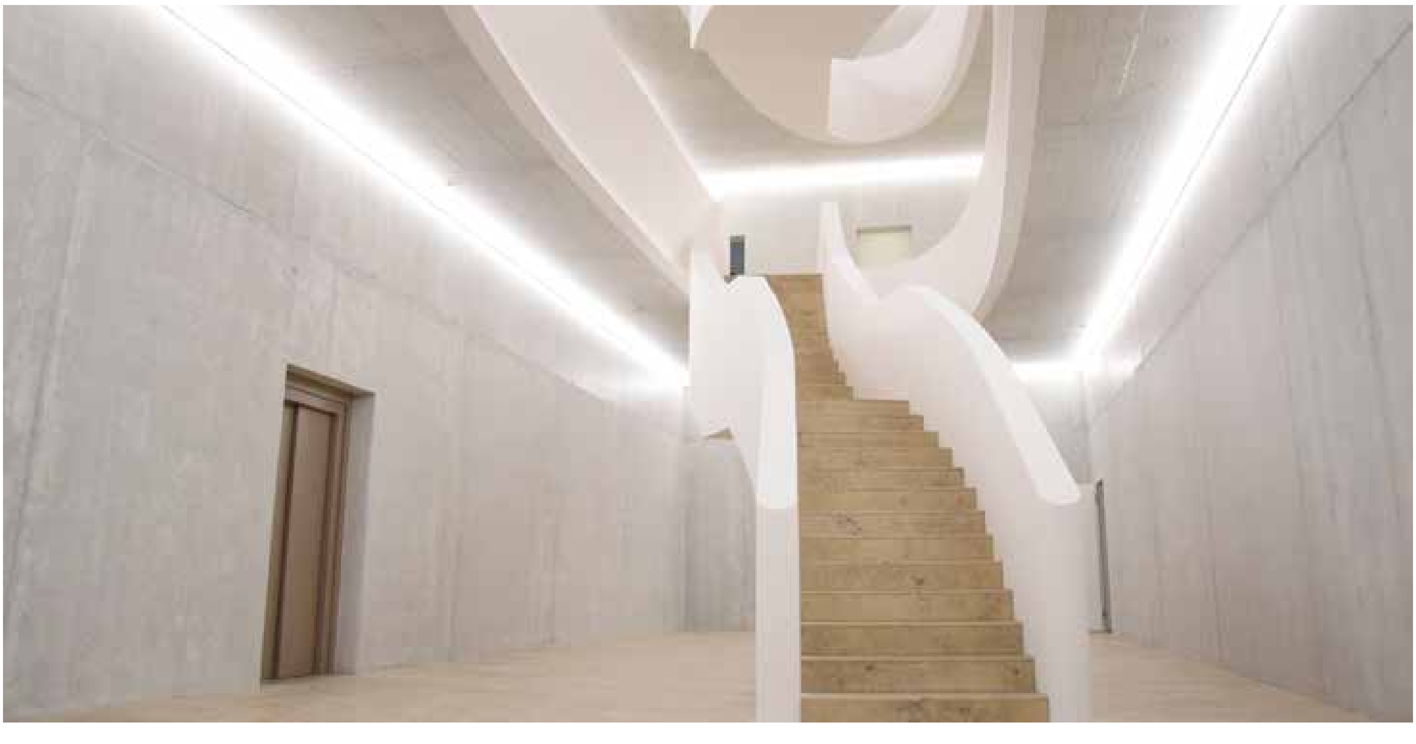
In 2019, the SPL division focused on further developing the procurement organization, processes and tools to improve the competitiveness of Glamox Group products.

Acquisitions

The Glamox Group has an ambitious growth strategy supported by both organic growth initiatives and acquisitions. During 2019, the Group has delivered on its strategy by making two important acquisitions:

• Luxonic Lighting is a UK-based lighting company with a strong brand and its own manufacturing plant located in Basingstoke, UK. The UK market is one of the largest lighting markets in Europe and Luxonic Lighting is a strong system solution provider with a high service level and local manufacturing that is highly recognized by customers. The acquisition strengthens the Group's position in the UK lighting market, increasing both the product offering and sales reach. The acquisition was closed on 30th April 2019. Luxonic has been operating as part of the PBS division in 2019.

• ES-SYSTEM is the leading lighting solutions provider in the Polish market and is a good strategic fit for Glamox's Professional Building Solutions business area. The acquisition of ES-SYSTEM allowed the Glamox Group to enter a new market and at the same time strengthen its position in Central Europe. ES-SYSTEM has strong competences within innovation, product capabilities and product customization. ES-SYSTEM was listed on the Warsaw Stock Exchange and, after a cash tender offer to the shareholders, Glamox succeeded in acquiring 98.21% of all the shares in the company. The transaction took place on 10th December 2019 and ES-SYSTEM was consolidated into Glamox' financial statements form this date onwards. ES-SYSTEM has been operating as a separate division in 2019. Glamox completed the acquisition of all remaining shares in ES-SYSTEM on 15th January 2020 following a compulsory buy out procedure. The shares were delisted from the Warsaw Stock Exchange from 14th April 2020.



Both acquisitions are in line with Glamox's strategy to acquire leading companies with similar target segments, channels and positioning in core European markets. The integration of the two acquired companies into to the Glamox Group's operations will be started in 2020.

Environment, Social and Governance

The Group has established an environmental, social and governance (ESG) program. The purpose of the program is to secure focus on compliance and risk management as part of the value protection of our business and secure focus on operational efficiencies and aligning to ESG market expectations to allow for further value creation. We have a compliance management system in place which we are consistently developing. This system incorporates, amongst other things, our existing Group's values, our policy for corporate social responsibility, code of conduct and a range of other policies including a responsible business partner policy, whistleblowing policy, crisis management policy, sanctions and export control procedure and a health safety and environmental (HSE) policy. The Group has strengthened the group management team with the new position Group Legal and HR director.

Responsible business partner

The Group is committed to responsible business practices and conducting business with the highest ethical standards. Glamox wants to maintain stable and honest business relationships with all its business partners, including, but not limited to, suppliers, advisers, agents and clients.

The Group wants all our business partners to view us as their preferred business partner. As such, we strive to achieve a positive reputation in all aspects of our business. We respect the laws, cultures, dignity and rights of individuals in all countries where we operate. Compliance with national, regional and international rules, laws and conventions is compulsory and business ethics extend beyond simple compliance. We conduct our business with integrity which makes our employees and business partners proud to work for and with us.

Glamox and the environment

The Group's goal is to produce energy-efficient products, manufactured through energy-efficient and environmentally friendly processes. The company supports a precautionary approach to environmental challenges, undertakes initiatives to promote greater environmental responsibility, and encourages the development of environmentally friendly technologies.

The environmental aspects are an important part of our product development. Through energy-efficient products and solutions we contribute to the green shift. LED technology combined with sensors and light management systems can reduce the energy consumption in many application areas up to 90% compared to conventional solutions. A broad range of products enables the Group to offer high-quality and energy-efficient lighting solutions within the majority of application areas.
The Group's production units at Molde and Kirkenær in Norway, Sweden and Estonia are certified in accordance with EN ISO 14001.

Human resources

The number of full-time employee equivalents (FTEs) was 2,366 at the end of 2019, up from 1,318 at the end of 2018. The main reason for the increase in FTEs is the acquisition of Luxonic and ES-SYSTEM. In Glamox AS the number of full-time employee

Annual statement

equivalents increased from 416 at year-end 2018 to 427 at the end of 2019. Female employees made up 40.7% of the Group's workforce at the end of 2019. The percentage of women among board members elected by shareholders was 0%, while the percentage of women among employee-elected board members was 33%.

Equal opportunities and working environment

The Group is committed to an inclusive work culture and shall provide equal opportunities and treat all employees fairly. Glamox does not accept any form of harassment or discrimination on the basis of race, colour, religion, gender, sexual orientation, national origin, age, disability, or veteran status.

The Group's policy is that the same skills and length of service are rewarded on an equal basis regardless of gender. Women and men in all job categories are given the same opportunities to qualify for all types of assignments and career prospects.

At the end of 2019, Glamox AS had employees originating from 38 countries. The Group strongly believes in providing the opportunity to qualify for all types of work and opportunities for promotion regardless of ethnic background.

Absenteeism due to illness in the Group was 4.9% in 2019, compared to 5.0% in 2018. In Glamox AS it was 6.1% in 2019, compared to 6.0% in 2018. Two lost time accidents were in 2019 reported in the Group, compared to four in 2018. None of the two accidents were reported in Glamox AS, compared to three in 2018. This gave an accident ratio in Glamox AS (H-value) of 0 accidents per 1 million worked hours compared to 4.0 in 2018. In the Group, the accident ratio (H-value) was 0.9. The Group has a zero accident ambition and focus on a safe working environment is a continuous process.

Shareholder situation

Please see note 5.7 to the Annual Accounts for information on the shareholder situation.

Proposal for allocation of profit

The Board proposes that the year's profit in Glamox AS of NOK 248 829k is allocated as follows:

Proposed ordinary dividend of (NOK 2.138 per share): NOK 141 059k
Transferred to other equity capital: NOK 107 770k

The Board has assessed the level of proposed ordinary dividend also in light of the COVID-19 outbreak and recent decline in oil prices, both increasing uncertainty regarding market development. The board assesses the level of proposed dividend to be justifiable based on the liquidity and solidity situation of the company. The dividend amount is equal to the dividend paid out last year. The mother company has interest bond obligations that match the dividend amount to be received.

Outlook

The Glamox Group's fundamental long-term growth prospects are positive. The growth is supported by increased global focus on energy efficiency and digitalization. The transfer to LED technology and the developments in Light Management Systems create new opportunities for the lighting industry.

Despite strong long-term prospects, there is considerable uncertainty regarding the near-term market development as governments across the world implement measures to fight the COVID-19 pandemic. Growth in the Group's land-based business area is dependent on developments in the construction sector and demand in key markets, which has declined slightly in 2019. The marine and offshore business experienced a strong development in its offshore energy segment in 2019 while new build orders for commercial vessels remained quiet. Although the effect of the measures implemented to fight the COVID-19 pandemic is difficult to assess, we do expect it to negatively impact demand in both business areas. The recent decline in the oil price has resulted in additional market development uncertainty for the Group's marine and offshore business area. We are following the situation closely and will take actions to adjust to changes in market conditions.

The Glamox Group's financial position is strong with solid equity and liquidity. The Group has developed a healthy position in the lighting market over the years and will continue to strengthen and improve this position by making investments in new products and systems, as well as increasing the capacity, competence and efficiency of the organization. The Group's strategy is supported by organic growth initiatives, continuous cost focus and acquisitions.

Oslo, 24 April 2020

Mikael Aro Chairman of the Board	Gustaf Backemar Board member	Joachim Espen Board member	Torfinn Kildal Board member	Arild Nysæther Board member
Lars Ivar Røiri Board member	Sigmund Monrad Johansen Board member	Henny S. Eidem Board member	Espen Ytterstad Board member	Rune E. Marthinussen CEO & President

Glamox – Consolidated statement of profit and loss

Profit and loss

For the years ended 31 December

NOK 1000	Notes	2019	2018
Revenue	2.1, 2.2	3 005 333	2 731 296
Other operating income	2.2	92 312	41 422
Total revenues		**3 097 644**	**2 772 718**
Raw materials and consumables used		1 427 347	1 285 180
Payroll and related costs	2.4	930 208	879 380
Depreciation and amortisation	3.1, 3.3,4.2	107 211	60 515
Impairment of non-current assets	3.2	-	-
Other operating expenses	2.5	325 626	274 578
Total operating expenses		2 790 393	2 499 652
Operating profit		**307 252**	**273 066**
Financial income	5.11	114 404	30 414
Financial expenses	5.11	112 506	33 167
Net financial items		1 898	-2 752
Profit before tax		**309 149**	**270 314**
Taxes	6.1	70 609	57 669
Profit for the year		**238 540**	**212 644**
Profit/loss attributable to equity holders of the parent		238 559	212 656
Profit/loss attributable to non controlling interests		-19	-12
Other comprehensive income			
Profit for the year		**238 540**	**212 644**
Items that subsequently will not be reclassified to profit or loss:			
Gain/loss from remeasurement on defined benefit plans	7.2	-6 348	-781
Tax effect on remeasurements on defined benefit plans	7.2	718	-244
Total items that subsequently will not be reclassified to profit or loss		-5 629	-1 025
Items that subsequently may be reclassified to profit or loss:			
Currency translation differences		-952	19 556
Net gain/loss on hedge of foreign subsidiaries	5.5	4 272	-18 963
Tax effect from hedge of foreign subsidiaries	6.1	-940	4 361
Total items that subsequently may be reclassified to profit or loss		2 380	4 954
Other comprehensive income for the period		**-3 249**	**3 929**
Total comprehensive income for the period		**235 291**	**216 573**
Total comprehensive income attributable to equity holders of the parent		235 310	216 585
Total comprehensive income attributable to non controlling interests		-19	-12
Earnings per share attributable to equity holders of the parent			
Weighted average number of ordinary shares outstanding (in thousands):			
Basic		65 989	65 989
Diluted		65 989	65 989
Per ordinary share in NOK:			
Basic		3,62	3,22
Diluted		3,62	3,22

Glamox – Consolidated statement of financial position

NOK 1000	Notes	31.12.2019	31.12.2018
ASSETS			
Intangible non-current assets			
Goodwill	3.2	114 680	58 321
Intangible assets	3.3	193 171	89 529
Total intangible non-current assets		**307 851**	**147 850**
Tangible non-current assets			
Land, buildings and other property	3.1	217 723	128 309
Machinery and plant	3.1	118 608	97 972
Fixtures and fittings, tools, office equipment etc.	3.1	69 926	51 834
Right-of-use assets	4.2	179 652	-
Total tangible non-current assets		**585 908**	**278 116**
Deferred tax assets	6.1	56 898	48 898
Other non-current assets		2 777	3 669
Total non-current assets		**953 435**	**478 533**
Current assets			
Inventories	2.3	587 244	462 384
Trade receivables	5.9	525 045	371 126
Other receivables	5.9	114 167	79 962
Cash and cash equivalents	5.8	324 571	265 554
Total current assets		**1 551 027**	**1 179 026**
TOTAL ASSETS		**2 504 462**	**1 657 559**
EQUITY AND LIABILITIES			
Equity			
Share capital	5.7	65 989	65 989
Share premium		27 253	27 253
Retained earnings and other reserves		699 359	605 109
Non-controlling interests		67	86
Total equity		**792 668**	**698 436**
Non-current liabilities			
Pension liabilities	7.2	65 575	50 327
Interest bearing liabilities to financial institutions	5.1, 5.2	634 894	230 274
Long-term lease liabilities	4.2	133 167	-
Other long-term loans	5.1	1 621	6 085
Deferred tax liabilities	6.1	96 499	70 935
Provisions and other liabilities	4.1	34 257	36 098
Total non-current liabilities		**966 012**	**393 718**
Current liabilities			
Trade payables	5.10	284 656	203 949
Income tax payable	6.1	13 777	35 847
Other payables	5.10	93 494	95 653
Short-term interest bearing liabilities	5.1, 5.2	22 770	-
Short-term lease liabilities	4.2	46 744	-
Provisions and other liabilities	4.1, 5.1, 7.2	284 340	229 954
Total current liabilities		**745 781**	**565 404**
Total liabilities		**1 711 793**	**959 122**
TOTAL EQUITY AND LIABILITIES		**2 504 462**	**1 657 559**

Oslo, 24 April 2020

Mikael Aro
Chairman of the Board

Gustaf Backemar
Board member

Joachim Espen
Board member

Torfinn Kildal
Board member

Arild Nysæther
Board member

Lars Ivar Røiri
Board member

Sigmund Monrad Johansen
Board member

Henny S. Eidem
Board member

Espen Ytterstad
Board member

Rune E. Marthinussen
CEO & President

Glamox – Consolidated statement of cash flows

For the years ended 31 December (NOK 1000)

Cash flows from operating activities	Notes	2019	2018
Profit before tax		309 149	270 314
Taxes paid		-83 833	-82 163
Depreciation, amortisation and impairment	3.1, 3.3,4.2	107 211	60 515
Profit from sale of assets	3.1	-36 783	-
Changes in inventory	2.3	-15 104	-61 417
Changes in accounts receivable	5.9	-6 085	8 966
Changes in accounts payable	5.10	11 228	20 466
Changes in pension scheme assets/liabilities	7.2	8 018	4 056
Changes defined benefit plan recognized directly in equity	7.2	-6 348	-782
Net financial items		11 539	2 752
Changes in other balance sheet items		-77 754	42 302
Net cash flows from operating activities		**221 238**	**265 009**
Cash flows from investing activities			
Interests received		9 424	4 357
Proceeds from sale of tangible fixed assets and intangible assets		61 504	1 105
Purchase of tangible fixed assets and intangible assets	3.1, 3.3	-81 554	-67 098
Acquisition of subsidiary, net of cash acquired	8.2	-355 369	-93 037
Payment (-) / proceeds (+) on long term receivables		1 188	-
Payment (-) / proceeds (+) on other investments		41	-672
Net cash flow from investing activities		**-364 766**	**-155 345**
Cash flow from financing activities			
Proceeds from issuance of debt	5.2	405 137	112 680
Lease payments	4.2	-32 206	-
Lease interest	4.2	-3 655	-
Interests paid		-21 639	-14 810
Repayment of long-term debt	5.2	-12 166	-
Payment of dividends to shareholders	5.7	-141 059	-124 059
Other cash flow from financing activities		1 970	-
Net cash flow from financing activities		**196 382**	**-26 188**
Net change in cash and cash equivalents		52 854	83 476
Cash and cash equivalents, beginning of period		265 554	170 433
Effect of change in exchange rate		6 163	11 645
Cash and cash equivalents, end of period		**324 571**	**265 554**

Glamox – Consolidated statement of changes in equity

NOK 1000	**Share capital**	**Share premium reserve**	**Retained earnings**	**Currency translation differences**	**Net investment hedge reserve**	**Total share-holders equity**	**Non-controlling interests**	**Total equity**
Balance as of 31 December 2017	**65 989**	**27 253**	**494 890**	**51 858**	**-34 165**	**605 825**	**98**	**605 922**
Profit (loss) for the year			212 656			212 656	-12	212 644
Other comprehensive income			-1 025	19 556	-14 602	3 929		3 929
Total comprehensive income			211 631	19 556	-14 602	216 585	-12	216 573
Dividends			-124 059			-124 059		-124 059
Balance as of 31 December 2018	**65 989**	**27 253**	**582 463**	**71 414**	**-48 767**	**698 351**	**86**	**698 436**
Profit (loss) for the year			238 559			238 559	-19	238 540
Other comprehensive income			-5 629	-952	3 332	-3 249		-3 249
Total comprehensive income			232 930	-952	3 332	235 310	-19	235 291
Dividends			-141 059			-141 059		-141 059
Balance as of 31 December 2019	**65 989**	**27 253**	**674 333**	**70 462**	**-45 435**	**792 602**	**67**	**792 668**

Notes

1.1 Corporate information

Glamox AS is a company incorporated and domiciled in Norway. The registered adress is Birger Hatlebakksvei 15 in Molde. Glamox AS is a leading lighting supplier to the world's marine and offshore markets, and a significant supplier to the professional building market in Europe. The registered office is located in Molde, Norway. GLX Holding AS is the parent company with 76,17% ownership. Beneficial owner of Glamox AS is Triton fond IV, located at Jersey.

A consolidated financial statement is prepared for the GLX Holding Group, and it may be obtained by contacting Glamox AS.

The Glamox Group is organised with three divisions: Professional Building Solutions (PBS), Global Marine & Offshore (GMO) and Sourcing, Production and Logistics (SPL). In addition, ES-System, acquired 10th December 2019, has been operating as an independent division since the acquisition date. The PBS division has the responsibility of developing, marketing and sale of lighting solutions for the land-based lighting segment, with focus on the European market. The GMO division has the responsibility of developing, marketing and sale of lighting solutions to the global marine and offshore market. The SPL division consist of the production units in the Glamox Group and has the responsibility of procurement, manufacturing, warehousing and distribution. The prime objective of the SPL division is to serve the sales units (within PBS and GMO division) and their customers. The sale from the SPL division is only internal to business units within PBS and GMO.

The two sales divisions, PBS and GMO, have to a large extent different products and solutions they provide to their markets. Further they operate in strategically different markets and therefore have different sales channels, marketing strategies and risk. To be able to monitor and follow up the profitability of the complete value chain of these two business areas, Glamox has an operating segment reporting where PBS and GMO each represents a complete value chain.

1.2 Basis of preparation

The consolidated financial statements of Glamox AS and subsidiaries comprise of consolidated statements of profit and loss, other comprehensive income, financial position, cash flows, changes in equity, and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by The European Union (EU).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. Further, the financial statements are prepared based on the going concern assumption.

The consolidated financial statements are presented in Norwegian kroner (NOK), which is also the functional currency of the parent company. All figures are rounded to the nearest thousand (000), except when otherwise specified. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, daily exchange rates are applied for significant transactions.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Glamox AS and its subsidiaries as at 31 December 2019. See note 8.1 for subsidiaries included in the consolidation. The subsidiaries are consolidated when control is achieved, that is, when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- 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, Glamox' presumption is that a majority of voting rights results in control. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group 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 and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Uniform accounting policies are applied to all group companies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1.3 Estimation uncertainty, judgments and assumptions

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. The accounting policies applied by the Group in which judgments, estimates and assumptions may significantly differ from actual results are discussed below.

Sources of estimation uncertainty

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value. Details of recognised goodwill are provided in note 3.2, including sensitivity disclosures.

Warranties

Provisions for warranty-related costs are recognised when the product is sold to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually. Details related to warranty provisions are provided in note 4.1.

Deferred tax assets

Deferred tax assets are recognised when it is probable that the company will have a sufficient taxable profit in subsequent periods to utilise the tax asset. Assessment of future ability to utilise tax positions is based on judgements of the level of taxable profit, the expected timing of utilisation, expected temporary differences and strategies for tax planning.

Capitalised product development

Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. Further it is only cost related to development of products for a new application and/or with new technology that will be capitialized. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The assessment of when product development are capitalised is highly subjective, as the outcome of these projects may be uncertain.

Economic life of property, plant and equipment and intangible assets

The useful life of each item, which is assessed at least annually, is determined as the period over which the asset is expected to be available for use.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The depreciation or amortisation expense on assets with finite lives is recognised in the statement of comprehensive income.

Inventory

A provision for obsolescence is included in the inventory when necessary. The criteria for assessing the needs and level of the provision are based on objective calculations and management judgements. Turnover of the goods is the base of the objective calculation. Depending on the turnover rate (3 months, 6 months or 12 months) the Group has set specific obsolesce rates to be used.

1.4 Adjusted profit and special items

The table below gives an overview of special items included in profit and loss for 2019 and 2018

	2019	2018
Total revenues	3 097 644	2 772 718
Total revenues - Adjusted	3 050 625	2 769 718
EBITDA [1]	414 463	333 580
EBITDA margin	13,4 %	12,0 %
Adjusted EBITDA [2]	486 455	425 152
Adjusted EBITDA margin	15,9 %	15,4 %
Operating profit (EBIT)	307 252	273 066
Operating profit (EBIT) margin	9,9 %	9,8 %
Adjusted Operating profit (EBIT)	379 244	364 638
Adjusted Operating profit (EBIT) margin	12,4 %	13,2 %
Special items:		
Profit from sale of property	-36 638	-
Restructuring cost	52 675	43 821
Claim cost related to specific product	23 683	41 005
Acqusition and integration cost	25 807	-
Bonus	-	8 000
Order cancellation	8 366	-
Reversal of provision	-6 750	-3 000
Other	4 849	1 746
Total Special items	**71 992**	**91 572**
Adjusted EBITDA	**486 455**	**425 152**
Adjusted Operating profit (EBIT)	**379 244**	**364 638**

[1] Operating profit/loss before income taxes, net financial items, depreciation, amortisation and impairment charges.

[2] Operating profit/loss before income taxes, net financial items, depreciation, amortisation and impairment charges adjusted for special items.

Special items reprecents profit and loss items that are material and outside ordinary business of Glamox Group. The table give an overview of the profit adjusted for the special items. In order to present the profit of the ordinary business of the Group.

2.1 Segment information

Operating segments within Glamox Group

Glamox has two operating segments (business areas);
- Professional Building Solutions (PBS)
- Global Marine & Offshore (GMO)

Each of these two segments represents a complete value change, implying that all cost of goods sold (COGS) and administration cost of the SPL division is distributed between the two operating segments, based on the products sold. Group functions are also distributed between the two operating segments, based on allocation keys.

These two segments offer different products, operate in strategically different markets and therefore have different sales channels and marketing strategies, including risks. PBS offers products to office, industry, health, education, retail, hotels and resturants mainly in Europe. Their main sales channels are direct to installers and wholesalers. GMO offers its products in the global market within commercial marine, energy (offshore and onshore), navy, recreational, cruise and ferry. The customer base of GMO consist of vessel owners, yards, electrical installers, engineering companies and oil companies.

Segment performance is evaluated based on EBITDA (operating profit /loss before income taxes, net financial items, depreciation, amortisation and impairment charges)*. Management believes this information is the most relevant in evaluating the results of the respective segments. Reconciliation from EBITDA to operating profit according to the statement of total comprehensive income is shown below. The Group's financing activities (including finance costs and finance income) and income tax expense are managed on a Group basis and are not allocated to the operating segments.

The internal managment reporting of operating segments does not include any balance sheet items. Consequently, the overview of financial information per operating segment does not include assets and liabilites. None of the operating segments had sales to a single customer that exceeded 10 % of revenues in 2019.

Year ended 31 December 2019	**Professional Building Solutions (PBS)**	**Global Marine & Offshore (GMO)**	**Other**	**Total**
Revenues	2 166 801	853 323	77 520	**3 097 644**
EBITDA	358 885	90 532	-34 954	**414 463**
in %	16,6 %	10,6 %		13,4 %

Year ended 31 December 2018	**Professional Building Solutions (PBS)**	**Global Marine & Offshore (GMO)**	**Other**	**Total**
Revenues	2 024 361	745 356	3 000	**2 772 718**
EBITDA	359 983	65 162	-91 566	**333 579**
in %	17,8 %	8,7 %		12,0 %

In 2019 PBS includes Luxonic from 30. April 2019, which corresponds to the owner period. Other item in 2019 refers to special items, IFRS 16 effects, and ES-System from 10. December 2019. See note 1.4, 2.2, 2.4, 2.5, 4.2 and 8.2 for further information. During 2020 ES-System will be integrated into the PBS segment. In 2018, Other item refers to special items.

Reconciliation of profit	**2019**	**2018**
EBITDA	414 463	333 579
Depreciation and amortisation	107 211	60 515
Operating profit	**307 252**	**273 066**

Geographic information	**2019**	**2018**
Revenues from external customers		
Nordics	1 548 340	1 512 660
Europe, excl. Nordics	1 192 762	957 505
North America	126 605	117 441
Asia	197 140	152 159
Other	32 797	32 952
Total	**3 097 644**	**2 772 718**

The geographic split is based on the location of the customer.

* The Group's definition of EBITDA may differ from other definitions of EBITDA in certain other jurisdictions.

2.2 Revenues from contracts with customers

The group derives revenue from sale of goods at a point in time, see note 2.1 for disaggregation of revenues by segments and geographical regions.

The group is a global provider of lighting solutions for a wide variety of applications, on land and offshore. All significant revenue streams relates to production and sales of goods. Glamox`s main performance obigation is related to sale of goods where the performance obligations are the delivery of an agreed volume of products within the agreed specification. The accounting policies for the group`s revenue from contracts with customers are explained in note 10.1.

Revenues from sales	**2019**	**2018**
Sale of goods	3 005 333	2 731 296
Total revenues from sales	**3 005 333**	**2 731 296**

Other operating income		
Other operating income	92 312	41 422
Total other operating income	**92 312**	**41 422**

Other operating income mainly consist of freight invoiced to customers.
In 2019, Other operating revenue includes profit from sale of property of NOK 36.8 million and reversal of provision of NOK 6.8 million.
In 2018, Other operating revenue includes reversal of provision of NOK 3.0 million.

2.3 Inventories

Inventories	**31.12.2019**	**31.12.2018**
Raw materials	298 595	209 768
Work in progress	43 937	38 666
Finished goods	244 711	213 950
Total inventories	**587 244**	**462 384**

Provision for obsolete inventories	**2019**	**2018**
At January 1	**67 821**	**50 348**
Currency effect	-92	565
Provision used	-6 164	-10 312
Provision reversed	-2 459	-3 183
Addition through acquisition of subsidiary	20 054	-
Additonal provision	19 401	30 404
At December 31	**98 561**	**67 821**

The provision for obsolete inventories covers all inventory classifications (Raw material, Work in progress and Finished goods). The main increase of the provision is primarily a consequence of the objective calculation based on stock turn at component level. This effect mainly relates to change in product assortment, restructuring of factory in Gemany and cancellation of orders to Russia and Iran due to ongoing sanction restrictions.

Note 5.2 shows that part of the Group's inventory is pledged as security for secured liabilities.

2.4 Employee benefit expenses

Payroll and related costs	2019	2018
Salaries	738 276	692 418
National insurance	121 021	115 295
Pension costs	42 411	35 205
Other remuneration	28 501	28 462
Bonus to all employees*	-	8 000
Total payroll and related costs	**930 208**	**879 380**

Average number of Full Time Employee (FTE)	1502	1 344

In 2019, salaries and national insurance include items of NOK 17.0 million related to restructuring.

In 2018, salaries and national insurance include items of NOK 36.1 million related to restructuring.

* In 2018, the Board decided to pay out a one-off bonus to all employees based on the achieved result. The parent company covered all cost relating to the bonus, including bonuses that was paid to employees outside the parent company.

See note 7.1 for management remuneration.

2.5 Other operating expenses

Other operating expenses	2019	2018
Sales and marketing expenses	29 918	32 205
Energi and housing	61 651	49 411
Repair and maintenance	18 790	22 181
Travel and transport	51 037	49 414
Claims	12 562	24 970
Special items	75 430	20 847
Other	77 433	76 468
Bad debts	-1 194	-919
Total other operating expenses	**325 627**	**274 578**

Auditor	2019	2018
Fee for statutory audit	3 472	2 822
Audit-related fees	895	1 409
Tax compliance services	353	753
Other fees	98	232
Total	**4 818**	**5 215**

Special items
Other manufacturing, sales, and administrative expenses for 2019 includes special items of total NOK 75.4 million. Of this, NOK 25.8 million relates to acquisition and integration, NOK 23.6 relates to restructuring and NOK 20.7 relates to claim towards specific products.

Other manufacturing, sales, and administrative expenses for 2018 includes items of NOK 6.9 million related to restructuring and items of NOK 14.0 million related to one claim.

Audit fee:
The amounts above are excluding VAT.

3.1 Property, plant and equipment

	Land/ Buildings	Machinery	Fixtures and Fittings	Total
Acquisition cost 31.12.2017	**228 736**	**426 800**	**200 083**	**855 620**
Additions	833	25 164	15 017	41 014
Disposals	-321	-5 306	-3 045	-8 671
Additions through acquisition of subsidiary	24 408	525	828	25 760
Reclassifications	6 604	-3 889	-2 904	-188
Currency translation effects	2 657	1 179	966	4 802
Acquisition cost 31.12.2018	**262 918**	**444 474**	**210 946**	**918 337**
Additions	1 371	25 207	22 255	48 833
Disposals	-31 097	-46 971	-16 975	-95 043
Additions through acquisition of subsidiary	125 801	39 309	6 863	171 973
Adjustment for change in accounting policies*	-	-9 048	-	-9 048
Reclassifications	8 579	-21 411	11 511	-1 321
Currency translation effects	-2 186	-3 080	-887	-6 153
Acquisition cost 31.12.2019	**365 386**	**428 480**	**233 712**	**1 027 578**
Accumulated depreciation and impairment 31.12.2017	**120 745**	**330 242**	**149 560**	**600 546**
Depreciation for the year	10 014	18 639	16 312	44 965
Impairment for the year	-	-	-	-
Disposals	-321	-4 825	-2 954	-8 100
Reclassifications	4 078	-	-4 249	-171
Currency translation effects	93	2 446	443	2 983
Accumulated depreciation and impairment 31.12.2018	**134 610**	**346 502**	**159 112**	**640 223**
Depreciation for the year	12 560	19 960	17 315	49 835
Impairment for the year	-	-	6	6
Disposals	-6 028	-46 147	-16 551	-68 726
Reclassifications	7 250	-9 298	4 398	2 350
Currency translation effects	-727	-1 143	-494	-2 365
Accumulated depreciation and impairment 31.12.2019	**147 664**	**309 873**	**163 786**	**621 323**
Carrying amount 31.12.2018	**128 309**	**97 972**	**51 834**	**278 116**
Carrying amount 31.12.2019	**217 723**	**118 608**	**69 926**	**406 256**

Economic life	Up to 20 yrs.	Up to 10 yrs.	Up to 10 yrs.
Depreciation plan	Straight-line	Straight-line	Straight-line

*Adjustment of lease arrangements under IAS 17. See note 4.2 for disclosure of right-of-use assets under IFRS 16.

The Group assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. No indicators for impairment of property, plant and equipment were identified in 2019 or 2018. Furthermore, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. No such indicators were identified in 2019 or 2018 for property, plant and equipment.

3.2 Goodwill

	Goodwill
Acquisition cost 31.12.2017	**41 743**
Acquisitions	33 547
Currency translation effects	2 992
Acquisition cost 31.12.2018	**78 282**
Acquisitions	53 640
Currency translation effects	2 719
Acquisition cost 31.12.2019	**134 641**
Accumulated Impairment 31.12.2017	**19 961**
Impairment for the year	-
Currency translation effects	-
Accumulated Impairment 31.12.2018	**19 961**
Impairment for the year	-
Currency translation effects	-
Accumulated Impairment 31.12.2019	**19 961**
Carrying amount 31.12.2018	**58 321**
Carrying amount 31.12.2019	**114 680**

Carrying amount of goodwill allocated to the cash-generating units	**Goodwill**
PBS (Luxo)	8 688
LINKSrechts	5 363
Glamox BV	7 752
O. Küttel AG	37 522
Luxonic	53 081
ES-System	2 275
Total goodwill – carrying amount 31.12.2019	**114 680**

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill is impaired. Recognised goodwill in the Group as of 31st of December 2019 is NOK 114.680 thousand and is derived from acquiring of Luxo in 2009, Glamox B.V. in 2015, LINKSrecht in 2016, Küttel in 2018, Luxonic and ES-System in 2019. The recoverable amounts of the CGUs have been determined based on value-in-use calculations.

The Group perform its annual impairment test at reporting date. There are no impairment loss in 2018 or 2019.

For the 2019 impairment testing, the cash flows in the calculations are based on budgets for 2020 and assumption used in the strategy plan for the period 2020 to 2023, both approved by the Group Management. Cash flows after year 2023 have been extrapolated using a long-term growth rate. The calculations of terminal value are based on Gordon's formula.

Key assumptions used in value in use calculations

Based on an overall assessment, Glamox has identified the following assumtions as most sensitive to the value in use calculations:

Growth rate

The historical sales growth rate in Glamox differ between the two segments, PBS and GMO. And within these two segments the growth rate differ between the sectors. In the strategy plan the growth rates are based on published industry research with management adjustments. In prediction of cash flow, management has utilized a conservative approach. The growth rate applied in the impairment test is equal to the rate utilized in the strategy plan.

Operating profit

Future operating profit is dependent on a number of factors, but primarily volume growth, cost of production and operating expenses. In the impairment test, Glamox has estimated operating profit using an operating profit rate that is based on managment's experience.

Discount rates

The discounts rates are based on the Weighted Average Cost of Capital (WACC) formula derived from the CAPM model. The discount rate is set individually for each CGU and is post-tax between 6.6% and 12.1%.

Cash generating units and assessments made by management

LINKSrechts

LINKSrecht was acquired by Glamox in June 2016. The company produces and distribute advanced LED lighting system for the military marine sector all over the world. It supplies Helicoper Visual Landing Aid Systems (HVLAS), Advanced Submarine Lighting Systems (ASLS) and Advanced Naval Lighting Systems (ANLS) for naval surface ships. The main customers are military marine in differenct countries around the world.

During 2019 LINKSrecht has received orders of large projects. In the impairment caluculation the terminal growth rate is assumed to be 1.5% and a WACC of 12.1% has been utilized. The sensitivity analysis show that if revenue for the whole period were reduced by 20%, an impairment loss would occur.

Glamox B.V.

Glamox B.V was acquired by Glamox in January 2015. Glamox B.V had been an independent distributor of Glamox products for over 30 years. The company operates both witin the PBS and GMO segment in the Netherlands. In the impairment test calculation, the terminal growth rate is assumed to be 1,5% and a WACC of 6.6% has been utilized. The sensitivity analysis show that even if revenue for the whole period were reduced by over 20%, or if WACC had increased by 10%-p an impairment loss would not occur.

PBS (Luxo)

Luxo was acquired by Glamox in 2009. Luxo was a company that developed, produced and distributed lighting products and solutions to the professional land-based lighting market. Luxo consisted of sales units and production units that where located in differenct countries. Luxo company and Glamox company in the same market/ country where merged. The CGU related to goodwill of this acqusition is the PBS division. In the impairment test calculation, the terminal growth rate is assumed to be 1.0% and a WACC of 9.3% has been utilized. The sensitivity analysis show that even if revenue for the whole period were reduced by over 70%, an impairment loss would not occur.

O. Küttel AG

O. Küttel AG was acquired in April 2018. The company is a leading Swiss provider of lighting for the professional building market in Switzerland. In the impairment test calculation, the terminal growth rate is assumed to be 1.6% and a WACC of 9.8% has been utilized. The sensitivity analysis show that an increase in WACC of 3.3 %-p would lead to an impairment loss. A decrease in revenues for the whole period of 45 % would lead to an impairment loss.

Luxonic

Luxonic was aquired by Glamox in 2019. See note 8.2 Business combination for further information.

ES-System

ES-System was aquired by Glamox in 2019. See note 8.2 Business combination for further information.

3.3 Product development and other intangible assets

	Product Development	Other intangible assets	Total
Acquisition cost 31.12.2017	**8 713**	**184 875**	**193 588**
Additions	3 270	22 814	26 084
Additions through acquisition of subsidiary	-	16 828	16 828
Disposals	-63	-	-63
Reclassifications	-	188	188
Currency translation effects	-10	3 025	3 014
Acquisition cost 31.12.2018	**11 910**	**227 729**	**239 639**
Additions	6 249	26 471	32 721
Additions through acquisition of subsidiary*	33 231	58 685	91 916
Disposals	763	-3 100	-2 337
Reclassifications	135	28	162
Currency translation effects	145	-216	-71
Acquisition cost 31.12.2019	**52 433**	**309 597**	**362 030**
Accumulated amortisation and impairment 31.12.2017	**3 173**	**129 718**	**132 891**
Amortisation for the year	1 855	13 694	15 549
Impairment for the year	-	-	-
Disposals	-63	-	-63
Reclassifications	-	171	171
Currency translation effects	-6	1 568	1 562
Accumulated amortisation and impairment 31.12.2018	**4 959**	**145 151**	**150 110**
Amortisation for the year	3 310	20 391	23 701
Impairment for the year	-	-	-
Disposals	762	-3 098	-2 336
Reclassifications	135	-2 764	-2 629
Currency translation effects	44	-31	13
Accumulated amortisation and impairment 31.12.2019	**9 209**	**159 649**	**168 858**
Carrying amount 31.12.2018	**6 952**	**82 578**	**89 529**
Carrying amount 31.12.2019	**43 224**	**149 948**	**193 171**

Economic life	Up to 3-5 yrs.	Up to 10 yrs.
Amortisation plan	Straight-line	Straight-line

Net Capitalised development costs as of the year ended December 31, 2019 were NOK 43 224 thousand. Of this amount, NOK 15 239 thousand relates to aqcuired product developement through the acquisition of Luxonic, NOK 17 621 thousand relates to acquired product developement through the acquisition of ES-System and the rest is capitialised product development related to internal projects. Internal projects that results in products with a new application or new technology is capitalised given that the criteria in IAS 38 is fulfilled. The Group directly expensed NOK 36 003 thousand related to research and development activities in 2019 (2018: NOK 35 613 thousand).

Carrying amount of other intangible assets per 31.12.2019 is NOK 149 948 thousand and consist of trademarks of NOK 57 120 thousand and customer relations of 33 438 thousand the acquisition of LINKSrechts, Küttel, Luxonic and ES-System, and technology of NOK 12 502 thousand from the acqusition of LINKSrechts and the rest of NOK 46 890 thousand is related to software investments. The trademark from the aquisition of Küttel are well incorporated in the Swiss market and there are no plans of rebranding. Based on this, the trademark is assessed to be indefinite and therefore not amortised. The trademark is tested for impairment annually, see note 3.2. Except for this, other intangible assets are amortised over 5-10 years based on the useful economic life.

As of 31 December 2019, no impairment indicators were identified.

*See note 8.2 Business combination.

4.1 Provisions and other liabilities

Provisions and other liabilities	Note	31.12.2019	31.12.2018
Non-current provisions and other liabilities			
Warranties		34 132	36 098
Other liabilities		124	
Total non-current provisions and other liabilities		**34 257**	**36 098**
Current provisions and other liabilities			
Derivatives		766	853
Prepayments from customers		22 596	18 218
Restructuring/Severence payment		973	19 544
Accruals for employee benefits		109 309	92 848
Product claim		46 861	46 416
Contingent liabilities		41 737	-
Pension liabilities	7.2	984	-
Other liabilities		61 115	52 074
Total current provisions and other liabilities		**284 340**	**229 954**

Warranties relates to product warranty obligations to customers. Standard warranty time is between 2-5 years. The warranty time differs among the different markets that Glamox operates in, and between the different products sold.

Product claim relates to two products sold to the energy area (GMO segment) over several years. The provision is expected to cover cost involved in rectifying received and potential claims.

Contingent liabilities relates to acquisition of Luxonic, see note 8.2 Business combination for further information.

Other liabilities contains accrued fee and general accrued expenses.

4.2 Leases

This note provides information for leases where the group is a lessee.

Right-of-use assets	Buildings	Machinery	Fixtures and Fittings	Total
Recognition of right-of-use asset on initial application of IFRS 16	106 921	15 837	3 001	125 758
Leases under IAS 17*	-	3 043	-	3 043
Carrying amount 01.01.2019	**106 921**	**18 880**	**3 001**	**128 801**
Additions	14 090	16 244	673	31 006
Additions through acquisition of subsidiaries	49 867	5 592	2 959	58 419
Remeasurement	-1 769	-1 004	-250	-3 023
Depreciations	-21 675	-10 780	-1 221	-33 676
Termination	-54	-451	-3	-507
Currency translation effects	-1 226	-129	-13	-1 368
Carrying amount 31.12.2019	**146 153**	**28 351**	**5 147**	**179 652**

* In the previous year, the group recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. Calculations of finance leases previous held under IAS 17 have been revaluated and adjusted in the opening balance. In note 3.1 Property, plant and equipment, NOK 9 million was derecognised from PPE, while NOK 3 million have been reclassified to right-of-use assets based on the revaluated calculation.

Amounts recognised in profit and loss	2019
Depreciation from right-of-use assets[1]	33 676
Interest expense from lease liabilities[2]	3 655
Expenses relating to short term leases and leases of low-value assets[3]	6 110
Variable lease payments not included in the measurement of lease liabilities	0
Total	**43 441**

1) Presented as Depreciations and amortisations
2) Presented as Interest expenses
3) Presented as Other operating expenses

Amounts recognised in profit and loss	2019
Principal portion of lease payments on lease liabilities[1]	32 206
Interest portion of lease payments on lease liabilities[1]	3 655
Payments relating to short term leases and leases of low-value assets[2]	6 110
Total payments on lease liabilities	**41 971**

1) Presented as cash flow from financing activities.
2) Presented as cash flow from operating activities.

Lease liabilities	2019
Lease liabilities, non-current	133 167
Lease liabilities, current	46 744

Maturity schedule lease liabilities - contractual undiscounted cash flows	2019
0-1 years	51 915
1-5 years	123 969
5 years and later	35 819
Total undiscounted lease liabilities as of 31.12.	**211 703**

Amounts does not include lease liabilities for short term leases and leases of low-value assets

2018

Minimum lease payments (non-cancellable operating leases)	2018 lease cost	Matures within 1 year	Matures 2-5 years	Matures more than 5 years	Total
Rent	22 576	26 877	73 965	30 707	131 548
Production equipment	848	731	2 209	404	3 343
Office equipment	970	1 134	2 256	4	3 395
Cars	8 268	9 351	9 187	0	18 538
Total	**32 662**	**38 092**	**87 617**	**31 115**	**156 824**

5.1 Financial instruments

The Group has the following financial instruments:

Financial assets/liabilities at amortised cost:
Financial assets: Trade receivables, other current receivables (notes: 5.9) and cash and cash equivalents (note 5.8)
Financial liabilities: Includes most of the Group's financial liabilities including debt to credit institutions, trade payables and other current and non-current financial liabilities (notes: 5.2 and 5.10).

Financial assets/liabilities at fair value through profit and loss (FVTPL):
Derivative instruments – Forward contracts (see below))

Derivates and hedging

The Group applies hedge accounting related to its hedges of net investments in foreign subsidiaries. Loans and bank overdrafts in the same currency as the underlying investments are designated as hedging instruments. As of 31 December 2019 NOK 564.8 millions of the interest bearing liabilities have been designated as hedging instrument (2018: 218.9 MNOK). In the Group accounts, the underlying currency effects related to the hedging instruments are presented in the statement of OCI, to the extent that the hedging relationship is effective. At the end of the period, the hedging relationship is effective.

Furthermore, the Group holds forward contracts to secure its sales and purchases in foreign currency. Hedge accounting is not applied related to these arrangements, and the derivatives are measured at fair value through profit and loss.

For further information, see note 5.5 and 10.1. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.The table below shows the various financial assets and liabilities, grouped in the different categories of financial instruments according to IFRS 9.

31.12.2019	Amortised cost	Fair value through profit or loss (FVTPL)	Total
Financial assets			
Trade receivables (note 5.9)	525 045		525 045
Other receivables (note 5.9)	114 167		114 167
Cash and cash equivalents (note 5.8)	324 571		324 571
Total financial assets	**963 783**	**-**	**963 783**

31.12.2019			Total
Financial Liabilities			
Derivatives		766	766
Interest bearing liabilities to financial institutions (note 5.2)	660 728		660 728
Lease liabilities (non-current and current, note 4.2)	179 910		179 910
Other long-term loans	1 621		1 621
Trade and other payables (note 5.10)	284 656		284 656
Total financial liabilities	**1 126 915**	**766**	**1 127 681**

31.12.2018			
Financial assets			
Trade receivables (note 5.9)	371 126		371 126
Other receivables (note 5.9)	79 962		79 962
Cash and cash equivalents (note 5.8)	265 554		265 554
Total financial assets	**716 642**	**-**	**716 642**

31.12.2018			
Financial liabilities			
Derivatives		853	853
Interest bearing liabilities to financial institutions (note 5.2)	234 363		234 363
Other long-term loans (incl. current part)	9 128		9 128
Trade and other payables (note 5.10)	203 949		203 949
Total financial liabilities	**447 440**	**853**	**448 293**

5.2 Interest bearing liabilities to financial institutions

Non-current Interest bearing loans and borrowings	Interest rate	Maturity	31.12.2019	31.12.2018
Revolving facility - utilised amount (NOK)	NIBOR + margin	2022	65 500	15 500
Revolving facility - utilised amount (EUR)	EURIBOR + margin	2022	217 004	218 863
Revolving facility - utilised amount (PLN)	WIBOR + margin	2022	347 812	-
Other long term loans (GBP)	LIBOR + margin	2023	7 643	
Total non-current interest bearing loans and borrowings			**637 958**	**234 363**

Change of non-current Interest bearing loans and borrowings	2019	2018
Opening balance	234 363	115 625
Acquired debt due to acquisition of subsidiary	8 726	
Increase of utilised amount	405 137	112 680
Repayment	-1 377	-
Effect of changes in foreign exchange rates	-8 890	6 057
Closing balance	**637 958**	**234 363**

Current Interest bearing loans and borrowings	31.12.2019	31.12.2018
Other long term loans (GBP) - current part	2 922	**-**
Bank overdraft*	19 848	-
Total non-current interest bearing loans and borrowings	**22 770**	-

* Luxonic Ltd. can withdraw cash based on outstanding accounts receivable.

Change of current Interest bearing loans and borrowings	2019	2018
Opening balance	-	-
Acquired debt due to acquisition of subsidiary	20 716	-
Increase of utilised amount	1 299	-
Repayment	-	-
Effect of changes in foreign exchange rates	755	-
Closing balance	**22 770**	**-**

Revolving facility

Glamox holds a revolving facility that was established in December 2017. In June 2019, the utilized amount was increased by NOK 50.0 million. In December 2019, the utilized amount was increased by PLN 150.1 million due to the acquisition of ES-System.

In December 2019, the credit limit of the revolving facility was increased by NOK 400 million, up to NOK 1 400 million.

An arrangement fee related to the financing, is booked against non-current interest bearing liablities and will be expensed over the availability period of the facility.

Covenant requirements:

Glamox' loan agreements includes the following financial covenants requirements on Group level:
- Equity ratio minimum 20%
- Net interest bearing debt (NIBD)/EBITDA Adjusted (Last Twelve Months) less than 4.0.

There have been no breaches in covenants in 2019 or 2018 for Glamox.

Assets pledged as security and guarantee liabilities

	31.12.2019	31.12.2018
Secured balance sheet liabilities:		
Interest bearing liabilities to financial institutions	630 316	234 363
Secured pension liability	13 820	13 820
Balance sheet value of assets pledged as security for secured liabilities:		
Land, buildings and other property	36 927	41 157
Machinery and plant	45 494	45 459
Fixtures and fittings, tools, office equipment etc.	20 160	19 947
Inventories	143 357	142 595
Account receivable	225 932	208 262
Total	**471 870**	**457 421**

5.3 Ageing of financial liabilities

31.12.2019	Less than 12 months	1 to 3 years	Over 3 years	Total
Derivatives	766			766
Interest bearing liabilities to financial institutions (note 5.2)*	36 963	664 730	9 823	711 516
Other long-term loans	464	261	896	1 621
Trade and other payables (note 5.10)	284 656			284 656
Totals	**322 848**	**664 991**	**10 719**	**998 558**

31.12.2018	Less than 12 months	1 to 3 years	Over 3 years	Total
Derivatives	853			853
Interest bearing liabilities to financial institutions (note 5.2)*	3 714	7 428	238 076	249 218
Other long-term loans	3 043	6 085		9 128
Trade and other payables (note 5.10)	203 949			203 949
Totals	**211 559**	**13 513**	**238 076**	**463 148**

* figures inclued estimated interest payable.

5.4 Fair value measurement

The table below discloses information about all financial instruments that are either measured at fair value or where information about fair value is disclosed. There were no transfers between the levels during 2019 and 2018. For related accounting policies, reference is made to note 10.1.

	Carrying amount at	Date of valuation	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities measured/disclosed at fair value							
Interest-bearing loans and borrowings	31.12.2019	31.12.2019	660 728	660 728		x	
Interest-bearing loans and borrowings	31.12.2018	31.12.2018	234 363	234 363		x	
Derivative financial liabilities	31.12.2019	31.12.2019	766	766		x	
Derivative financial liabilities	31.12.2018	31.12.2018	853	853		x	

Fair value of financial instruments

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models using present value calculations (hierarchy level 2). The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk. As at 31 December 2019, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on measurement of financial instruments recognised at fair value. Glamox applies input from its respective bank relations in performing the fair value calculations.

The fair values of the Group's interest-bearing loans and borrowings are assessed to be in all material aspects similar to carrying amount.

5.5 Financial risk management

Glamox Group is exposed to a range of risks affecting its financial performance, currency risk, interest rate risk, liquidity risk and credit risk. The Group seeks to minimise potential adverse effects of such risks through sound business practices, risk management and use of derivative financial instruments. Risk management is carried out by senior management under policies approved by the Board of Directors.

Interest rate risk

The Group aims to follow the general long-term development in the money market interest levels. The effects of short-term fluctuations in money market interest levels can be reduced by managing the loan portfolio's average interest and the timing of the interest payments. Underlying loan agreements is used to manage the interest risk.

The main part of the deposit is organised in a Multi Currency Cash pool. The interest-bearing liability relates to a Revolving Credit Facility (RCF). As of 31.12.2019 it is utilised NOK 65.5 millions, EUR 22.0 millions and PLN 150.1 millions of the RCF. The interest of the utilised amount of the RCF is payable at a rate of NIBOR/EURIBOR/WIBOR plus a margin, dependent on Glamox's NIBD/ EBITDA ratio.

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax:

Interest rate sensitivity	**Increase / decrease in basis points**	**Effect on profit before tax**
31.12.2019	+/- 100	- 3.7 mNOK / 1.6 mNOK
31.12.2018	+/- 100	+ 0.3 mNOK /- 2.5 mNOK

Foreign currency risk

Glamox is exposed to transaction risk by purchasing and selling in different currencies. Purchase and production expenses are mainly in NOK, SEK and EUR, with sales mainly in NOK, EUR, SEK, DKK, GBP, SGD, CAD, CHF and USD. Glamox aims to minimise the risk of changes in the value of net cash flows arising from the short-term fluctuations in exchange rates. Transaction risk is controlled by means of internal invoicing rules, matching of income and expenses in the same currency and by using financial instruments (forward contracts).

Glamox uses forward contracts as an economic instrument to hedge cash flow. As of 31.12.2019, the Group had forward contracts for both sale and purchase of currencies. Currency sales amounted to NOK 280 million while the currency purchase amounted to NOK 207 million based on 31.12.2019 exchange rates. The Group's forward contracts had a market value of NOK -0.9 million as of 01.01.2019 and NOK -0.8 million as of 31.12.2019. Glamox has not applied hedge accounting in accordance with IFRS 9 for cash flow hedging.

Glamox is exposed to currency changes related to carrying amounts of equity in foreign subsidiaries. Changes in the value of equity of foreign subsidiaries are offset/ hedge by loans and overdrafts in the same currency. The following tables demonstrates Glamox' total exposure to foreign currency risk related to its net debt and equity in foreign subsidiaries:

	Equity in foreign subsidiaries		**Net debt and overdraft in foreign currency**	
Currency (in currency million)	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
EUR/DKK	38.4	43.1	46.3	44.8
SEK	103.8	113.9	83.7	106.6
GBP	12.4	0.0	10.9	0.0
CHF	15.9	15.4	15.1	15.0
PLN	145.4	-	150.3	-
SGD	5.6	6.2	4.8	6.4
CAD	2.9	3.4	2.8	3.5
USD	5.2	3.3	4.8	3.7

Without the hedge of the net investment in foreign subsidiaries, a 10 percent weakening/strengthening in the value of NOK would have increased/decreased equity by 120.4 mNOK as of 31.12.2019, where equity in EUR represents 37.8mNOK of this increase/decrease. Such changes in value would have limited impact on P/L, as they are mainly booked as translation differences against equity. Because of the hedge, the impact on equity is also limited.

Liquidity risk

Liquidity risk is the risk that Glamox will not be able to meet its financial obligations as they fall due. Glamox has a limited exposure to liquidity risk on the basis of a strong cash flow in addition to a solid balance sheet, as of 31.12.2019 the equity rate is 31.7%. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

See note 5.3 for an overview of maturity profile on Glamox' financial liabilities and an overview about available credit lines, and note 5.8 for an overview of the liquidity reserve.

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. Glamox trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity and financial position. The Company obtains sufficient collateral (where appropriate) from customers as a means of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis, with the result that the Company's exposure to bad debts is not significant.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. See note 5.9 for comments regarding trade receivables ageing. With respect to credit risk arising from the other financial assets of the Company, which comprise cash and derivative financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

5.6 Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of Glamox' capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants related to the interest-bearing financial liabilities that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There has been no breaches of the financial covenants of any interest bearing loans and borrowing in the current period. Covenants calculations are not affected by the implementation of IFRS16, as the loan agreement only take into account existing IFRS standards at the time of entering the loan agreement. Reference is made to note 5.2 for disclosed information regarding interest bearing liabilities and financial covenants.

	31.12.2019	**31.12.2018**
Interest bearing liabilities to financial institutions (non-current and current)	660 728	234 363
Other long term loans	1 621	9 128
Lease liabilities (non-current and current)	179 910	-
Less: cash and bank deposit excl. restricted cash	-310 570	-252 387
Net interest bearing debt/(deposit)	**531 688**	**-8 896**
EBITDA last 12 months	414 463	333 579
Gearing ratio	**1,28**	**-0,03**
Gearing ratio - covenant calculation	**0,83**	**-0,02**
Total Assets	2 504 462	1 657 559
Total Equity	792 668	698 436
Equity ratio	**32 %**	**42 %**
Equity ratio - covenant calculation	**34 %**	**42 %**

5.7 Equity and shareholders

Share capital in Glamox AS at 31.12.2019	Number	Nominal Value	Balance Sheet
Shares	65 988 668	1	65 989
Total	**65 988 668**	**1**	**65 989**

All shares have the same voting rights.

There have been no changes in the number of shares in 2019 or 2018.

Dividends	2019	2018
Ordinary dividend paid in the period	141 059	124 059
Dividends per share in the period	2,14	1,88

Ownership structure:

The largest shareholders in Glamox AS at 31.12.2019	Total shares	Shareholding/ Voting
GLX Holding AS C/O Triton Advisers	50 260 425	76,17 %
Fondsavanse AS	14 558 635	22,06 %
Erik Must	639 388	0,97 %
Rebecka Must	100 000	0,15 %
Jonathan Must	100 000	0,15 %
Nora Must	100 000	0,15 %
Iben Must	100 000	0,15 %
Selma Must	100 000	0,15 %
Lege Fr Arentz Legat C/O DNT Oslo og omegn	15 000	0,02 %
Eva Marie Mittet	3 266	0,00 %
Total 10 largest shareholders	**65 976 714**	**99,98 %**
Others (127 shareholders)	11 954	0,02 %
Total number of shares	**65 988 668**	**100,00 %**

Shares and options owned by Board members and the Group Management:

Name	Position	Shares
Henny Eidem	Board member	14

Reconciliation of equity is shown in the statement of changes in equity.

5.8 Cash and cash equivalents

Cash and cash equivalents	31.12.2019	31.12.2018
Bank deposits, unrestricted	310 570	252 387
Bank deposit, restricted, employee taxes	14 001	13 167
Total cash and cash equivalents	**324 571**	**265 554**
Liquidity reserve	**1 024 840**	**1 004 655**

The liquidity reserve is the total overdraft and revolving facilites of all Group companies, minus all utilised overdraft and revolving facilities, and added all cash on hand and deposits.

The liquidity reserve for the Group is organised in a revolving facility and a Multi Currency Cash pool.

Legally, the parent company is the counter party towards the Bank regarding the Multi Currency Cash pool. The net position of the cash pool is presented as cash and cash equivalents.

Restricted deposits in Glamox AS and the Group amounted to NOK 14.0 million in 2019.

5.9 Trade and other receivables

Trade and other receivables	31.12.2019	31.12.2018
Trade receivables		
Trade receivables	525 045	371 126
Total trade receivables	**525 045**	**371 126**
Other receivables		
Prepaid rent	2 225	3 203
Prepaid other expenses	11 113	10 776
Prepaid VAT	23 056	4 395
Other - Retention fees due	5 858	5 858
Withholding tax	29 138	29 387
Other	42 777	26 344
Total other receivables	**114 167**	**79 962**

Provision for impairment of receivables	2019	2018
At January 1	**18 440**	**17 351**
Currency effect	71	123
This years loss	-758	-1 031
Payments received against previous losses	-1 295	13
Addition through acquisition	12 202	-
Provision this year	2 486	1 985
At December 31	**31 146**	**18 440**

As at 31 December the ageing analysis of trade receivables is, as follows:

Ageing analysis of trade receivables	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	31-60 days	61-90 days	> 90 days
2019	525 045	426 213	62 468	17 575	8 813	9 976
2018	371 126	292 904	66 696	8 330	429	2 767

For details regarding the Group's procedures on managing credit risk, reference is made to note 5.5.

5.10 Trade and other payables

Trade and other payables	31.12.2019	31.12.2018
Trade payables		
Trade payables	284 656	203 949
Trade payables to related parties	-	-
Total trade payables	**284 656**	**203 949**
Other payables		
Public duties payables	93 494	95 653
Total other payables	**93 494**	**95 653**

For trade and other payables ageing analysis, refererence is made to note 5.3.

5.11 Financial income and expenses

Financial income and expenses	2019	2018
Financial income		
Currency gain	87 005	14 742
Interest income	9 424	4 357
Unrealised gain financial derivates	-	4 067
Realised gain financial derivates	-	7 096
Other financial income	17 974	152
Total financial income	**114 404**	**30 414**
Financial expenses		
Currency loss	80 583	15 707
Interest expenses*	25 272	14 810
Unrealised loss financial derivates	766	-
Realised loss financial derivates	2 048	-
Other financial expenses	3 837	2 650
Financial expenses	**112 506**	**33 167**

* In 2019, interest expenses include interest on lease liabilities, see note 4.2.

The Group applies hedge accounting on net investments in foreign subsidiaries. Loans and bank overdrafts are applied as hedging instruments (see note 5.1). Currency effects from hedging instruments are presented in the statement of OCI, to the extent that the hedging is effective.

Other financial income includes reversal of earn-out related to the acquisition of Luxonic Ltd., see note 8.2 for more information.

6.1 Taxes

Current income tax expense:	2019	2018
Tax payable	62 628	73 071
Change deferred tax/deferred tax assets (ex. OCI effects)	6 931	-25 456
Currency effects	1 618	-583
Tax effect on net gain/loss on hedge of foreign subsidiaries	-940	4 361
Tax related to previous years	371	6 277
Total income tax expense	**70 609**	**57 669**
Effect of reduced tax rate (in Norway)		706

Deferred tax related to items recognised in OCI during the year:		
Net gain/loss on hedge of foreign subsidiaries	940	-4 361
Tax effect on remeasurements on defined benefit plans	-718	244
Deferred tax charged to OCI	**222**	**-4 117**

Total tax for the year on group level:		
Norwegian companies	19 793	31 711
Foreign companies	50 816	25 958
Total tax for the year	**70 609**	**57 669**

	31.12.2019	31.12.2018
Current tax liabilities consist of:		
Income tax payable for the year as above	62 628	73 071
- of which paid in fiscal year	-50 206	-38 546
- witholding tax and tax provision related to previous year	1355	1 322
Current tax liabilities 31.12	**13 777**	**35 847**

Deferred tax liabilities (assets):	31.12.2019	31.12.2018
Property, plant and equipment	16 485	-3 955
Intangible assets	144 675	62 895
Other current assets	-32 725	-25 249
Liabilities	-50 897	-27 622
Net pension reserves/commitments	-60 746	-45 706
Derivates	-766	-853
Losses carried forward (including tax credit)	-143 417	-140 759
Untaxed profit [2]	309 171	260 248
Basis for deferred tax liabilities (assets):	**181 780**	**78 999**
Calculated deferred tax assets	**72 257**	**60 695**
- Deferred tax assets not recognised	-15 359	-11 797
Net deferred tax assets recognised in balance sheet	**56 898**	**48 898**
Deferred tax liabilities recognised in balance sheet	**96 499**	**70 935**

[2] Untaxed profit relates to profit in Estonia, that is taxed when dividend is distributed.

6.1 Taxes (cont.)

The Group's operations are subject to income tax in various foreign jurisdictions. The statutory income tax rates vary from 14% to 31%, which results in a difference between the statutory income tax rate in Norway and the average tax rate applicable to the group. A reconciliation of the differences between the theoretical tax expense under the rate applicable in Norway and the actual tax expense is as follows:

Reconciliation of income tax expense	**2019**	**2018**
Profit before taxes	**309 149**	**270 314**
Tax expense (Norway tax rate)	68 013	62 172
Permanent differences	8 109	299
Effect of deferred tax asset not recognised	-3 562	-2 281
Tax related to previous years	371	6 277
Effects of changes in tax rate	-	706
Effects of foreign tax rates	-2 322	-9 273
Recognised income tax expense	**70 609**	**57 899**
Effective tax rate	**22,8 %**	**21,4 %**

7.1 Management remuneration

Benefits for CEO – agreements on severance pay, bonuses, etc.

The CEO is a member of a defined contribution pension scheme for salaries up to 12G (approx NOK 1.2 million). In addition, the CEO is entitled to a salary compensation of 23.95% of fixed salary for amounts exceeding 12G. The CEO also has a performance based bonus agreement.

The CEO has a performance related bonus agreement which can give up to seven months' additional salary. The financial statements of 2019 are charged with NOK 811 thousand related to the performance related bonus agreement.

Upon termination from the company, the CEO is entitled to 12 months severence pay.

Remuneration to CEO		**Salary**	**Performance-related bonus**	**Pension**	**Other remuneration**
Rune Marthinussen - CEO	2019	3 235	811	51	134
Rune Marthinussen - CEO	2018	3 134	1 269	49	178

Remuneration to Board members		**Directors' fees**
Remuneration to Board members	2019	2 025
Remuneration to Board members	2018	1 693

The board members are not subject to agreements for severence pay, bonuses or profit-sharing. No loans or pledges have been provided to the board members or senior management of the Group.

7.2 Post-employment benefits

Glamox AS are legally obliged to have occupational pension arrangements under the Norwegian Mandatory Occupational Pension Act. The Norwegian pension arrangements satisfy the requirements of this act.

Defined contribution plan

The majority of the Group's employees are covered by defined contribution pension schemes. Contributions to these schemes are recognised as pension expense as they occur. Total costs related to the Groups contribution plans were NOK 37.7 million in 2019 (2018: NOK 31.1 million).

Defined benefit pension plan

The Group also has defined benefit pension plans in Glamox AS and in four subsidiaries of Glamox AS. The defined benefit plans in O. Küttel AG accounts for approximately 60% of the net liability in the Group, Glamox AS accounts for approximately 19% of the net liability in the Group and ES-System accounts for approximately 12% of the net liability in the Group. The remaining 8 % of the net liability consist of several minor defined benefit pension plans in other subsidiaries.

On Group level, total net pension liabilities were NOK 66.6 million (net of the pension liability of NOK 140.9 million and reserve of NOK 74.3 million) as at 31 December 2019. As of 31.12.2018 total net pension liabilities were NOK 50.3 million (net of the pension liability of NOK 118.4 million and reserve of NOK 68.1 million). Actuarial gains/losses recognised in the net pension liabilities amounted to NOK 6.0 million in 2019 (2018: NOK 1.8 million).

Risks related to defined benefit plans

The defined benefit plans expose the company to various demographic and economic risks, such as longevity, investment, currency and interest rate risks and in some cases, inflation risk.

O. Küttel AG

The net pension liabilities consists of a defined benefit plan for 55 employees (54 active participants and 1 pensioners). The pension plan are organized as "contribution-based" schemes as per Art. 15 of the Swiss Federal Law on Vesting in Pension Plans. Under these plan arrangements, retirement benefits of active participants accrue over a notional account as the sum of retirement credits (retirement credit rate multiplied with pensionable salary) and interests. Average age of the participants in the pension plan was 43.02 as of 31 December, 2019.

Financial conditions:	**2019**	**2018**
Mortality table	BVG 2015 GT	BVG 2015 GT
Discount rate	0.30%	0.80%
Expected return on plan assets	1.00%	1.00%
Salary increase	1.00%	1.00%
Pension increase	0.00%	0.00%

Changes in pension plan assets during the year	**2019**	**2018**
Pension plan assets (fair value) 1 January	57 587	48 302
Contributions and benefits paid during the year	3 292	3 847
Interest income	472	316
Administration expenses	-236	-208
Return on assets excl. interest income	-212	978
Currency translation	1 807	4 352
Pension plan assets (fair value) 31 December*	**62 709**	**57 587**

Changes in the present value of pension obligations during the year	**2019**	**2018**
Pension obligations 1 January	88 577	74 589
Net service cost	2 949	2 352
Contributions and benefits paid during the year	1 024	1 910
Interest cost	722	483
Actuarial gains and losses	6 747	2 534
Currency translation	2 560	6 708
Pension obligations 31 December	**102 579**	**88 577**
Net pension obligations 31 December	**39 870**	**30 990**

7.2 Post-employment benefits (cont.)

Sensitivity analysis of pension obligations	Change	Change
DBO end of period discount rate + 0.25%	-4 333	-4 %
DBO end of period discount rate - 0.25%	4 702	5 %
DBO end of period salary increase + 0.25%	761	1 %
DBO end of period salary increase - 0.25%	-761	-1 %
Currency rate (CHF/NOK) as of 31 December 2019 have been used in the sensitivity analysis .		

Expected future contributions	NOK 1000
Expected employer contributions next year	2 371
Expected employee contributions next year	2 371
Expected benefits payments next year	-2 982

Currency rate (CHF/NOK) as of 31 December 2019 have been used to calculate expected future contributions and benefit payments .

Glamox AS

Glamox AS has defined benefit plans for 2 former employees and for some employees who have not been transferred from previous defined benefit plan when this was closed and replaced by a defined contribution plan.

Financial conditions:	2019	2018
Mortality table	K2013	K2013
Discount rate	2.30%	2.60%
Expected return on plan assets	2.30%	2.60%
Salary increase	2.25%	2.75%
Pension increase	2.00%	2.50%

Changes in pension plan assets during the year	2019	2018
Pension plan assets (fair value) 1 January	5 481	5 481
Pension plan assets (fair value) 31 December	**5 481**	**5 481**

Changes in the present value of pension obligations during the year	2019	2018
Pension obligations 1 January	20 198	21 583
Net service cost	-	-
Contributions and benefits paid during the year	-825	-694
Interest cost	363	368
Actuarial gains and losses	-1 317	-1 059
Pension obligations 31 December	**18 419**	**20 198**
Net pension obligations 31 December	**12 937**	**14 717**

7.2 Post-employment benefits (cont.)

ES-System

The pension liability in ES-System consists of retirements benefits, disability benefits and death severance pay. Disability benefits and death severance pay make up approximately 20 % of the pension liability, while 80 % relates to retirement benefits. On the basis of IAS 19 the profitability of 10-year treasury bonds amounting to 2% was used to determine the discount rate. The long-term annual salary growth rate was assumed to be from 3.0% to 3.5% in nominal terms. When determining the pension liability, the probability of obtaining additional benefit entitlements was taken into account. The probability of achieving rights to severance pay and death severance pay is understood as the probability of invalidity and death of an employee before reaching retirement age, provided that they remain in an employment relationship with their current employer. Retirement age means the age of 60 for women and 65 for men.

Financial conditions:	**2019**
Mortality table	PTTZ 2016 wg GUS
Discount rate	2.00 %
Salary increase	3.00 %

8.1 Interests in subsidiaries

Name of company	Office	CUR	Share Capital	Shareholding in Glamox AS	Carrying amount in Glamox AS	Group's voting ownership share
Glamox A/S	Denmark	DKK	4 900	100.0%	8 045	100.0%
Glamox AB	Sweden	SEK	600	100.0%	1 681	100.0%
Glamox Oy	Finland	EUR	100	100.0%	6 082	100.0%
Glamox Ltd.	England	GBP	4	100.0%	680	100.0%
Glamox Ireland Ltd.	Ireland	EUR	169	100.0%	1 787	100.0%
Glamox GmbH	Germany	EUR	683	100.0%	129 409	100.0%
AS Glamox	Estonia	EUR	166	100.0%	6 345	100.0%
Glamox Marine and Offshore GmbH	Germany	EUR	5 625	35.3%	64 602	100.0% [1]
Glamox B.V.	The Netherlands	EUR	18	100.0%	20 346	100.0%
Glamox Aqua Signal Corporation	USA	USD	100	100.0%	443	100.0%
Glamox Inc.	Canada	CAD	2 208	100.0%	0	100.0%
Glamox Pte Ltd.	Singapore	SGD	6 100	98.7%	23 666	98.7% [2]
Glamox (Suzhou) Lighting Co. Ltd	China	CNY	20 388	100.0%	4 050	100.0%
Suzhou Glamox Trade Co. Ltd	China	CNY	500	0.0%	0	100.0%
Glamox Korea Co. Ltd.	South Korea	KRW	775 020	100.0%	4 483	100.0%
Luxo Corporation	USA	USD	0	100.0%	0	100.0%
Glamox Brasil Iluminacao LTDA	Brazil	BRL	50	100.0%	130	100.0% [3]
Birger Hatlebakks veg 15 AS	Norway	NOK	100	100.0%	1 373	100.0%
O. Küttel AG	Switzerland	CHF	200	100.0%	122 142	100.0%
Luxonic Lighting Ltd.	England	GBP	46	100.0%	128 238	100.0% [4]
ES-System S.A.	Poland	PLN	14 145	100.0%	365 033	100.0% [5]
ES-SYSTEM Wilkasy sp. z o.o.	Poland	PLN	63 742	0.0%	0	100.0%
ES-SYSTEM NT sp. z o.o.	Poland	PLN	24 050	0.0%	0	100.0%
ES-SYSTEM Projekty sp. z o.o.	Poland	PLN	500	0.0%	0	100.0%
ES-SYSTEM Lighting UK Ltd.	England	GBP	50	0.0%	0	100.0%
Total carrying amount of shares in subsidiaries					**888 536**	

1) In 2019 Glamox Marine and Offshore GmbH, Glamox Production GmbH& Co.KG, GPG Verwaltungsgesellschaft mbH and LINKSrechts GmbH has merged. Glamox Marine and Offshore GmbH is the transferee company.
2) Non-controlling interests in Glamox Pte Ltd is 1.27%. Dividends paid to non-controlling interest in 2019 amounts to NOK 0.00 million (2018: NOK 0.00 million).
3) Non-controlling interests in Glamox Brasil Iluminacao LTDA owns 1 share of totally 50 000 shares, corresponding to 0.002%.
4) In 2019 Glamox AS acquired 100% of the shares in Luxonic Lighting Ltd. For more information see note 8.2.
5) In 2019 Glamox AS acquired 100% of the shares in ES-System S.A. For more information see note 8.2.
6) In 2019 Luxo AS has merged with Glamox AS (transferee company).

All subsidiaries are included in the consolidated statement of financial position.

8.2 Business combinations

Luxonic Lighting Ltd.

On 30 April 2019, Glamox AS aquired 100% of the shares in Luxonic Lighting Ltd. The company was established in 1986 and is a UK based lighting company with a strong brand and its own manufacturing plant located in Basingstoke, UK. Luxonic Group had revenues of GBP 16.7 million in 2018 and GBP 17.6 million in 2017.

The total purchase consideration was NOK 122.9 million, consisting of cash consideration paid of NOK 65.5 million and contingent consideration of NOK 57.4 million. The contingent consideration is linked to future financial key figures regarding order intake for 2019 and the first half year of 2020 and profit for 2019. Total transaction cost related to the acquisition was NOK 5.2 million and is expensed as other operating expenses.

The purchase price is allocated to identifiable assets and liabilities at fair value on the acquisition date. The excess amount is recognised as Goodwill. The below table illustrates the fair values of the identifiable assets and liabilities at acquisition.

All figures in tNOK	**Book value**	**Gaap_Adj**	**Fair value_Adj**	**Fair value**
Assets				
Goodwill			51 315	51 315
Other intangible non-current assets			34 840	34 840
Deferred tax asset		319		319
Tangible non-current assets	64 788		2 219	67 007
Inventories	23 009			23 009
Trade and other receivables	44 209			44 209
Cash and cash equivalents	4 510			4 510
Total assets	**136 516**	**319**	**88 375**	**225 210**
Liabilities				
Deferred tax	3 907		7 041	10 948
Long term liabilities	18 013	1 681		19 694
Current liabilities	71 595			71 595
Total liabilities	**93 514**	**1 681**	**7 041**	**102 236**
Total identifiable net assets at fair value	**43 003**	**-1 362**	**81 333**	**122 974**
Purchase consideration				
Cash consideration paid				65 533
Contigent consideration liability				57 441
Total consideration for the shares				**122 974**
Analysis of cash flows on acquisition				
Cash consideration paid				-65 533
Net cash acquired with the subsidiary (included in the cash flows from investing activities)				4 510
Net cash flow on acquisition				**-61 021**

The acquired goodwill is assumed to mainly relate to positive market development, possibilities for efficiency improvements and opportunities related to strategic growth. Acquired goodwill is not tax deductible. The acquired Other intangible non-current assets relates to Trademark, Customer relationship and product portefolio.

The Gaap adjustement relates to provision for future guarantees.

Glamox Group profit and loss for 2019 includes a financial gain of NOK 17.7 million, due to key financial assumtion related to the contingent consideration were not achieved.

Since the acquisition date, Luxonic has contributed with GBP 11.3 million (NOK 125.8 million) of revenues and GBP 0.3 million (NOK 3.5 million) of profit before interest and tax. If the acquisition of Luxonic had occured 1 January 2019, revenues in 2019 for the Glamox Group would have been approximately GBP 5.9 million (NOK 65.0 million) higher and Profit before interest and tax would have been approximately GBP 0.5 million (NOK 5.3 million) higher.

ES-System

On 10th December 2019, Glamox AS acquired the polish company, ES-SYSTEM. The company was established in 1990 with headquarters in Cracow, Poland. Today, ES-SYSTEM has nearly 800 permanent employees and two manufacturing plants located in Wilkasy and Dobczyce. ES-SYSTEM had revenues of approximately NOK 440 million in 2018 and NOK 503 million in 2019.

The total purchase consideration was NOK 355.0m, all made by cash. Glamox aquired 98.2% of ES-system on 10th December. The remaining acquistion of 1.8% of the shares were finalised on 15 th January 2020. The minority of 1.8% is not accounted for in the allocation, as it was considered non-material and applied for a limited of period, hence the acquistion is accountned with 100% ownership as of 31 December 2019. Total transaction cost related to the acquisition was NOK 10.1m and is expensed as other operating expenses.

The purchase price is allocated to identifiable assets and liabilities at fair value on the acquisition date. The excess amount is recognised as Goodwill. The table below illustrates the fair values of the identifiable assets and liabilities at acquisition. The disclosed PPA may be subject to changes as detailed analysis are still being performed.

Preliminary purchase price allocation

All figures in tNOK	Book value	Fair value_Adj	Fair value
Assets			
Goodwill		2 323	2 323
Other intangible non-current assets	1 502	55 575	57 077
Deferred tax asset	9 104		
Tangible non-current assets	189 914	-34 587	155 327
Inventories	96 473	-9 932	86 541
Trade and other receivables	125 046		125 046
Cash and cash equivalents	60 596		60 596
Total assets	**482 636**	**13 380**	**496 015**
Liabilities			
Deferred tax	7 562	2 101	9 663
Long term liabilities	52 745		52 745
Current liabilities	78 654		78 654
Total liabilities	**138 961**	**2 101**	**141 061**
Total identifiable net assets at fair value	**343 675**	**11 279**	**354 954**
Purchase consideration			
Cash consideration paid			354 954
Total consideration for the shares			**354 954**
Analysis of cash flows on acquisition			
Cash consideration paid			-354 954
Net cash acquired with the subsidiary (included in the cash flows from investing activities)			60 596
Net cash flow on acquisition			**-294 357**

The acquired goodwill is assumed to mainly relate to positive market development, possibilities for efficiency improvements and opportunities related to strategic growth. Acquired goodwill is not tax deductible. The acquired Other intangible non-current assets relates to Trademark, Customer relationship and product portefolio. The value adjustment of tangible non-currenct asset and inventory is due to adoption of Glamox accounting policy.

Since the acquisition date, ES-System has contributed with PLN 12.9 million (NOK 30.5 million) of revenues and PLN 0.0 million (NOK 0.1 million) of profit before interest and tax. If the acquisition of ES-System had occured 1 January 2019, revenues in 2019 for the Glamox Group would have been approximately PLN 206.8m (NOK 473.1m) higher and Profit before interest and tax would have been approximately PLN 7.1 million (NOK 16.2 million) higher.

9.1 Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As Glamox does not have any share options or convertible preference shares as of 31 December 2019 there are no differences between basic and diluted EPS.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2019	2018
Attribution of profit for the year		
Total profit for the year attributable to equity holders of the parent	238 559	212 656
Total profit for the year attributable to equity holders of the parent for basic earnings	**238 559**	**212 656**
Interest on convertible preference shares	**-**	**-**
Total profit for the year attributable to equity holders of the parent adjusted for the effect of dilution	**238 559**	**212 656**
Earnings per ordinary share attributable to shareholders:		
Weighted average number of ordinary shares outstanding used for calculation:		
Basic	65 989	65 989
Diluted	65 989	65 989
Earnings per share in NOK (basic)	**3.62**	**3.22**
Earnings per share in NOK (diluted)	**3.62**	**3.22**

9.2 Related party transactions

Related parties are Group companies, major shareholders, board and senior management in the parent company and the group subsidiaries. Note 8.1 provides information about the Group's structure, including details of the subsidiaries and the holding company. The agreements on remuneration for CEO appear in note 7.1

All transactions within the Group or with other related parties are based on the principle of arm's length. Glamox AS have a short-term liability towards the parent company GLX Holding AS of MNOK 2,8 as of December 31, 2019. The amount relates to acquisition costs of ES-System, that were invoiced GLX Holding AS from an external party. The costs are reinvoiced to Glamox AS, which should cover the costs.

No loans have been made, or security provided for loans, to any member of Group management, the Board or any of their related parties.

9.3 Events after the reporting period

Due to the disruption caused by the COVID-19 pandemic and the measures implemented by governments around the world to fight it, there is increased uncertainty regarding the market development going forward. Although it is difficult to assess the effect these unprecedented measures will have on the Glamox Group, the Board of Directors expect it to affect demand negatively in both business areas.

Our plans and actions to cope with the COVID-19 pandemic are based on the following main principles in order of priority, firstly, protect health and safety of our employees and business partners, secondly, protect the business and the company and thirdly, keep critical activities going that strengthen our long term position.

So far, we have experienced limited operational impact in our supply chain except for deliveries of components and products from manufacturers in South Europe who temporarily have had to stop production, and some general delays in supply of components. We are experiencing some decline in the demand for our products and solutions in most markets and are monitoring the development closely. Cost adjustments have been implemented in the whole organization and will further be adjusted in line with the development in the demand. The reduced market demand will affect the profitability despite the implemented cost adjustments. However, our main scenarios do not indicate risk for covenant breaches next 12 months. The available financial capacity through existing loan facilities secures the liquidity situation during these uncertain times.

After the reporting date the board has proposed a dividend distribution amounting to NOK 141.1 million. The Board has assessed the level of proposed ordinary dividend also in light of the COVID-19 outbreak and recent decline in oil prices. The board assesses the level of proposed dividend to be justifiable based on the liquidity and solidity situation of the company. The dividend amount is equal to the dividend paid out last year.

10.1 Significant accounting policies

Revenue recognition

IFRS 15 is based on the principle that revenue is recognised when control of goods or services is transfered to a customer. Recognition of revenues should represent the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

A five-step process must be applied before revenue can be recognised:
- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

The group is a global provider of lighting solutions for a wide variety of applications, on land and offshore. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

All significant revenue streams relates to production and sales of goods. Glamox`s main performance obigation is related to sale of goods where the performance obligations are the delivery of an agreed volume of products within the agreed specification. Linksrechts is the only company in the group that produces and delivers installations that are tailored through engineering and design. For each project, management assess if the projects consist of several distinct performance obligations and when the performance obligation(s) are satisfied. The company did not have any ongoing projects at year-end with material effect on the timing of the revenue recognition.

Sale of goods

Revenue are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer´s acceptance of the product. The products are mainly sold in relation to seperately identifiable contracts with customers. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied. Standard delivery terms for customers within the PBS segment is Delivered Duty Paid (DDP). DDP delivery terms inplies that delivery is completed when the goods are made available to the buyer at a specified location. Standard delivery terms to customers within the GMO segment is Ex Works (EXW). EXW delivery terms implies that delivery is completed when the goods are made available, suitably packaged at a specified loaction, often at Glamox factory or depot.

In some cases, Glamox offer to deliver freight as a service to the customer. In such cases, freight are considered to be a fullfilment of the delivery and not considered to be a distinct performance obilgation. Freight and delivery of goods are therefore considered as a common performance obligation and recognised when control of the products has transferred to the customer.

No element of financing is deemed present as the sales are made with a credit term up to 60 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The goods are normally sold with standard warranties that the goods comply with the agreed-upon specifications. These standard warranties are accounted for using IAS 37 Provisions, see note 4.1 for more information. Glamox does not have any other significant obligations for returns or refunds.

Inventories

In conjunction with implementing a new ERP system in the group, the accounting principle for inventory was changed from standard cost to moving average unit cost (MAUC). The new accoounting principle was implemented in 2018 for AS Glamox (Estonia) and in 2019 for Glamox AS and Glamox AB. The change in accounting policy did not have a material effect on the value of the inventory.

Inventories are valued at the moving average unit cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a moving average unit cost (MAUC) basis
- Finished goods and work in progress using MAUC : including cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Raw material mainly consist of metal parts, LED components, plastic modules, cables, electronic parts and packaging. The basic calculation of inventory is based on moving average unit cost (MAUC). The MAUC is the average value for each unit of the current inventory. Inventory is valued against the average receipt price. For each new receipt, the MAUC is updated.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities

Property, plant and equipment

Tangible fixed assets such as plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The group considers equipment used in operations to be a tangible fixed asset if it has an economic life of more than three years.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, reference is made to note 3.1 for further guidance related to useful lives.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.
Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the CGU's that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Reference is made to note 3.2 for an overview over goodwill, allocation of goodwill per CGU and impairment testing.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense related to the intangible assets is recognised in the statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project, which represents new applications/technology, are recognised as an intangible asset when the Group can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Property, plant and equipment - Note 3.1
- Goodwill - Note 3.2
- Other Intangible assets - Note 3.3

At each reporting date, the Group assesseswhether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

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

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

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold to the customer. Initial recognition of the warrenty provision is based on previous years turnover and management judgment. The length of the warrenty time may differ between the markets. The initial estimate of warranty-related costs is revised annually. Reference is also made to note 1.3 and 4.1 for further details.

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features. Reference is also made to note 4.1 for further details.

Leases

The Group has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 replaces existing IFRS leases requirements, IAS 17. Note 10.2 Changes in accounting policies explains the impact of the adoption of IFRS 16 Leases on the group´s financial statements. The accounting policies below are policies applicable from 1 january 2019 unless otherwise stated.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.
The Group applies its incremental borrowing rate at the time of initial application. The group have used interest rates from the cash pool facility and intercompany loans for determining the incremental borrowing rate (IBR) for each subsidiary. The length of the agreement is an additional element that has been taken into consideration when calculating the IBR for a specific lease.

Glamox has assessed the general guidance on portfolio accounting and the practical expedient upon transition as discussed above. Glamox has decided that we will not utilize the portfolio approach, and instead we will determine separate discount rate for each lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee.

Glamox has not applied the practical expedient in IFRS 16.15 which allows lessees to combine non-lease and lease components in lease arrangements and account for the total arrangement as a lease. As such, non-lease components will be identified and accounted for separately from the lease components in all arrangements.

Options should be taken into account if management is reasonably certain to exercise the option. For the Group`s lease arrangements the vast majority of the options have exercise date many years down the line. As such, management has limited insight and they are not reasonable certain to exercise and no options have been taken into consideration.

Dividend distribution to shareholders

Glamox recognises a liability to make distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial instruments

Glamox' financial instruments are grouped in the following categories:

- Fair value with changes in value through profit or loss (FVTPL)
- Amortised cost (AC)

The classification is dependent on the type of instrument and the purpose for which the investments were acquired or originated.

Fair value through profit or loss is the classification of instruments that are held for trading or for which the entity`s business model is to manage the financial assets on a fair value basis i.e. to realise the asset through sales as opposed to holding the asset to collect contractual cash flows.

Amortised cost applied to instruments for which an entity has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest.

Financial assets and liabilities measured at amortised cost is the category most relevant to the Group. This category generally applies to trade and other receivables, interest-bearing loans, trade payables and other financial liabilities.

The Group has the following financial instruments:

FVTPL:

Derivative instruments – Forward contracts (notes: 5.1)

Financial assets (AC):

Trade receivables and other current receivables (notes: 5.1 and 5.9)

Financial liabilities (AC):

Includes most of the Group's financial liabilities including debt to credit institutions, trade payables and other current and non-current financial liabilities. (notes: 5.1, 5.2 and 5.10)

Initial recognition and subsequent measurement

FVTPL: Financial derivatives that are not designated as hedging instruments are categorized as held for trading and initially measured at their fair value. Subsequent changes in the fair value are recognised in the profit or loss (financial income or expense).

Financial assets (AC): These assets are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method (EIR) and is recognised in profit and loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Financial liabilities (AC): These liabilities are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. Interest income is calculated using the effective interest method (EIR) and is recognised in profit and loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Impairment of financial assets

Under IFRS 9, financial assets valued at amortised cost are impaired based on the "Expected credit losses (ECL)" model. Expected credit losses are calculated by (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events.

The Group recognised loss allowances for ECLs on financial assets measured at amortised cost. Furthermore, the Group measures loss allowances at an amount equal to lifetime ECLs for all financial assets.

Credit- impaired fianancial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occured.

Evidence that a financial asses is credit-impaired includes the following observable data:
- significant financial difficulty of the customer; or
- it is probable that the customer will enter bankruptcy or other financial reorganisation
- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write off

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

Derecognition of financial instruments

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset and either (i) the Group has transferred substantially all the risks and rewards relating to the instrument, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards relating to the instrument, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this is treated as derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

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. Any gains or losses arising from changes in the fair value of currency derivatives are recognised in the statement of comprehensive income as financial income or financial expense. Glamox does not apply hedge accounting related to its forward currency contracts.

Hedge of net investment in foreign operations

Glamox aims to hedge its net investments in foreign subsidiaries due to the risk of fluctuations in exchange rates. The net investments consist of equity and some group internal loans. The Group uses its overdraft facilities and long term debt in foreign currency as hedging instrument to hedge its exposure. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss. Reference is made to note 5.1 and 5.5 for more details.

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 or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

External valuers are involved for valuation of derivate financial instruments. Involvement of external valuers is decided upon annually. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in note 5.3 Fair value measurement.

Taxes

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity (OCI) and not in the statement of profit or loss.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government Grants

Government grants, including the Norwegian Skattefunn tax incentive scheme, are recognized in the same year as the government grant are received. Grants are recognized as deductions against the cost that they are intended to compensate. Investment grants are capitalized and recognized systematically over the asset's usful life. Investment grants are recognized either as deferred income or as a deduction of the asset's carrying amount.

Pensions and other post-employment benefits

Remeasurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Consolidated statements of cash flow

The consolidated statements of cash flows are prepared using the indirect method. Cash flows in foreign currencies have been translated into NOK using the exchange rate at the cash flow date.

10.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group´s financial statements.

The group has adopted the standard on January 1, 2019 by using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under IAS 17. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 January 2019.

IFRS 16 replaces existing IFRS leases requirements, IAS 17. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying assets has a low values. Glamox has elected to use the two exemptions for leases with lease term of 12 months or less and the underlying asset has a low value (USD 5 000).

The new accounting policies are disclosed in note 4.2 Leases and note 10.1 *Significant accounting policies*. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

Reconciliation of IAS 17 lease commitments at 31 December 2018

Amounts in NOK 1,000	
Operating lease commitments at December 31, 2018	156 824
Practical expedient related to short-term leases and leases of low-value assets	-15 492
Gross lease liabilities at 1 January 2019	**141 332**
Effect of discounting using incremental borrowing rate	-15 574
Lease liability and right-of-use assets recognized at initial application	**125 758**
Of which are:	
Non-Current lease liabilities	93 505
Current lease liabilities	32 253

Amount does not include finance lease previous held under IAS 17 of MNOK 3, see note 4.2.

At the implementation date 1 January 2019, the right-of-use assets and lease liabilities were at the same amount and equity was not impacted. The lease liabilities were discounted using the incremental borrowing rate as at 1 january 2019. Weighted average discount rate at the date of initial application was 2,76 %.

The implementation of IFRS 16 does not affect the covenants calculations, as the loan agreement only take into account existing IFRS standards at the time of entering the loan agreement.

Glamox does not apply the practical expedient in IFRS 16.15 which allows lessees to combine non-lease and lease components in lease arrangements and account for the total arrangement as a lease. As such, non-lease components will be identified and accounted for separately from the lease components in all arrangements.

Options should be taken into account if management is reasonable certain to exercise the option. All options in the future are assessed by management to not be reasonable certain for exercise as of 1 January 2019. For the vast majority of the options the exercise date of an option term is many years down the line. As such, management has limited insight and they are not reasonable certain to exercise and no options has been included in the lease term.

The Group applied its incremental borrowing rate at the time of initial application. Glamox has assessed the general guidance on portfolio accounting and the practical expedient upon transition as discussed above. Glamox has decided that we will not utilize the portfolio approach, and instead we will determine separate discount rate for each lease.

The group have used interest rates from the cash pool faciliity and intercompany loans for determining the incremental borrowing rate for each subsidiary. The length of the agreement is an additional element that has been taken into consideration when calculating the IBR for a specific lease.

10.3 Standards issued but not yet effective

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 3 Definition of a Business

The amendments will help companies determine whether an acquisition made is of a business or a group of assets. When the definition of business is not met, the transaction will be recognised according to the relevant standards, e.g. for inventories or fixed assets. The standard applies from 2020 and must be applied to transactions which take place after this date and will thus not be of significance for the financial statements which have already been prepared as of the transition date.

Amendments to IAS 1 and IAS 8 - Definition of Material

The International Accounting Standards Board has issued amendments to its definition of material to make it easier for companies to make materiality judgements. The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 and IAS 8. The new definition makes it clear that information in the financial statements will be material if the omission, mis-statement or concealment of information could be expected to influence decisions that the primary users make based on the financial statements

Glamox AS - Profit and loss account

NOK Thousands	Note	2019	2018
Sales revenue	2/16	1 353 829	1 338 630
Other operating revenue	2/3/16	151 152	131 297
Total revenue		**1 504 981**	**1 469 928**
Raw materials and consumables used	3/4	888 136	849 262
Payroll and related costs	3/5	363 497	356 849
Depreciation and amortisation	7	28 447	24 874
Other operating expenses	3/5	133 208	114 964
Operating profit/loss		**91 693**	**123 979**
Dividend and group contribution from subsidiaries	16	168 088	153 550
Interest income from other group companies		1 152	2 054
Other financial income	6	107 106	7 412
Other financial expenses	6	-99 415	-31 170
Profit/loss before tax		**268 622**	**255 825**
Tax	11	-19 793	-31 940
Profit/loss after tax		**248 829**	**223 884**
Profit/loss for the year		**248 829**	**223 884**
Allocation of profit/loss for the year			
Proposed dividends	12	141 059	141 059
Distributed additional dividends	12	0	0
Transfered to (+)/from (-) other equity	12	107 770	82 826
Total allocation		**248 829**	**223 884**

Glamox AS - Statement of financial position

NOK Thousands	Note	31.12.2019	31.12.2018
ASSETS			
Intangible non-current assets			
Intangible assets	7	46 681	26 244
Total intangible non-current assets		**46 681**	**26 244**
Tangible non-current assets			
Land, buildings and other property	7/13	36 927	41 157
Machinery and plant	7/13	45 494	45 459
Fixtures and fittings, tools, office equipment etc.	7/13	20 160	19 947
Total tangible non-current assets		**102 581**	**106 564**
Deferred tax assets	11	14 187	15 526
Investments in subsidiaries	8	888 536	306 465
Loan to group companies	9/14	32 452	61 828
Other non-current assets		115	115
Total non-current assets		**1 084 551**	**516 742**
Current assets			
Inventories	4/13	143 357	142 595
Trade receivables	13/14	225 932	208 262
Other receivables	14	207 910	192 164
Cash and cash equivalents	14/15	107 011	124 786
Total current assets		**684 211**	**667 807**
TOTAL ASSETS		**1 768 762**	**1 184 549**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	65 989	65 989
Share premium	12	27 253	27 253
Retained earnings and other reserves	12	441 198	289 607
Total equity		**534 440**	**382 848**
Non-current liabilities			
Pension liabilities	5	12 937	14 717
Interest bearing liabilities to financial institutions	10/13	627 251	230 274
Other long-term loans		100	100
Provisions and other liabilities		16 230	16 846
Total non-current liabilities		**656 519**	**261 937**
Current liabilities			
Trade payables	14	173 934	170 576
Income tax payable	11	19 727	28 302
Public duty payable		38 990	42 928
Dividends		141 059	141 059
Other current liabilities	14	204 092	156 899
Total current liabilities		**577 803**	**539 763**
Total liabilities		**1 234 322**	**801 701**
TOTAL EQUITY AND LIABILITIES		**1 768 762**	**1 184 549**

Oslo, 24 April 2020

Mikael Aro
Chairman of the Board

Gustaf Backemar
Board member

Joachim Espen
Board member

Torfinn Kildal
Board member

Arild Nysæther
Board member

Lars Ivar Røiri
Board member

Sigmund Monrad Johansen
Board member

Henny S. Eidem
Board member

Espen Ytterstad
Board member

Rune E. Marthinussen
CEO & President

Glamox AS - Cash flow statement

NOK Thousands	Note	2019	2018
Cash flow from operating activities			
Profit before tax		268 622	255 825
Taxes paid		-26 454	-14 278
Depreciation	7	28 447	24 874
Writedown of shares and loans to subsidiaries		-	-
Changes in inventory		-762	-5 052
Changes in accounts receivables		-17 670	16 078
Changes in account payables		3 359	1 471
Changes in pension scheme assets/liabilities		-1 779	-1 385
Changes defined benefit plan recognised directly in equity		1 317	1 059
Effect of change in exchange rate		-9 182	5 968
Changes in other balance sheet items		-53 801	66 721
NET CASH FLOW FROM OPERATING ACTIVITIES		**192 097**	**351 280**
Cash flow from investing activities			
Purchase of tangible fixed assets and intangible assets		-44 850	-40 456
Purchase of shares in subsidiary		-435 770	-125 764
Payment of loan to group-companies		-16 629	5
Net cash flow from investing activities		**-497 249**	**-166 215**
Cash flow from financing activities			
Proceeds from issuance of new long-term debt		405 137	112 680
Repayment of long-term loans		-	-
Payment of dividends to share holders		-141 059	-124 059
Change in transfered cash from common cash pool arrangement within the Group		23 299	-120 301
Net cash flow from financing activities		**287 377**	**-131 679**
Net change in cash and cash equivalents		**-17 775**	**53 386**
Cash and cash equivalents 01.01	**1/14/15**	**124 786**	**71 400**
Cash and cash equivalents 31.12	**1/15**	**107 011**	**124 786**

Notes

1. Accounting principles

Basic policies - incorporation and classification

The annual accounts, which are prepared by the Board and management, must be read in the context of the annual report and the auditor's report.

The annual accounts comprise the profit and loss account, balance sheet, cash flow statement and notes and are prepared in accordance with the Accounting Act and generally accepted accounting policy in Norway (NGAAP) applicable as at 31st of December 2019.

All figures in the annual accounts and notes are shown in NOK thousands unless otherwise specified.

The company is the parent company of the Glamox Group. A consolidated financial statement is prepared for the Glamox Group. The parent company of Glamox AS is GLX Holding AS. A consolidated financial statement is also prepared for the GLX Holding Group.

The consolidated financial statements may be obtained at Glamox AS, Molde - Norway.

The annual accounts are prepared based on the basic principles of historic cost, comparability, continued operation, congruency and prudence. Transactions are incorporated into the accounts at the value of the payment at the time of the transaction. Revenue is incorporated into the profit and loss account when it is earned and costs are grouped with accrued income. The accounting policies are explained in more detail below.

Subsidiaries and associated companies in parent company

'Subsidiaries' refers to companies in which Glamox normally has a shareholding of more than 50%, and in which the company has a controlling interest. Subsidiaries are incorporated into the company accounts at the lowest of cost price or actual value.

General policies

Assets/liabilities associated with the product cycle and items due within one year from the date of the balance sheet are classified as current assets/current liabilities. Current assets/current liabilities are valued at the lower/higher value of acquisition cost and actual value. Actual value is defined as anticipated future sale price minus anticipated sale costs. Other assets are classified as fixed assets. Fixed assets are valued at acquisition price. Fixed assets that deteriorate are depreciated. If a permanent change in value occurs, the fixed asset is written down. Similar policies are normally applied to liabilities.

Following principle is used to convert transactions and balance sheet items from foreign currency to Norwegian kroner; balance sheet items is converted at closing exchange rate and transactions are converted at the actual monthly rate.

When using accounting policies and presenting transactions and other conditions, emphasis is placed on financial reality, not just legal practice. Conditional loss that is significant and quantifiable is entered as expenditure. Division into segments is based on the company's internal management and reporting objectives, as well as risk and income. Figures are presented for business areas as well as geographical markets if geographical categorisation of activities is significant to the assessment of the company. The figures are reconciled with the profit and loss account and balance sheet.

The company uses forward currency contracts to hedge its foreign cash flow currency risk. Glamox does not apply hedge accounting related to its forward currency contracts.

Accounting policy for significant account items

Revenue recognition

Revenue from sale of goods ad services is reconised according the fair value of the payment, net after dedution of VAT, returns and discounts. Sale of goods are recognised as revenue when the goods are delivered to the customer and there are no more unfulfilled obligations that can affect the customers acceptance of the delivery. The delivery is fulfilled when the goods are transferred to the customer according to the delivery terms. Experience is used to estiamte provisions regarding discounts and returns on the time of delivery. Provision for claims is made. Any sale of services is recognised according to the level of the completion rate of the service.

Dividend from subsidiary to parent company is recognised in Glamox AS in the same periode as the dividend is accrued.

Charging as expenditure/grouping

Expenses are grouped with and charged as expenditure at the same time as the income to which the expenses can be linked. Expenses that cannot be directly linked to income are entered as expenditure when they arise. In the case of restructuring and winding up of activities, all associated expenses are entered as expenditure, when the decision of restructuring and winding up is taken.

Unusual, sporadically and significant items

Items that are unusual, occur sporadically and are significant are specified in a separate note.

Intangible fixed assets

Intangible assets that are expected to generate income in the future, such as goodwill in subsidiaries, rights and IT systems, are capitalised. Depreciation is calculated on a straight-line basis over the financial life of the assets. Expenses associated with research and development are entered as expenditure on a continuous basis.

Tangible fixed assets

Tangible fixed assets are entered in the balance sheet at acquisition cost minus accumulated depreciation and write-downs. If the actual value of a piece of equipment is lower than its book value for reasons that are considered to be permanent in nature, the equipment is written down to actual value. Expenses associated with periodical maintenance and repairs to production equipment are periodized. Expenses associated with standard maintenance and repairs are continuously charged as expenditure. Expenses associated with large-scale replacements and updates that significantly extend the lifetime of the equipment are capitalised. Operating equipment is considered a tangible fixed asset if it has a financial life of more than three years. Operating equipment leased under conditions which to all intents and purposes transfer financial rights and obligations to Glamox (financial leasing) are capitalised as operating equipment and entered as a commitment under interest-bearing liabilities at the current value of the minimum current rent. Operational leasing is charged as expenditure at ordinary rental cost and classified as ordinary operating expenses.

Depreciation
Ordinary depreciation is calculated on a straight-line basis over the financial life of the operating equipment, based on historic cost. A similar policy applies to intangible fixed assets. Depreciation is classified as ordinary operating expenses. Leasing costs entered in the balance sheet are depreciated in accordance with the plan and liability is reduced by rent paid minus calculated interest.

Stock and raw materials and consumables
Stocks of products are valued at the lower of cost price on a 'moving average unit cost' basis and anticipated sale price. Cost price for manufactured goods comprises direct materials, direct salary plus a proportion of indirect manufacturing costs, whereas cost price for purchased goods is the acquisition cost. Raw materials and consumables used for the year consist of the cost price of sold goods with a supplement for write-downs in accordance with standard accounting practice at year-end.

Receivables
Receivables are entered at nominal value minus anticipated loss.

Pension commitments and pension expenses
The company has unfunded pension schemes for some former employees. The actuarial future obligations in connection with these agreements are included under pension liabilities in the balance.

Pension schemes are booked according to the IAS19 standard. Pension commitments are calculated on linear accrual based on assumed number of years worked, discount rate, future return on pension reserves, future adjustment of wages, pensions and national insurance provisions and actuarial assumptions regarding mortality, voluntary redundancy etc. Pension reserves are valued at actual value.

Net pension expense, which is the gross pension cost less the estimated return on pension reserves, are classified as ordinary operating expenses, and are presented along with salary and other benefits. Costs of defined contribution plans are expensed as incurred.

Changes in liabilities due to changes in pension plans, are recognized in profit and loss. Changes in liabilities and pension assets due to changes and deviations from assumptions (actuarial gains and losses) are recognized directly in equity.

Deferred tax and tax
Deferred tax is calculated on the basis of temporary differences between accounting and tax values at the end of the financial year. A nominal tax rate is used in the calculation. Positive and negative differences are valued against each other in the same time intervals. Certain items are still valued separately, including added value from acquisitions and pension commitments. Deferred tax asset occurs if there are temporary differences that create tax deductions in the future. Tax for the year consists of changes in deferred tax and deferred tax asset, together with tax payable for the year, adjusted for errors in the previous year's calculations.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents includes cash, bank deposits and other current liquid resources that can immediately and with a minimal currency risk be converted into known cash amounts and with a due date of less than three months from the date of acquisition.

Note 2 Segment information

Sales revenue and other operating revenue divided into geographical areas		**2019**	**2018**
Nordic region	MNOK	1 057	1 069
Europe, excl. Nordic region	MNOK	301	283
North America	MNOK	31	23
Asia	MNOK	103	87
Other	MNOK	13	8
Total	**MNOK**	**1 505**	**1 470**

Note 3 Gain on sales of assets, other operating expenses, restructuring expenses and other special expenses

In 2019, Other operating revenue contains non-recurring item of NOK 6.8 million related to a reversal of a provision and NOK 3.6 million related to cancellation of orders from Russia and Iran due to sanction regime against these countries.
Raw material and consumabel used, contains special item of NOK 10.1 million,which also relates to cancellation of orders from Russia and Iran.
Payroll and related cost, includes special item of NOK 5.1 million related to severance payment and restructuring.
Other operating expenses includes special items of NOK 27.9 million, where NOK 13.7 million relates to restructuring activities, NOK 10.3 million relates to acquistion/ integration and NOK 1.3 million relates to order cancellation from Russia and Iran.

In 2018, Other operating revenue contains non-recurring item of NOK 3.0 million related to a reversal of a provision.
Raw material and consumabel used, contains special item of NOK 3.4 million related to product claim.
Payroll and related cost, includes special item of NOK 2.1 million related to severance payment.
Other operating expenses includes special items of NOK 4.6 million, where NOK 4.0 million relates to product claim.

Note 4 Inventory

Inventory	**2019**	**2018**	**Change**
Raw materials	57 639	44 535	13 105
Work in progress	13 505	11 762	1 743
Manufactured goods	72 212	86 299	-14 086
Total inventory	**143 357**	**142 595**	**762**

Provision for obsolete inventory as of 31.12.2019 NOK 21.7 million (2018: NOK 14.8 million).

Note 5 Salary costs / Number of man-years / Remuneration/ Loans to employees / Pensions etc.

Payroll and related costs	**2019**	**2018**
Salaries	292 642	282 771
National insurance	44 541	42 205
Pension costs	16 005	16 022
Other remuneration	10 310	7 850
Bonus to all employees *	0	8 000
Payroll and related costs	**363 497**	**356 849**
Average number of man-years	**449**	**438**

* In 2018, the Board decided to pay out a one-off bonus to all employees based on the achieved result of 2018. The parent company covered all cost relating to the bonus, including bonuses that was paid to employees outside the parent company.

Benefits for CEO – agreements on severance pay, bonuses, etc.

The CEO is a member of the defined contribution pension schemes for salary up to 12G (approx NOK 1.2 million). The company has not a contribution pension scheme related to salary that exceeds 12G. In addition, the CEO is entitled to a salary compensation of 23.95% of ordinary fixed salary that exceeds 12G. The CEO also has a performance based bonus agreement.

The CEO has a performance related bonus agreement which can give up to seven months' additional salary. The financial statements of 2019 are charged with NOK 811 thousand related to the performance related bonus agreement.

Upon termination from the company, the CEO is entitled to 12 months severence pay.
The board members are not subject to agreements for severence pay, bonuses or profit-sharing. No loans or pledges have been provided to the board members or senior management of the Group.

Remuneration to CEO		**Salary**	**Performance-related bonus**	**Pension vesting**	**Other remuneration**
Rune Marthinussen - CEO	2019	3 235	811	51	134
Rune Marthinussen - CEO	2018	3 134	1 269	49	178

Remuneration to Board members		**Directors' fees**
Total remuneration	2019	2 025
Total remuneration	2018	1 693

Auditor	**2019**	**2018**
Fee for statutory audit	975	825
Other attestation services	491	1 149
Tax advisory service	-	175
Total	**1 466**	**2 149**

Pensions and pension obligations

The company is obligated to keep an occupational pension scheme pursuant to the Mandatory Occupational Pensions Act. The company has a pension scheme that satisfies the requirements of this Act.

The AFP scheme is recognised as a defined contribution plan.

The pension schemes are handled in the accounts according to NRS6/IAS19. Estimated deviations from previous years is charged directly to equity.

The company has a contribution pension schemes that include all employees over the age of 20 years old and who hold more than a 20% position. The company has defined benefit pension schemes for former CEO and some former employees.

Pension expenses	**2019**	**2018**
Current value of this years pension accrual	0	0
Interest cost of pension commitments	363	368
Defined contribution pension scheme	15 642	15 654
Net pension expenses / (income)	**16 005**	**16 022**

Reconciliation of pension scheme's financed against sum in balance sheet:	**31.12.19**	**31.12.18**
Calculated pension commitments	-18 419	-20 198
Pension reserves	5 481	5 481
Net pension liabilities	**-12 937**	**-14 717**

Financial conditions:	**2019**	**2018**
Discount rate	2.30 %	2.60 %
Anticipated pension increase	2.00 %	2.50 %
Anticipated change in national insurance base rate	2.00 %	2.50 %

Standard conditions used in the insurance industry form the basis of the actuarial preconditions for demographic factors and retirement. The discount rate as of 31.12.2019 is based on the rate of norwegian corporate bonds (Obligasjoner med fortrinnsrett - OMF).

Note 6 Specification of financial items

	2019	**2018**
Other financial income*	107 106	7 412
Other financial expenses	-99 415	-31 170
Total other financial items	**7 690**	**-23 758**

Of which:		
Currency effect	3 273	-12 688

*In 2019, other financial income includes reversal of earn-out of NOK 17.7 million related to the acquisition of Luxonic Ltd, due to key financial assumtion related to the contingent consideration were not achieved.

Note 7 Tangible fixed assets and intangible fixed assets

	Land / buildings	Machinery	Fixtures and Fittings	Total
Acquisition costs 31.12.2018	103 877	258 413	68 368	430 658
Additions	101	13 554	4 926	18 581
Reclassification	8 139	-9 165	826	-200
Disposals	-		-43	-43
Acquisition costs 31.12.2019	**112 117**	**262 803**	**74 076**	**448 996**
Accumulated depreciation 31.12.2018	62 720	212 954	48 421	324 095
This years depreciation	5 457	8 389	5 952	19 798
Reclassification depreciation	7 014	-4 034	-415	2 565
Reversed acc. depreciation and write down due to disposal			-43	-43
Accumulated depreciation 31.12.2019	**75 191**	**217 309**	**53 916**	**346 415**
Balance sheet value at 31.12.2018	**41 157**	**45 459**	**19 947**	**106 564**
Balance sheet value at 31.12.2019	**36 927**	**45 494**	**20 160**	**102 581**
Financial life	Up to 20 yrs.	Up to 10 yrs.	Up to 10 yrs.	
Depreciation plan	Straight-line	Straight-line	Straight-line	

Further the parent company has lease agreements on operating equipment and office facilities. These lease agreements are regarded as operational leasing and annual lease payment in 2019 amounted to NOK 10.4 million. The majority of the leasing contracts have a lease period of 3-5 years, while office facilities have a lease period up to 10 years.

	Other intangible assets*	Total
Acquisition costs 31.12.2018	119 015	119 015
Additions	26 269	26 269
Reclassification	28	28
Disposals	-	0
Acquisition costs 31.12.2019	**145 312**	**145 312**
Accumulated depreciation 31.12.2018	92 771	92 771
This years depreciation	8 624	8 624
Reclassification depreciation	-2 764	-2 764
Reversed acc. depreciation and write down due to disposal	**-**	**0**
Accumulated depreciation 31.12.2019	**98 631**	**98 631**
Balance sheet value at 31.12.2018	**26 244**	**26 244**
Balance sheet value at 31.12.2019	**46 681**	**46 681**
Financial life	5 to 10 yrs.	
Depreciation plan	Straight-line	

*Other intangible assets mainly consist of software and this year additions relates to an upgrade of the ERP system.

Note 8 Subsidiaries

Name of company	Office	Currency	Share capital	Share-holding in Glamox AS	Book value in Glamox AS TNOK	Group's vouting ownership share
Glamox A/S	Denmark	DKK	4 900	100.0%	8 045	100.0%
Glamox AB	Sweden	SEK	600	100.0%	1 681	100.0%
Glamox Oy	Finland	EUR	100	100.0%	6 082	100.0%
Glamox Ltd.	England	GBP	4	100.0%	680	100.0%
Glamox Ireland Ltd.	Ireland	EUR	169	100.0%	1 787	100.0%
Glamox GmbH	Germany	EUR	683	100.0%	129 409	100.0%
AS Glamox	Estonia	EUR	166	100.0%	6 345	100.0%
Glamox Marine and Offshore GmbH	Germany	EUR	5 625	35.3%	64 602	100.0% [1)]
Glamox B.V.	The Netherlands	EUR	18	100.0%	20 346	100.0%
Glamox Aqua Signal Corporation	USA	USD	100	100.0%	443	100.0%
Glamox Inc.	Canada	CAD	2 208	100.0%	0	100.0%
Glamox Pte Ltd.	Singapore	SGD	6 100	98.7%	23 666	98.7% [2)]
Glamox (Suzhou) Lighting Co. Ltd	China	CNY	20 388	100.0%	4 050	100.0%
Suzhou Glamox Trade Co. Ltd	China	CNY	500	0.0%	0	100.0%
Glamox Korea Co. Ltd.	South Korea	KRW	775 020	100.0%	4 483	100.0%
Luxo Corporation	USA	USD	0	100.0%	0	100.0%
Glamox Brasil Iluminacao LTDA	Brazil	BRL	50	100.0%	130	100.0% [3)]
Birger Hatlebakks veg 15 AS	Norway	NOK	100	100.0%	1 373	100.0%
O. Küttel AG	Switzerland	CHF	200	100.0%	122 142	100.0%
Luxonic Lighting Ltd.	England	GBP	46	100.0%	128 238	100.0% [4)]
ES-System S.A.	Poland	PLN	14 145	100.0%	365 033	100.0% [5)]
ES-SYSTEM Wilkasy sp. z o.o.	Poland	PLN	63 742	0.0%	0	100.0%
ES-SYSTEM NT sp. z o.o.	Poland	PLN	24 050	0.0%	0	100.0%
ES-SYSTEM Projekty sp. z o.o.	Poland	PLN	500	0.0%	0	100.0%
ES-SYSTEM Lighting UK Ltd.	England	GBP	50	0.0%	0	100.0%
Total book value of shares in subsidiaries					**888 536**	

1) In 2019 Glamox Marine and Offshore GmbH, Glamox Production GmbH& Co.KG, GPG Verwaltungsgesellschaft mbH and LINKSrechts GmbH has merged. Glamox Marine and Offshore GmbH is the transferee company.
2) Non-controlling interests in Glamox Pte Ltd is 1.27%. Dividends paid to non-controlling interest in 2019 amounts to NOK 0.00 million (2018: NOK 0.00 million).
3) Non-controlling interests in Glamox Brasil Iluminacao LTDA owns 1 share of totally 50 000 shares, corresponding to 0.002%.
4) In 2019 Glamox AS acquired 100% of the shares in Luxonic Lighting Ltd.
5) In 2019 Glamox AS acquired 100% of the shares in ES-System S.A.
6) In 2019 Luxo AS has been merged with Glamox AS, see note 17.

Note 9 Receivables due for payment later than one year

Balance sheet value of receivables due for payment later than one year:	**31.12.2019**	**31.12.2018**
Receivables, Group Companies	32 452	61 828
Other long term receivables	-	-
Total	**32 452**	**61 828**

Note 10 Liabilities due for payment more than five years after the financial year end

	31.12.2019	31.12.2018
Liabilities to financial institutions	0	0

Note 11 Tax

	2019	2018
Tax payable calculated as follows:		
Ordinary profit before tax	268 622	255 825
Permanent differences	-182 790	-147 120
Change in temporary differences	-3 640	8 538
Change defined benefit plan recognised directly against equity	1 317	1 059
Basis for tax payable	**83 509**	**118 302**
Tax rate	22 %	23 %
Tax payable on profit for the year	**18 372**	**27 209**
Tax for the year is calculated as follows		
Tax payable on profit for the year	18 372	27 209
Change deferred tax/deferred tax assets in balance sheet	1 339	-1 302
Change in deferred tax booked directly against equity	-290	-244
Additional tax related to earlier years	371	6 277
Total tax for the year	**19 793**	**31 940**
Effect of changed tax rate	0	706
Current tax liabilities consist of:		
Tax payable for the year as above	18 372	27 209
- tax on group contribution from subsidiaries	0	-230
- payment of withholding tax	-701	-734
- tax provosion related to previous years	2 057	2 057
Current tax liabilities 31.12	**19 727**	**28 302**

Specification of basis for deferred tax:	**31.12.2019**	**31.12.2018**
Offsetting differences:		
Fixed assets	-22 823	-20 056
Other current assets	-10 448	-10 968
Liabilities	-18 278	-24 833
Net pension reserves/commitments	-12 937	-14 717
Gross basis for deferred tax	**-64 487**	**-70 573**
Net deferred tax assets posted in balance	**14 187**	**15 526**

The Group Management and Board does a continuous evaluation of the amount they consider to be secured to book in the companies' balance sheet, based on the expected future income and realistic tax adaptation. Based on these evaluations, NOK 14.2 million have been booked as deferred tax assets in the balance sheet.

The company has write-down on receivables from its subsidiaries. These write-downs are done without any tax The company has write-down on receivables from its subsidiaries. These write-downs are done without any tax reduction effect, but are also not included in the above basis of deferred tax since there is uncertainty if or when the differences will be reversed. Due to changes in the tax legislation in 2011 it is also uncertainty to what extent the company will receive taxable deduction. The change of the write down amount is presented as a permanent difference.

Note 12 Equity and sharesholders

	Share capital	Other reserves	Other equity	Total
Equity 31.12.2018	**65 989**	**27 253**	**289 607**	**382 848**
Change in equity for the year:				
Profit for the year			248 829	248 829
Proposed dividends			-141 059	-141 059
Pension actuarial gain/loss recognized in equity			1 317	1 317
Tax on pension actuarial gain/loss recognized in equity			-290	-290
Effect of merger with Luxo AS*			42 795	42 795
Equity 31.12.2019	**65 989**	**27 253**	**441 200**	**534 440**

*See note 17 for information.

Share capital and shareholder information:

Share capital in Glamox AS at 31.12.2019 consist of:	**Number**	**Nominal Value**	**Balance Sheet**
Shares	65 988 668	1	65 989
Total	**65 988 668**	**1**	65 989

All shares have the same voting rights.

Ownership structure:

The largest shareholders in Glamox AS at 31.12.2019 were:	**Total shares**	**Shareholding/ Voting**
GLX Holding AS C/O Triton Advisers	50 260 425	76,17 %
Fondsavanse AS	14 558 635	22,06 %
Erik Must	639 388	0,97 %
Rebecka Must	100 000	0,15 %
Jonathan Must	100 000	0,15 %
Nora Must	100 000	0,15 %
Iben Must	100 000	0,15 %
Selma Must	100 000	0,15 %
Lege Fr Arentz Legat C/O DNT Oslo og omegn	15 000	0,02 %
Eva Marie Mittet	3 266	0,00 %
Total 10 largest shareholders	**65 976 714**	**99,98 %**
Others (127 shareholders)	11 954	0,02 %
Total number of shares	**65 988 668**	**100,00 %**

Shares and options owned by Board members and the Group Management:

Name	**Position**	**Shares**
Henny Eidem	Board member	14

Note 13 Assets pledged as security and guarantee liabilities

	31.12.2019	31.12.2018
Secured balance sheet liabilities		
Liabilities to financial institutions*	630 316	234 363
Secured pension liability	13 820	13 820
Balance sheet value of assets pledged as security for secured liabilities:		
Land, buildings etc.	36 927	41 157
Machinery and plant	45 494	45 459
Fixture and fittings	20 160	19 947
Inventory	143 357	142 595
Accounts receivable	225 932	208 262
Total	**471 871**	**457 421**

*Glamox holds a revolving facility that was established in December 2017. In June 2019, the utilized amount was increased by NOK 50.0 million. In December 2019, the utilized amount was increased by PLN 150.1 million due to the acquisition of ES-System.

In December 2019, the credit limit of the revolving facility was increased by NOK 400 million, up to NOK 1 400 million.

An arrangement fee related to the financing, is booked against non-current interest bearing liablities and will be expensed over the availability period of the facility.

The loan agreement states that the lenders also have demand to key figures as equity ratio, debt ratio etc.

Note 14 Outstanding accounts against Group companies

	31.12.2019	31.12.2018
Account receivables on Group companies	97 786	88 384
Short term receivables on Group companies	168 088	150 609
Lomg-term loans to Group companies	32 452	61 828
Total receivables on Group companies	**298 325**	**303 308**
Account payables to Group companies	63 650	61 216
Other short term liabilities to Group companies	82 602	60 303
Total payables to Group companies	**146 253**	**121 519**

Some subsidiaries participate in the Group's common cash pool arrangement. Legally, it is Glamox AS that is the counter part towards the Bank regarding all accounts included in this arrangement. In the parent company is deposit (overdraft) that subsidiaries have, presented as deposit (overdraft) and liability (receivables) to subsidiaries.

Of other short term liabilities to Group companies, NOK 82.6 million (NOK 59.3 million in 2018) is the subsidiaries share of the parent's cash deposit.

Note 15 Cash etc.

	31.12.2019	31.12.2018
Liquidity reserve	862 695	877 256

The liquidity reserve is the total overdraft and revolver facilites of all Group companies, less all utilised overdraft and revolver facilities, and added all cash on hand and deposits.

The liquidity reserve for the Group is organized in a Multi Currency Cashpool. This implies that the cash deposit of the subsidiaries formally are account receivables towards the parent company, and all participating group companies are jointly responsible for overdraft within the Cashpool.

Locked-up deposits in Glamox AS amounted to NOK 14.0 million.

Note 16 Related parties for parent company and Group

"Related parties are Group companies, major shareholders, board and senior management in the parent company and the group subsidiaries. Agreements on remuneration for Management appear in note 5. All transactions with other related parties are based on the principle of arm's length. Glamox AS have a short-term liability towards the parent company GLX Holding AS of MNOK 2.8 as of December 31, 2019. The amount relates to acquisition costs of ES-System, that were invoiced GLX Holding AS from an external party. The costs are reinvoiced to Glamox AS, which should cover the costs.

No loans have been made, or security provided for loans, to any member of Group management, the Board or any of their related parties.

Transactions between Glamox AS and other group companies	2019	2018
Sales revenue	411 552	429 180
Services	110 913	95 317
Interest income	1 152	2 054
Dividend from subsidiaries	168 088	153 550
Cost of Goods	463 824	376 376
Group contribution paid	0	999

There have been no transactions between related parties (outside the Group) for the relevant financial year, 2019 and 2018, except for the short term liability towards GLX Holding AS.

Note 17 Merger

In 2019, Luxo AS (transferor company) and Glamox AS (transferee company) have merged. There was no ongoing business in Luxo AS and the company had no employees.

The merger was carried out by Glamox AS taking over all assets, rights and obligations of Luxo AS, with accounting effect from 1 January 2019. The merger was finalized as of 03.09.2019, when it was registrated in the Norwegian Register for Business Enterprises.

Before the merger, Glamox AS was the owner of 100 % of the shares in Luxo AS. No compensation shares was issued in the merger, ref the Norwegian Private Limited Liability Companies Act section § 13-23 first paragraph. Based on this, the merger was executed under accounting continuity, implying that Glamox AS continues with the accounting values for the assets, rights and obligations that were transferred to Glamox AS. The merger was carried out by using group continuity as accounting values.

In ther merger balance as of 01.01.2019, all intercompany balances between Glamox AS and Luxo AS was eliminated. The merger increased the equity of Glamox AS with NOK 42.8 million and increased investments in shares with NOK 88.8 million. Glamox AS had a long-term intercompany receivable of NOK 46.0 million towards Luxo AS that was eliminated. Luxo AS had investments in subsidiaries with higher book value compared to the book value of Luxo shares in Glamox AS.

Note 18 Financial market risk

This note discusses the interest and currency risk the group is exposed to and the methods used in managing the risks.

a) Interest risk and control

Glamox AS aims to follow the general long-term development in the money market interest levels. The effects of short-term fluctuations in money market interest levels can be reduced by managing the loan portfolio's average interest and the timing of the interest payments.

Underlying loan agreements is used to manage the interest risk.

b) Currency risk and control

Operational cash flow (transaction risk)

Glamox is exposed to transaction risk by purchasing and selling in different currencies. Purchase and production expenses are mainly in NOK and EUR, with sales mainly in NOK, EUR, SEK, DKK, GBP, SGD, CAD and USD.

Glamox aims to minimize the risk of changes in the value of net cash flows arising from the short-term fluctuations in exchange rates.

Transaction risk is controlled by means of internal invoicing rules, matching of income and expenses in the same currency and by using financial instruments (forward contracts).

As at 31.12.2019, Glamox had forward contracts for both sale and purchase of currencies. Currency sales amounted to NOK 280 million while the currency purchase amounted to NOK 207 million based on 31.12.2019 exchange rates.

As of 31.12.2019, unrealized loss on forward contracts was NOK 0.8 million.

Note 19 Events after the reporting period

Due to the disruption caused by the COVID-19 pandemic and the measures implemented by governments around the world to fight it, there is increased uncertainty regarding the market development going forward. Although it is difficult to assess the effect these unprecedented measures will have on the Glamox Group, the Board of Directors expect it to affect demand negatively in both business areas.

Our plans and actions to cope with the COVID-19 pandemic are based on the following main principles in order of priority, firstly, protect health and safety of our employees and business partners, secondly, protect the business and the company and thirdly, keep critical activities going that strengthen our long term position.

So far, we have experienced limited operational impact in our supply chain except for deliveries of components and products from manufacturers in South Europe who temporarily have had to stop production, and some general delays in supply of components. We are experiencing some decline in the demand for our products and solutions in most markets and are monitoring the development closely. Cost adjustments have been implemented in the whole organization and will further be adjusted in line with the development in the demand. The reduced market demand will affect the profitability despite the implemented cost adjustments. However, our main scenarios do not indicate risk for covenant breaches next 12 months. The available financial capacity through existing loan facilities secures the liquidity situation during these uncertain times.

After the reporting date the board has proposed a dividend distribution amounting to NOK 141.1 million. The Board has assessed the level of proposed ordinary dividend also in light of the COVID-19 outbreak and recent decline in oil prices. The board assesses the level of proposed dividend to be justifiable based on the liquidity and solidity situation of the company. The dividend amount is equal to the dividend paid out last year.

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Glamox AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glamox AS, which comprise:

- The financial statements of the parent company Glamox AS (the Company), which comprise the statement of financial position as at 31 December 2019, the profit and loss account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Glamox AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the statement of profit an loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed 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 produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 24 April 2020
KPMG AS

Lone Frogner

Lone Brith Frogner
State Authorised Public Accountant

Key figures

			2019	2018	2017	2016	2016	2015
	Sales / Profit		IFRS	IFRS	IFRS	IFRS	NGAAP	NGAAP
1.	Total revenue	MNOK	3097.6	2772.7	2614.5	2508.6	2508.6	2498.4
2.	Operating profit/loss	MNOK	307.3	273.1	292.7	267.8	263.1	298.5
3.	Profit/loss before tax	MNOK	309.1	270.3	302.8	255.8	251.5	293.1
4.	Profit/loss after tax	MNOK	238.5	212.6	258.2	194.9	191.1	214.4
	Profitability							
5.	Operating margin	%	9.9	9.8	11.2	10.7	10.5	11.9
6.	Gross profit margin	%	10.0	9.7	11.6	10.2	10.0	11.7
7.	Net profit margin	%	7.7	7.7	9.9	7.8	7.6	8.6
8.	Total profitability	%	20.3	20.3	23.6	20.4	20.1	25.9
9.	Return on equity	%	32.0	32.6	39.5	31.9	34.2	47.5
	Capital / Liquidity							
10.	Current ratio		2.1	2.1	2.0	2.0	2.0	1.9
11.	Cash flow	MNOK	332.5	248.7	275.5	258.5	258.1	289.7
12.	Cash flow from activities	MNOK	-143.5	109.7	173.1	235.7	199.6	188.2
13.	Equity	MNOK	792.7	698.4	605.9	702.5	599.8	518.7
14.	Equity ratio	%	31.7	42.1	45.6	48.2	41.5	39.1
15.	Investments	MNOK	81.6	67.1	46.7	54.1	50.6	44.4
	Share-related key figures							
16.	Earnings per share	NOK	3.62	3.22	3.91	2.95	2.90	3.25
17.	Cash flow per share	NOK	5.04	3.77	4.18	3.92	3.91	4.39
18.	Book equity per share	NOK	12.01	10.58	9.18	10.65	9.09	7.86

Definition of key figures

5) **Operating margin:** Operating profit/loss as a percentage of total sales revenue and other operating revenue.
6) **Gross profit margin:** Profit/loss before tax as a percentage of total sales income and other operating revenue.
7) **Net profit margin:** Profit/loss after tax as a percentage of total sales revenue and other operating revenue.
8) **Total profitability:** Profit/loss before tax plus financial costs as a percentage of average total capital.
9) **Return on equity:** Profit/loss after tax as a percentage of average equity.
10) **Current ratio:** Current assets in relation to current liabilities.
11) **Cash flow:** Profit/loss before tax minus tax payable, plus ordinary depreciation.
12) **Cash flow from activities:** From cash flow statement. Net cash flow from operating activities plus net cash flow from investing activities.
13) **Equity:** Book equity including minority items and subordinated loans.
14) **Equity ratio:** Book equity including minority items and subordinated loans as a percentage of total capital at 31.12.
15) **Investments:** Investments in tangible and in tangible fix assets excluding leased assets.
18) **Book equity per share:** Book equity (not incl. subordinated loans) divided on number of ordinary shares.

Professional Building Solutions

Norway
Glamox AS
BU Norge
Oslo
Tel +47 22 02 11 00
post@glamox.com

Sweden
Glamox AB
BU Sverige
Göteborg
Tel +46 31 746 51 00
info.se@glamox.com

Denmark
Glamox A/S
Taastrup
Tel +45 701 00 304
info.dk@glamox.com

Finland
Glamox OY
Vantaa
Tel +358 1 0841 0440
info.fi@glamox.com

The Baltic area
AS Glamox
BU Estonia
Keila
Tel +372 671 2300
info.es@glamox.com

Germany
Glamox GmbH
Bremen
Tel +49 421 4857 05
info.de@glamox.com

United Kingdom
Glamox Ltd
Borehamwood
Tel +0208 953 0540
ukoffice@glamox.com

Luxonic Lighting Ltd,
Basingstoke,
T: +44 (0) 1256 363090
info@luxonic.co.u

Ireland
Glamox Ireland Ltd
Dublin
Tel +353 1 4500 755
info.ie@glamox.com

The Netherlands
Glamox B.V.
Numansdorp
Tel +31 186 653 111
info.nl@glamox.com

Switzerland
O. Kütttel AG
Kriens
Tel +41 41 340 48 48
info@kuettel-ag.ch

Global Marine & Offshore

Norway
Glamox AS
BU Glamox International
Molde
Tel +47 71 25 04 00
info.gi@glamox.com

Germany
Glamox Marine and Offshore GmbH
BU Glamox Marine Germany
Bremen
Tel +49 421 36 93 52-0
sales.marinegermany@glamox.com

Glamox Marine and Offshore GmbH
BU LINKSrechts
Seevetal
Tel +49 (0) 4105 580 59 0
info@LINKSrechts

The Netherlands
Glamox B.V.
Numansdorp
Tel +31 186 653 111
info.nl@glamox.com

USA
Glamox Aqua Signal Corporation
Houston, Texas
Tel +1 (281) 944-4100
glamoxUS@glamox.com

Canada
Glamox Inc.
St.John's,
Newfoundland
Tel +1 709 753 2373
sales@glamox.ca

China
Glamox Trading Co.Ltd.
Shanghai
Tel +86 21 6039 3310
info@glamoxcn.com

Singapore
Glamox PTE. Ltd
Tel +65 6748 1977
sales@glamoxfe.com.sg

South-Korea
Glamox Co. Ltd.
Busan
Tel +82 51 971 7200
info@glamox.co.kr

Brazil
Glamox Brasil Iluminacao LTDA
Rio de Janeiro
Tel + 55 (21) 36 17 6003
arlindo.moreira@glamox.com

Sourcing, Production and Logistics

Norway
Glamox AS
BU Production Molde
Tel +47 71 24 60 00

Glamox AS
BU Production Kirkenær
Tel +47 62 94 92 00

Sweden
Glamox AB
BU Production Sweden
Målilla
Tel + 46 49 524 99 00

Estonia
AS Glamox
BU Production Estonia
Keila
Tel +372 671 2300

Germany
Glamox Marine and Offshore GmbH
BU Production Germany
Teterow
Tel +49 399 6142 0

China
Glamox (Suzhou) Lighting Co. Ltd.
Suzhou
Tel +86 512 62 52 21 89

ES-System

Poland
ES-SYSTEM S.A.
Kraków
+ 48 723 724 049
+ 48 12 656 36 49
essystem@essystem.pl

ES-SYSTEM Wilkasy Sp. z.o.o
Wilkasy
+ 48 87 429 96 00
+ 48 87 429 96 01
wilkasy@essystem.pl

ES-SYSTEM NT Ltd. Sp. z.o.o
Dobczyce
+ 48 12 397 89 40
+ 48 12 656 36 49
essystemnt@essystem.pl

ES-SYSTEM Projekty Sp. z.o.o
Kraków
+ 48 12 656 36 33
+48 12 656 36 49
esprojekty@essystem.pl

United Kingdom
ES-SYSTEM LIGHTING UK LTD
Harrow
+ 44 (0) 7575 950 482
m.dobbs@essystem.pl

© Glamox

Glamox AS
Hoffsveien 1C
P.O. Box 163, Skøyen
NO - 0212 OSLO

Tel. +47 22 02 11 00

info@glamox.com
www.glamox.com

AR2019101E