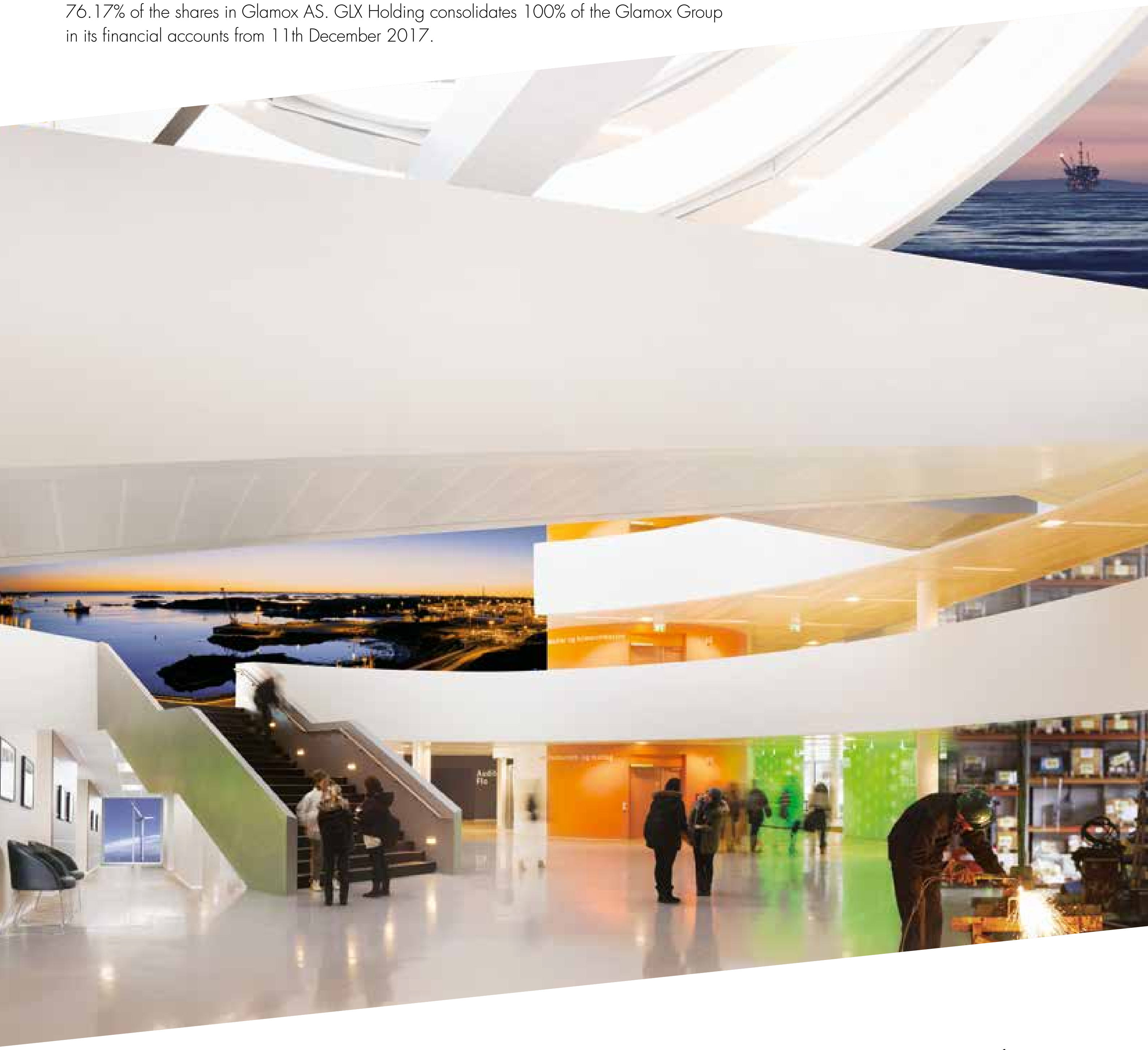
GLX Holding Group

Annual Report 2019

General information GLX Holding AS (parent company)
GLX Holding AS is a special purpose vehicle incorporated 14th August 2017 by Triton to acquire Glamox AS which is the parent company of the Glamox Group. GLX Holding holds 76.17% of the shares in Glamox AS. GLX Holding consolidates 100% of the Glamox Group in its financial accounts from 11th December 2017.



Highlights

- Order intake[1] ended at NOK 3,100m, up 5.6% from NOK 2,935 in 2018
- Revenue was NOK 3,098m, up 11.7% from NOK 2,773m in 2018
- EBITDA[2]/margin of NOK 408m/13.2% compared to NOK 328m/11.8% in 2018
- Adjusted EBITDA[3]/margin of NOK 480m/15.7% compared to NOK 420m/15.2% in 2018
- EBIT[4]/margin of NOK 226m/7.3% compared to NOK 193m/7.0% in 2018
- Adjusted EBIT[5]/margin of NOK 298m/9.8% compared to NOK 285m/10.3% in 2018
- 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
- Profit for the year of NOK 79m compared to NOK 66m in 2018
- Operating cash flow was NOK 212m compared to NOK 215m in 2018
- Acquired Luxonic Lighting on 30th April 2019, and ES-SYSTEM on the 10th December 2019

Key figures

	2019	**2018**[7]
Order intake[1]	3,100	2,935
Total revenue	3,098	2,773
EBITDA[2]	408	328
EBITDA margin (%)	*13.2 %*	*11.8 %*
EBIT[4]	*226*	*193*
EBIT margin (%)	*7.3 %*	*7.0 %*
Adjusted EBITDA[3]	480	420
Adjusted EBITDA margin (%)	*15.7 %*	*15.2 %*
Adjusted EBIT[5]	298	285
Adjusted EBIT margin (%)	*9.8 %*	*10.3 %*
Profit for the period, after tax	79	66
Net cash from operations	212	215
Net interest-bearing debt[6]	1,655	1,288

[1] Order intake: Orders received measured at gross value before deduction of commissions and other sales reductions
[2] EBITDA: Earnings before interest, tax, depreciation, amortization
[3] Adjusted EBITDA: Earnings before interest, tax, depreciation, amortization and special items
[4] EBIT: Earnings before interest, tax
[5] Adjusted EBIT: Earnings before interest, tax, and special items
[6] Excluding restricted cash and IFRS 16 leasing effects
[7] No IFRS 16 adjustment made to 2018 figures

GLX HOLDING AS

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Board of Directors Annual Report 2019

1.The company's business

The company was formed August 14, 2017 and registered in the Register of Business Enterprises, September 7, 2017.

The company's business is to own shares in Glamox AS. The company's operations are run from the Oslo municipality. At December 11, 2017, GLX Holding AS became parent company of Glamox AS with a 75.16% ownership. During 2018 GLX Holding AS has increased its ownership in Glamox AS to 76.16%. During 2019 GLX Holding AS further increased its ownership in Glamox AS to 76.17%. Glamox AS registered address is in Molde, Norway. Headquarter is located in Oslo. Glamox AS has subsidiaries in 16 countries in Europe, Asia, North- and South-America.

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 ten 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 PBS business area provides total lighting solutions to the non-residential building market. The most important markets served by this division are Central and Northern Europe. The level of activity in the new construction, restoration and modernisation within the professional building sectors drives developments in the individual markets. The GMO business area delivers professional lighting solutions to the global marine and offshore markets. The activity level within new-build, rebuilding and refurbishment of all types of maritime vessels and offshore installations controls market growth for this business. ES-SYSTEM is the largest manufacturer and distributor of lighting solutions in Poland with an increasing international presence. The company's portfolio includes a full range of modern and specialist products for architectural, industrial, commercial and urban environments.

For further information about Glamox AS's operations, see Glamox AS's annual report.

The company does not own shares in any other companies.

2.Continued operation

In accordance with Section 3-3a of the Norwegian Accounting Act, cf. § 4-5, it is confirmed that the assumption of continuation of operations has been used in the preparation of the accounts.

3.Statement of the financial statements

The profit for the year for the company equals kr. 6.4 million. The company's equity capital per. December 31, 2019 was kr. 1 453 million (51.9%) compared with kr. 1 447 million (51.9%) per December 31, 2018.

The operating profit in 2019 for the consolidated accounts was kr. 226 million compared to kr. 193 million in 2018. The accounts in 2019 were charged with kr. 72 million in net special items, compared to kr. 91.6 million in net special items in 2018. The net special items in 2019 include kr. 53 million related to ongoing restructuring activities, provisions for potential claim costs of kr. 24 million, acquisition and integration costs of kr. 26 million, and kr. 8 million is related to the cancellation of orders to Russia and Iran following Glamox' withdrawal from these markets due to ongoing sanction restrictions. Further, kr. 5 million are related to other items. In addition, the net special items include extraordinary revenue of kr. 43 million. The profit for the year in the consolidated accounts was kr. 79.3 million. The consolidated equity capital per. December 31, 2019 was kr. 2 008 million (37.7%) compared to kr. 1 966 million (43.3%) in December 31, 2018.

The Group directly expensed kr. 36.0 million related to research and development activities and capitalised kr. 6.2 million related to development cost in 2019.

The consolidated cash flow of GLX Holding in 2019 was kr. 57.8 million. Net cash flows from operating activities amounts to kr. 212.2 million in 2019 compared to kr. 214.8 million in 2018. Profit before tax adjusted for depreciation and amortisation and the profit from sale of assets was kr. 278.5 million, taxes paid was kr. -83.8 million while the effect of working capital and other operating changes was kr. 17.5 million. Net cash flow from investing activities was kr. -363.7 million while net cash flow from financing activities amounts to kr. 209.3 million.

The Board believes the company's equity and liquidity as of 31.12.2019 to be satisfactory.

In the opinion of the Board, the presented statement of financial position and statement of profit and loss and accompanying notes for the company and the consolidated accounts provide a satisfactory statement of earnings in 2019 and the financial position at year-end.

4.Financial risk management

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.

In June 2018 GLX Holding AS entered into a 3-year floating-to-fixed interest rate swap with DNB and Danske Bank for the nominal amount of kr. 1 350 million in order to remove interest rate risk on its senior secured notes. For more detailed information, see note 5.5 in the Annual Accounts.

5.Development by business areas

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 kr. 2 190 million in 2019, an increase of 3.1% compared to 2018 (kr. 2 125 million). In the same period, revenue was kr. 2 167 million, an increase of 7.0% from 2018 (kr. 2 024 million). The business area achieved an adjusted EBITDA result in 2019 of kr. 359 million (16.6%) compared to kr. 360 million (17.8%) in 2018.

Global Marine & Offshore (GMO) 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 kr. 888 million in 2019 (kr. 802 million), an increase of 10.7 %. In the same period, revenue was kr. 853 million (kr. 745 million), an increase of 14.5%. The adjusted EBITDA result in 2019 was kr. 91 million (10.6%) compared to kr. 65 million (8.7%) in 2018. Higher revenue volume and relative reduced cost level is the main reason for increase in the profitability level.

6. Proposal for allocation of profit

The Board of directors proposes that the year's profit of GLX Holding AS of kr. 6.4 million is allocated to other equity capital.

7. Acquisitions

The Group has an ambitious growth strategy supported by both organic growth initiatives and acquisitions. During 2019, the Group 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 Group's strategy to acquire leading companies with similar positioning in core European markets. The integration of the two acquired companies into to the Glamox Group's operations will be started in 2020.

8. Corporate governance

The Board of directors considers corporate governance to be a prerequisite for long-term value creation and growth. The Board of Directors has decided that the GLX Holding AS will comply with the Norwegian Code of Practice for Corporate governance (which is available at www.nues.no).

Further information on GLX Holding AS' corporate governance can be found under "Investor Relations / GLX Holding AS" on the Glamox corporate website.

9. 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 continuously 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 also covering ESG compliance.

10. 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.

11. External 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.

12. Human resources

The company has no employees. The board consists of four people, all men.
The number of full-time employee equivalents (FTEs) in the Group 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 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. In Glamox AS the percentage of women among board members elected by shareholders was 0%, while the percentage of women among employee-elected board members was 33%..

13. 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.

14. Other conditions

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. 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.

15. Outlook

Glamox is the main asset of the group.

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 conditio

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, April 28, 2020

Gustaf Erik David Backemar	Joachim Solbakken Espen	Carl Johan Jörgen Ulf Renvall	Torfinn Kildal
Chairman of the Board	Board member	Board member	Board member

GLX Holding Group

Annual financial statements

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GLX Holding AS - Group

Consolidated statement of 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	1.4	**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	181 783	135 086
Other operating expenses	2.5	332 264	280 025
Total operating expenses		2 871 601	2 579 670
Operating profit	1.4	**226 043**	**193 048**
Financial income	5.11	118 759	31 478
Financial expenses	5.11	211 297	129 098
Net financial items		92 538	97 620
Profit before tax		**133 504**	**95 428**
Taxes	6.1	54 203	28 967
Profit for the year		**79 301**	**66 462**
Profit/loss attributable to equity holders of the parent		36 300	25 558
Profit/loss attributable to non controlling interests		43 001	40 903

Other comprehensive income

Profit for the year		**79 301**	**66 462**
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		**76 052**	**70 390**
Total comprehensive income attributable to equity holders of the parent		33 825	28 550
Total comprehensive income attributable to non controlling interests		42 227	41 840

Earnings per share attributable to equity holders of the parent

Weighted average number of ordinary shares outstanding (in thousands):		
Basic	1 000	1 000
Diluted	1 000	1 000
Per ordinary share in NOK:		
Basic	36,30	25,56
Diluted	36,30	25,56

GLX Holding AS - Group

Consolidated statement of financial position

NOK 1000	Notes	31.12.2019	31.12.2018
ASSETS			
Intangible non-current assets			
Goodwill	3.2	1 700 266	1 643 911
Intangible assets	3.3	1 324 080	1 287 296
Total intangible non-current assets		**3 024 346**	**2 931 207**
Tangible non-current assets			
Land, buildings and other property	3.1	256 294	174 595
Machinery and plant	3.1	118 607	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		**624 480**	**324 402**
Deferred tax assets	6.1	56 898	48 898
Non-current financial asset	5.1	3 317	-
Other non-current assets		2 777	3 669
Total non-current assets		**3 711 817**	**3 308 176**
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	382 299	318 346
Total current assets		**1 608 754**	**1 231 817**
TOTAL ASSETS		**5 320 572**	**4 539 993**
EQUITY AND LIABILITIES			
Equity			
Share capital	5.7	1 000	1 000
Share premium reserve		1 599 346	1 599 346
Paid in capital		**1 600 346**	**1 600 346**
Retained earnings		6 700	-27 125
Non-controlling interests		401 184	392 585
Total equity		**2 008 228**	**1 965 804**
Non-current liabilities			
Pension liabilities	7.2	65 575	50 327
Bond	5.1, 5.2	1 335 527	1 331 871
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	353 785	344 627
Provisions and other liabilities	4.1	34 257	36 098
Total non-current liabilities		**2 558 825**	**1 999 280**
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	292 078	239 460
Total current liabilities		**753 519**	**574 909**
Total liabilities		**3 312 344**	**2 574 188**
TOTAL EQUITY AND LIABILITIES		**5 320 572**	**4 539 993**

Oslo, 28 April 2020

Gustaf Erik David Backemar Chairman of the Board	Carl Johan Jörgen Ulf Renvall Board member	Joachim Solbakken Espen Board member	Torfinn Kildal Board member

GLX Holding AS - Group

Consolidated statement of cash flows

For the years ended 31 December (NOK 1000)

Cash flows from operating activities	Notes	2019	2018
Profit before tax		133 504	95 428
Taxes paid		-83 833	-82 163
Depreciation, amortisation and impairment	3.1, 3.3	181 783	135 086
Profit from sale of assets	3.1	-36 783	-
Changes in working capital		-9 961	-31 985
Other operating changes		27 503	98 384
Net cash flows from operating activities		**212 213**	**214 750**
Cash flows from investing activities			
Interests received		10 463	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
Cash flow from (purchase)/sales of shares in subsidiaries		-	-36 878
Payment (-) / proceeds (+) on other investments		1 229	-672
Net cash flow from investing activities		**-363 727**	**-192 223**
Cash flow from financing activities			
Proceeds from issuance of debt	5.2	405 137	112 680
Lease payments	4.2	-35 861	-
Dividend paid		-33 622	-30 700
Interests paid		-116 153	-104 871
Repayment of long-term debt	5.2	-12 166	-
Other cash flow from financing activities		1 970	-
Net cash flow from financing activities		**209 305**	**-22 890**
Net change in cash and cash equivalents		57 790	-363
Cash and cash equivalents, beginning of period		318 346	307 064
Effect of change in exchange rate		6 162	11 646
Cash and cash equivalents, end of period		**382 299**	**318 346**

GLX Holding AS - Group

Consolidated statement of changes in equity

NOK 1000	Share capital	Share premium	Other equity	Total shareholders equity	Non-controlling interests	Total equity
Balance as of 31 December 2017	**1 000**	**1 599 346**	**-55 676**	**1 544 670**	**374 323**	**1 918 994**
Profit (loss) for the year			25 558	25 558	40 903	66 462
Other comprehensive income			2 992	2 992	937	3 929
Total comprehensive income		**-**	**28 550**	**28 550**	**41 840**	**70 390**
Acquisition of subsidiary with NCI				-	-16 033	-16 033
Movement in non-controlling interests					23 155	23 155
Dividends				-	-30 700	-30 700
Balance as of 31 December 2018	**1 000**	**1 599 346**	**-27 125**	**1 573 220**	**392 585**	**1 965 804**
Profit (loss) for the year			36 300	36 300	43 001	79 301
Other comprehensive income			-2 475	-2 475	-775	-3 249
Total comprehensive income		**-**	**33 825**	**33 825**	**42 227**	**76 052**
Dividends				-	-33 628	-33 628
Balance as of 31 December 2019	**1 000**	**1 599 346**	**6 700**	**1 607 046**	**401 184**	**2 008 228**

1.1 Corporate information

GLX holding AS was established in 2017, with the purpose to own shares in Glamox AS.

At 11 of December 2017, GLX Holding AS became the parent company of Glamox AS, with a 75,16% ownership. End of 2019 the ownership is 76,17%. GLX Holding AS is a holding company and have no other activities or investments, than the ownership of Glamox AS. GLX Holding AS is a Norwegian company and the registred adress is c/o Triton Advisors (Norway) AS, Kronprinsesse Märthas plass 1, 0161 OSLO. The ultimate parent of GLX Holding AS is Triton Fund IV, which is located at Jersey. Beneficial owner of GLX Holding AS is Triton fund IV, located at Jersey.

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. Glamox 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 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, see note 2.1 for more information.

1.2 Basis of preparation

The consolidated financial statements of GLX Holding AS 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 indicated. 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 GLX Holding AS 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, GLX Holding' 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

	2019	2018
Total revenues	3 097 644	2 772 718
Total revenues - Adjusted	*3 050 625*	*2 769 718*
EBITDA [1]	407 825	328 134
EBITDA margin	13,2 %	11,8 %
Adjusted EBITDA [2]	*479 817*	*419 706*
Adjusted EBITDA margin	*15,7 %*	*15,2 %*
Operating profit (EBIT)	226 043	193 048
Operating profit (EBIT) margin	*7,3 %*	7,0 %
Adjusted Operating profit (EBIT)	*298 035*	*284 620*
Adjusted Operating profit (EBIT) margin	*9,8 %*	*10,3 %*
EBITDA	**407 825**	**328 134**
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	0
Reversal of provision	-6 750	-3 000
Other	4 849	1 746
Total Special items excluding impairment of non-current assets	**71 992**	**91 572**
Adjusted EBITDA	***479 817***	***419 706***
Impairment of non-current assets		
Total Special items	**71 992**	**91 572**
Adjusted Operating profit (EBIT)	***298 035***	***284 620***

[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 GLX 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.

In 2019, EBITDA and Adjusted EBITDA were improved by NOK 35.9 million, due to implementation of IFRS16.

2.1 Segment information

Operating segments within the 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 operation segments, based on allocation keys.

These two segments offer different products, operatein 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	-41 592	**407 825**
in %	16,6 %	10,6 %		13,2 %

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	-97 012	**328 134**
in %	17,8 %	8,7 %		11,8 %

In 2019, PBS includes Luxonic from 30. April 2019, which corresponds to the owner period.
Other item in 2019 refers to operating expenses in GLX Holding AS, 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 operating expenses in GLX Holding AS and special items.

Reconciliation of profit	2019	2018
EBITDA	407 825	328 134
Depreciation and amortisation	181 783	135 086
Operating profit	**226 043**	**193 048**

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. The Group`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	**2019**	**2018**
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 income includes profit from sale of property of NOK 36.8 million and reversal of provision of NOK 6.8 million.
In 2018, Other operating income 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)	1 502	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 of Glamox AS decided to pay out a one-off bonus to all employees in Glamox Group based on the achieved result. Glamox AS covered all cost relating to the bonus, including bonuses that was paid to employees outside Glamox AS.

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
Claim	12 562	24 970
Special items	75 430	20 847
Other	84 070	81 915
Bad debts	-1 194	-919
Total other operating expenses	**332 264**	**280 025**

Auditor	2019	2018
Fee for statutory audit	3 879	3 097
Audit-related fees	1 327	2 019
Tax compliance services	353	753
Other fees	98	232
Total	**5 656**	**6 100**

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 acqusition/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.

Some of the transactions included in Other operating expenses are towards related parties, see note 9.2.

3.1 Property, plant and equipment

	Land/ Buildings	Machinery	Fixtures and Fittings	Total
Acquisition cost 31.12.2017	**162 391**	**97 543**	**51 178**	**311 112**
Additions	833	25 164	15 017	41 014
Disposals	-	-480	-91	-571
Additions through acquisition of subsidiary	24 408	525	828	25 760
Reclassifications	2 526	-3 889	1 345	-17
Currency translation effects	2 564	-1 267	523	1 819
Acquisition cost 31.12.2018	**192 722**	**117 596**	**68 800**	**379 118**
Additions	1 371	25 207	22 255	48 833
Disposals	-27 340	-10 053	-3 735	-41 127
Additions through acquisition of subsidiary	125 801	39 309	6 863	171 973
Adjustment for change in accounting policies*	-	-9 048	-	-9 048
Reclassifications	1 329	-12 113	7 113	-3 671
Currency translation effects	-2 186	-3 080	-887	-6 153
Acquisition cost 31.12.2019	**291 697**	**147 817**	**100 409**	**539 924**
Accumulated depreciation and impairment 31.12.2017	**399**	**985**	**654**	**2 038**
Depreciation for the year	17 728	18 639	16 312	52 679
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Currency translation effects	-	-	-	-
Accumulated depreciation and impairment 31.12.2018	**18 127**	**19 624**	**16 966**	**54 717**
Depreciation for the year	20 274	19 960	17 315	57 549
Impairment for the year	-	-	6	6
Disposals	-2 272	-9 229	-3 310	-14 811
Currency translation effects	-727	-1 143	-494	-2 365
Accumulated depreciation and impairment 31.12.2019	**35 403**	**29 211**	**30 483**	**95 096**
Carrying amount 31.12.2018	**174 595**	**97 972**	**51 834**	**324 402**
Carrying amount 31.12.2019	**256 294**	**118 607**	**69 926**	**444 827**
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	**1 678 591**
Additions through acquisition of subsidiary	33 547
Currency translation effects	2 976
Adjustment of purchase price allocation	-92 061
Effect of increased owner share in Glamox	20 858
Acquisition cost 31.12.2018	**1 643 911**
Additions through acquisition of subsidiary	53 640
Currency translation effects	2 715
Adjustment of purchase price allocation	-
Effect of increased owner share in Glamox	-
Acquisition cost 31.12.2019	**1 700 266**
Accumulated Impairment 31.12.2017	**-**
Impairment for the year	**-**
Accumulated Impairment 31.12.2018	**-**
Impairment for the year	**-**
Accumulated Impairment 31.12.2019	**-**
Carrying amount 31.12.2018	**1 643 911**
Carrying amount 31.12.2019	**1 700 266**

Carrying amount of goodwill allocated to the cash-generating units	**Goodwill**
Professional Building Solution (PBS) segment	1 260 855
Global Marine & Offshore (GMO) segment	346 533
O. Küttel AG	37 522
Luxonic	53 081
ES-System	2 275
Total goodwill - carrying amount 31.12.2019	**1 700 266**

Impairment of Goodwill

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 1 700 million and is derived from acquiring of Glamox AS in 2017, Glamox's acquisition of 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 Board of Directors of Glamox AS. 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 9.0% and 9.8%.

Cash generating units and assessments made by management
Goodwill related to the acquisition of Glamox AS is allocated to the two operating segments;
- Proffesional building solutions ("PBS")
- Global Marine and Offshore ("GMO")

PBS
In the impairment test calculation, the terminal growth rate is assumed to be 2.0% and a WACC of 9.0% has been utilized. The sensitivity analysis show that an increase in WACC of 1.0 % would lead to an impairment loss. A decrease in EBITDA margin of 4.0 % the first five years and 2.0 % in the last five years would lead to an impairment loss.

GMO
In the impairment test calculation, the terminal growth rate is assumed to be 2.0% and a WACC of 9.5% has been utilized. The sensitivity analysis show that an increase in WACC of 3.5 % would lead to an impairment loss. A decrease in revenues of 5.0 % in the 10 years of the analyse period would lead to an impairment loss.

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	**288 208**	**891 277**	**1 179 486**
Additions	3 270	22 814	26 084
Additions through acquisition of subsidiary	-	16 828	16 828
Disposals	-	-	-
Reclassifications	-	17	17
Currency translation effects	-4	1 457	1 453
Adjustment of purchase price allocation	-162 500	312 130	149 630
Acquisition cost 31.12.2018	**128 974**	**1 244 522**	**1 223 867**
Additions	6 249	26 471	32 721
Additions through acquisition of subsidiary*	33 231	58 685	91 916
Disposals	-0	0	-0
Reclassifications	136	26	161
Currency translation effects	145	-216	-71
Acquisition cost 31.12.2019	**168 734**	**1 329 488**	**1 348 593**
Accumulated amortisation and impairment 31.12.2017	**167**	**3 628**	**3 795**
Amortisation for the year	18 998	63 408	82 406
Impairment for the year	-	-	-
Reclassifications	2 026	-2 026	-
Accumulated amortisation and impairment 31.12.2018	**21 191**	**65 010**	**86 201**
Amortisation for the year	20 453	70 105	90 558
Impairment for the year	-	-	-
Disposals	-0	-0	-0
Reclassifications	135	-2 764	-2 629
Currency translation effects	45	-31	14
Accumulated amortisation and impairment 31.12.2019	**41 823**	**132 320**	**174 143**
Carrying amount 31.12.2018	**107 783**	**1 179 512**	**1 287 296**
Carrying amount 31.12.2019	**126 911**	**1 197 168**	**1 324 080**

Net Capitalised development costs as of the year ended December 31, 2019 were NOK 126 911 thousand. Of this amount, NOK 83 688 thousand relates to acquired product portfolio through the acquisition of Glamox AS , 15 239 thousand relates to aqcuired product developement through the acquisition of Luxonic and NOK 17 621 thousand relates to acquired product developement through the acquisition of ES-System. The economic life of the product development is estimated to 3-7 years, and the amortisation plan is stright-line. The rest is capitialised product developement 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 1 197 million and consists of the brand name "Glamox" amounting to NOK 800 million, customer relations from the aquisition of Glamox AS in 2017 amounting to NOK 247 million, as well as other customer relations, brand names and IT-systems and rights.

The economic life of the brand name "Glamox" and "Küttel" are assumed to be indefinite. These trademarks are well incorporated in their respective markets and there are no plans of rebranding. Based on this, the trademark is assessed to be indefinite and therefore not amortised. The trademarks 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	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	984	-
Accrued interest cost	5 711	5 452
Other liabilities	63 141	56 129
Total current provisions and other liabilities	**292 078**	**239 460**

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	-
Total	**43 441**

1) Presented as Depreciations and amortisations

2) Presented as Interest expenses

3) Presented as Other operating expenses

Amounts recognised in the statement of cash flow	**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 (FVPL):
Derivative instruments – Currency forward contracts and interest rate swap (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 currency 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 (FVTPL).

In June 2018, GLX Holding AS entered into a 3-year floating-to-fixed interest rate swap with DNB and Danske Bank for the nominal amount of NOK 1,350 million in order to remove interest rate risk on the senior secured notes. Hedge accounting is not applied on the interest rate swap and the derivative is measured at fair value through profit and loss (FVTPL).

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

31.12.2019	Amortised cost	Fair value through profit or loss (FVTPL)	Total
Assets			
Derivatives (interest rate swap)		3 317	3 317
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)	382 299		382 299
Total financial assets	**1 021 511**	**3 317**	**1 024 827**
Liabilities			
Derivatives (currency forward contracts)		766	766
Bond	1 350 000		1 350 000
Interest bearing liabilities to financial institutions (note 5.2)	637 958		637 958
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	**2 454 145**	**766**	**2 454 911**

31.12.2018	Amortised cost	Fair value through profit or loss (FVTPL)	Total
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)	318 346		318 346
Total financial assets	**769 434**		**769 434**
Liabilities			
Derivatives		853	853
Bond	1 350 000		1 350 000
Interest bearing liabilities to financial institutions (note 5.2)	234 363		234 363
Other long-term loans (including current part)	9 128		9 128
Trade and other payables (note 5.10)	203 949		203 949
Total financial liabilities	**1 797 440**	**853**	**1 798 293**

5.2 Interest bearing liabilities

Non-current Interest bearing loans and borrowings	Company	Interest rate	Maturity	31.12.2019	31.12.2018
Callable Open Bond	GLX Holding AS	NIBOR + margin	2023	1 350 000	1 350 000
Revolving facility - utilised amount (NOK)	Glamox AS	NIBOR + margin	2022	65 500	15 500
Revolving facility - utilised amount (EUR)	Glamox AS	EURIBOR + margin	2022	217 004	218 863
Revolving facility - utilised amount (PLN)	Glamox AS	WIBOR + margin	2022	347 812	-
Other long term loans (GBP)	Luxonic Ltd.	LIBOR + margin	2023	7 643	-
Total non-current interest bearing loans and borrowings				**1 987 958**	**1 584 363**

Change of non-current Interest bearing loans and borrowings	2019	2018
Opening balance	1 584 363	1 465 625
Proceeds from issuing of debt	-	-
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	**1 987 958**	**1 584 363**

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**	**-**

Bond

GLX Holding AS issued a Bond on the 8 December 2017. The initial issued amount is NOK 1 350 million and the maximum issued amount of the bond is NOK 2 000 million. The initial nominal amount on each bond is NOK 0.5 million. The bond has an interest margin of 5.25%. The interest period is 8 March, 8 June, 8 September and 8 December. The maturity date is 08.12.2023. The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 100 per cent of the Nominal Amount. The Bond has a Call Option that may be exercised by the Issuer by written notice to the Bond Trustee and the Bondholders at least 10 Business Days prior to the proposed Call Option Repayment Date for the call.

An arrangement fee of NOK 14.5 millions related to the refinancing, is booked against the bond. The arrangement fee is expensed over the availability period of the facility.

The Bond was listed at Oslo Stock Exchange during second quarter 2018.

Callable Open Bond - Covenant requirement:
Financial covenants requirement for the bond is Net interest bearing debt (NIBD)/ EBITDA (Last Twelve Monts) less than 4.5.

Bond - assets pledged as security
The shares in both GLX Holding AS and Glamox AS is pledged as security for the Bond. There have been no breaches of covenants in 2019 or 2018.

Revolving facility
Glamox holds a revolving facility. 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 is expensed over the availability period of the facility.

Revolving facility - Covenant requirements:
Glamox' loan agreements includes the following financial covenants requirements:

Revolving facility - assets pledged as security and guarantee liabilities

	31.12.2019	31.12.2018
Secured balance sheet liabilities:		
Interest bearing liabilities to financial institutions	1 980 316	1 584 363
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
Callable Open Bond*	93 420	189 878	1 445 445	1 728 743
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	**416 268**	**854 868**	**1 456 164**	**2 727 301**

31.12.2018	Less than 12 months	1 to 3 years	Over 3 years	Total
Derivatives	853			853
Callable Open Bond*	93 420	186 840	1 536 840	1 817 100
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	**304 979**	**200 353**	**1 774 916**	**2 280 248**

* figures inclued estimated interest payable.

5.4 Fair value measurement

The table below disclose information about all financial instruments that are either measured at fair value or where information about fair value is disclosed. The Bond was listed at Oslo Stock Exchange during second quarter of 2018 and transferred to level 1 in the fair value hierarchy. There were no transfers between levels in the fair value hierarchy in 2019.

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 liability	31.12.2019	31.12.2019	660 728	660 728		x	
Interest-bearing liability	31.12.2018	31.12.2018	234 363	234 363		x	
Callable Open Bond	31.12.2019	31.12.2019	1 350 000	1 388 813	x		
Callable Open Bond	31.12.2018	31.12.2018	1 350 000	1 387 125	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	
Assets measured/disclosed at fair value							
Derivative financial assets	31.12.2019	31.12.2019	3 317	3 317		x	

An arrangement fee of NOK 14.5 millions related to the Callable Open Bond, is booked against the bond. Interest-bearing liabilities also includes arrangement fees of NOK 3.0 million related to the revolver credit facility, which is booked against the liabilities. The arrangement fees are expensed over the availability period of the facility.

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 debet 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. The Group applies input from its respective bank relations in performing the fair value calculations.

The fair value of the Group's interest-bearing liability are assessed to be in all material aspects similar to carrying amount.

In 2018 the Callable Open Bond was listed at Oslo Stock Exchange. Fair value of the Callable Open Bond is calculated by using the OSE trading price at year-end.

5.5 Financial risk management

The 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.

GLX Holding AS has hedged the interest on the bond by entering into a floating-to-fixes interest rate swap in order to remove interest rate risk on the senior secured notes, see note 5.1.

The main part of the deposit is organised in a Multi Currency Cash pool. The interest-bearing liability relates to a Callable Open Bond and a Revolving Credit Facility (RCF). As of 31.12.2019 it is utilised NOK 65.5 million, EUR 22.0 million and PLN 150.1 million 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 the Group'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
The Group 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).

The Group 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. The Group has not applied hedge accounting in accordance with IFRS 9 for cash flow hedging.

The Group 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 the Group's 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	-	10.9	-
CHF	15.9	15.4	15.1	15.0
PLN	145.4	-	150.3	0.0
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 NOK 120.4 million as of 31.12.2019, where equity in EUR represents NOK 37.8 million 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 the Group will not be able to meet its financial obligations as they fall due. The Group 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 37.7 %. 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 the Group' 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. The Group 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 GLX Holding' 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 in the Group. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings towards Glamox. 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 IFRS 16, as the loan agreements 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	2 192 258	1 593 490
Less: cash and bank deposit excl. restricted cash	-368 298	-305 179
Net interest bearing debt	**1 823 960**	**1 288 312**
Net interest bearing debt excl. IFRS 16	**1 654 594**	**1 288 312**
Net interest bearing debt excludes arrangement fees of NOK 17.2 million in 2019 (2018: NOK 22.0 million).		
Total Assets	5 320 572	4 539 993
Total Equity	2 008 228	1 965 804
Equity ratio	**38 %**	**43 %**
Equity ratio excl. IFRS 16	**39 %**	**43 %**

5.7 Equity and shareholders

Share capital in GLX Holding AS at 31.12.2019		Number	Nominal Value	Balance Sheet
Shares	NOK	1 000	1 000	1 000 000
Total	**NOK**	**1 000**	**1 000**	**1 000 000**

All shares have the same voting rights.

Holders of these shares are entitled to dividend and to one vote per share at general meetings of the Company. There have been no changes in the number of shares in 2019 or 2018. GLX Holding AS is a 100% owned subsidiary of Glace Holdco AS.

There has been no distribution of dividend during 2019 or 2018.

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	368 298	305 179
Bank deposit, restricted, employee taxes in Glamox AS	14 001	13 167
Total cash and cash equivalents	**382 299**	**318 346**
Liquidity reserve	**1 082 568**	**1 057 447**

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 Glamox Group is organised in a revolving facility and a Multi Currency Cash pool. In addition GLX Holding AS has bank deposit.

The bond may be extended by additional NOK 650 million. This is not included in the liquidity reserve.

Legally, Glamox AS is the counter party towards the Bank regarding the Multi Currency Cash pool within the Group. 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
Trade receivables from related parties	-	-
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:

		Neither past due	Past due but not impaired			
Ageing analysis of trade receivables	**Total**	**nor 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	10 463	5 421
Unrealised gain financial derivates	3 317	4 067
Realised gain financial derivates	-	7 096
Other financial income	17 974	152
Total financial income	**118 759**	**31 478**
Financial expenses		
Currency loss	80 583	16 257
Interest expenses*	120 046	106 026
Unrealised loss financial derivates	766	-
Realised loss financial derivates	2 048	-
Other financial expenses	7 854	6 815
Financial expenses	**211 297**	**129 098**

** In 2019, interest expenses include interest on lease liabilities.*

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.

6.1 Taxes

	2019	2018
Current income tax expense:		
Tax payable	62 628	73 071
Change deferred tax/deferred tax assets (ex. OCI effects)	-9 474	-54 159
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	**54 203**	**28 967**
Effect of changed tax rate (in Norway)	-	-10 846
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	3 387	3 008
Foreign companies	50 816	25 958
Total tax for the year	**54 203**	**28 966**

Current tax liabilities consist of:		
Current tax liability	62 628	73 071
- of which paid in fiscal year	-50 206	-38 546
- withholding tax and tax provision related to previous years	1 355	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	55 056	42 331
Intangible assets	1 275 584	1 260 662
Other current assets	-32 725	-25 249
Liabilities	-50 897	-27 622
Net pension reserves/commitments	-60 746	-45 706
Derivatives	2 551	-853
Losses carried forward (including tax credit)	-252 073	-245 300
Untaxed profit[2)]	309 171	260 248
Restricted interest deduction carried forward	-93 735	-
Basis for deferred tax liabilities (assets):	**1 152 185**	**1 218 509**
Calculated deferred tax assets	**116 053**	**83 694**
- Deferred tax assets not recognised	-59 155	-34 796
Net deferred tax assets recognised in balance sheet	**56 898**	**48 898**
Deferred tax liabilities recognised in balance sheet	**353 785**	**344 627**

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

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	**133 504**	**95 428**
Tax expense (Norway tax rate)	29 371	21 949
Permanent differences	8 088	343
Effect of deferred tax asset not recognised	18 695	20 518
Reversal of tax liability provision	-	-
Tax related to previous years	371	6 277
Effects of changes in tax rate	-	-10 846
Effects of foreign tax rates	-2 322	-9 273
Recognised income tax expense	**54 203**	**28 967**
Effective tax rate	**40,6 %**	**30,4 %**

7.1 Management remuneration

GLX Holding AS

GLX Holding AS has no employees.

The Board of GLX Holding AS has proposed a remuneration of NOK 50 thousand to board member, Torfinn Kildal, for the twelve month period ending in June 2020 at the General meeting.

Glamox

The CEO of Glamox is a member of a defined contribution pension scheme for salaries up to 12G (approx NOK 1.2million). 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 of Glamox 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

7.2 Post-employment benefits

Glamox AS is 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 is 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	3 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**

Sensitivity analysis of pension obligations	**Change (NOK 1000)**	**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**

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

GLX Holding AS owns 76.17% of the shares in Glamox AS, this also equals the voting share. The head office of Glamox is in Norway. Share capital of Glamox AS is NOK 66 million. Carrying amount of Glamox shares in the GLX Holding accounts is NOK 2 735.3 million.

Glamox AS has following subsidiaries as of December 31, 2019:

Name of company	Office	CUR	Share Capital	Shareholding in Glamox AS	Carrying amount in Glamox AS	Glamox 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	98.73%	23 666	98.73%	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 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 in Glamox AS 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 portfolio.

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

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 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 assets	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 portfolio. 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 GLX Holding AS 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	36 300	25 558
Total profit for the year attributable to equity holders of the parent for basic earnings	**36 300**	**25 558**
Earnings per ordinary share attributable to shareholders:		
Weighted average number of ordinary shares outstanding used for calculation:	1 000	1 000
Earnings per share in NOK (basic)	**36,30**	**25,56**

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.

The company has agreements with Triton Advisers Limited and Triton Investment Management Limited for counseling and success fee related to the acquisition of businesses respectively. Expenses during 2019 were NOK 5.0 million (2018: 3.8 million). GLX Holding AS have a short-term receivable towards Glamox AS of NOK 2.8 million as of December 31, 2019. The receivable relates to acquisition cost of ES-System, that were invoiced GLX Holding AS from an external party. The costs are reinvoiced Glamox AS, which should cover the costs.

9.3 Events after the reporting period

COVID-19
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 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.

Dividends
After the reporting date, the board of Glamox AS has proposed a dividend distribution amounting to NOK 141.1 million. GLX Holding AS will receive NOK 107.4 million of this distribution.

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
The Group 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
The Groups' financial instruments are grouped in the following categories:

- Fair value with changes in value through profit or loss (FVPL)
- 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 interest rate swap and forward currency contract 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 profit or loss as financial income or financial expense. The Group does not apply hedge accounting related to its interest rate swap and forward currency contracts.

Hedge of net investment in foreign operations

The Group 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 useful 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 NOK 3.0 million, 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

GLX Holding AS

Annual financial statements

2019

GLX Holding AS

Statement of profit and loss

For the years ended 31 December

NOK 1000	Notes	2019	2018
Revenue			
Other operating income			
Total revenues		**-**	**-**
Raw materials and consumables used			
Payroll and related costs			
Depreciation and amortisation			
Other operating expenses	1	6 637	5 447
Total operating expenses		6 637	5 447
Operating profit		**-6 637**	**-5 447**
Net Financial income	8	13 001	-94 867
Profit before tax		**6 364**	**-100 314**
Taxes	9	-	-
Profit for the year		**6 364**	**-100 314**

Other comprehensive income

Profit for the year		**6 364**	**-100 314**
Other comprehensive income for the period		**-**	**-**
Total comprehensive income for the period		**6 364**	**-100 314**

Statement of financial position

NOK 1000	Notes	31.12.2019	31.12.2018
ASSETS			
Shares in Subsidiary	11	2 735 329	2 735 329
Non-current financial asset	5	3 317	-
Total non-current assets		**2 738 645**	**2 735 329**
Current assets			
Other receivables	13	2 828	-
Cash and cash equivalents	7	57 728	52 792
Total current assets		**60 555**	**52 792**
TOTAL ASSETS		**2 799 201**	**2 788 121**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	1 000	1 000
Share premium	6	1 599 346	1 599 346
Retained earnings	6	-147 238	-153 602
Total equity		**1 453 108**	**1 446 744**
Non-current liabilities			
Interest bearing liabilities	3/4/5	1 335 527	1 331 871
Total non-current liabilities		**1 335 527**	**1 331 871**
Current liabilities			
Other short term liabilities	2	10 566	9 506
Total current liabilities		**10 566**	**9 506**
Total liabilities		**1 346 093**	**1 341 377**
TOTAL EQUITY AND LIABILITIES		**2 799 201**	**2 788 121**

Oslo, 28 April 2020

Gustaf Erik David Backemar
Chairman of the Board

Carl Johan Jörgen Ulf Renvall
Board member

Joachim Solbakken Espen
Board member

Torfinn Kildal
Board member

Statement of cash flows

For the years ended 31 December

Cash flows from operating activities	Notes	31.12.2019	31.12.2018
Profit before tax		6 364	-100 314
Net financial items		-13 961	90 061
Changes in other balance sheet items		-1 428	-40 005
Net cash flows from operating activities		**-9 026**	**-50 259**
Cash flows from investing activities			
Interests received		1 038	-
Purchase of shares in subsidiaries	11	-	-36 878
Dividend received		107 437	93 358
Net cash flow from investing activities		**108 475**	**56 480**
Cash flow from financing activities			
Proceeds from issuance of debt	3	-	-
Interests paid	8	-94 514	-90 061
Proceeds from issuance of equity		-	-
Payment of dividends to shareholders		-	-
Net cash flow from financing activities		**-94 514**	**-90 061**
Net change in cash and cash equivalents		4 936	-83 839
Cash and cash equivalents, beginning of period		52 792	136 631
Cash and cash equivalents, end of period		**57 728**	**52 792**

Statement of changes in equity

NOK 1000	Share capital	Share premium	Retained earnings	Total equity
Balance as of 31 December 2017	**1 000**	**1 599 346**	**-53 288**	**1 547 058**
Profit (loss) for the year			-100 314	-100 314
Other comprehensive income				
Total comprehensive income			**-100 314**	**-100 314**
Dividends				
Balance as of 31 December 2018	**1 000**	**1 599 346**	**-153 602**	**1 446 744**
Profit (loss) for the year			6 364	6 364
Other comprehensive income			0	
Total comprehensive income			**6 364**	**6 364**
Issue of equity				-
Dividends				
Balance as of 31 December 2019	**1 000**	**1 599 346**	**-147 238**	**1 453 108**

Note 1 - Other operating expenses

Other operating expenses	2019	2018
Consultancy	4 600	3 514
Legal	295	1 081
Audit	838	431
Travel	770	315
Other	134	106
Total other operating expenses	**6 637**	**5 447**

Auditor	2019	2018
Fee for statutory audit	406	275
Audit-related fees	432	610
Tax compliance services	-	-
Other fees	-	-
Total	**838**	**885**

Note 2 - Other short term liabilities

	Balance 31.12.2019	Balance 31.12.2018
Accrued interest cost	5 711	5 452
Other accrued cost	4 854	4 054
Total other short term liabilities	**10 566**	**9 506**

Note 3 - Interest bearing liabilities

Non-current Interest bearing loans and borrowings	Interest rate	Maturity	31.12.2019	31.12.2018
Callable Open Bond	NIBOR + margin	2023	1 350 000	1 350 000
Bank fee related to the bond issue			-14 473	-18 129
Total non-current interest bearing loans and borrowings			**1 335 527**	**1 331 871**

Bond

GLX Holding AS issued a Bond on the 8 December 2017. The initial issued amount is NOK 1 350 million and the maximum issued amount of the bond is NOK 2 000 million. The initial nominal amount on each bond is NOK 0.5 million. The bond has an interest margin of 5.25%. The interest period is 8 March, 8 June, 8 September and 8 December. The maturity date is 08.12.2023. The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount. The Bond has a Call Option that may be exercised by the Issuer by written notice to the Bond Trustee and the Bondholders at least 10 Business Days prior to the proposed Call Option Repayment Date for the call.

An arrangement fee of NOK 14.5 millions related to the refinancing, is booked against the bond. Carrying amount of the bond is NOK 1 350 million, while the carrying amount adjusted for arrangement fee is 1 335.5 million. The arrangement fee is expensed over the availability period of the facility.

<u>Callable Open Bond - Covenant requirement:</u>

Financial covenants requirement for the bond is Net interest bearing debt (NIBD)/ EBITDA (Last Twelve Monts) less than 4.5. There has been no breaches of financial covenants in 2019 or 2018.

<u>Bond - assets pledged as security</u>

The shares in both GLX Holding AS and Glamox AS is pledged as security for the Bond.

Note 4 - Aging of financial liabilities

31.12.2019	Less than 12 months	1 to 3 years	Over 3 years	Total
Callable Open Bond*	93 420	189 878	1 445 445	1 728 743
Totals	**93 420**	**189 878**	**1 445 445**	**1 728 743**

31.12.2018	Less than 12 months	1 to 3 years	Over 3 years	Total
Callable Open Bond*	93 420	186 840	1 536 840	1 817 100
Totals	**93 420**	**186 840**	**1 536 840**	**1 817 100**

* figures include estimated interest payable.

Note 5 - Fair value measurement

The table below disclose information about all financial instruments that are either measured at fair value or where information about fair value is disclosed. The Bond was listed at Oslo Stock Exchange in second quarter of 2018 and transferred to level 1 in the fair value hierarchy. There were no transfers between levels in 2019.

Carrying amount of the interest-bearing bond is measured at amortized cost. In June 2018, GLX Holding AS entered into a 3-year floating-to-fixed interest rate swap with DNB and Danske Bank for the nominal amount of NOK 1 350 million in order to remove interest rate risk on the senior secured notes. The interest rate swap is measured at fair value through profit and loss (FVTPL) and the market value of the interest rate swap was NOK 3.3 million as of December 31, 2019.

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 bond	31.12.2019	31.12.2019	1 350 000	1 388 813	X		
Interest-bearing bond	31.12.2018	31.12.2018	1 350 000	1 387 125	X		

Fair value of financial instruments
In 2018 the Callable Open Bond was listed at Oslo Stock Exchange. Fair value of the Callable Open Bond is calculated by using the OSE trading price at year-end.

Note 6 - Equity and shareholders

Share capital in GLX Holding AS at 31.12.2019	Number	Nominal Value	Balance Sheet
Shares	1 000	1 000	1 000 000
Total	**1 000**	**1 000**	**1 000 000**

Holders of these shares are entitled to dividend and to one vote per share at general meetings of the Company. There have been no changes in the number of shares in 2019 or 2018. GLX Holding AS is a 100% owned subsidiaries of Glace Holdco AS.

There has been no distribution of dividend in 2019.

Note 7 - Cash and cash equivalents

Cash and cash equivalents amounts to NOK 57.7 million as of 31.12.2019. GLX Holding AS has no restriced bank deposit.
The liquidity reserve equals the cash and cash equivalent amount. The bond may be extended by additional NOK 650 million. This is not included in the liquidity reserve.

Note 8 - Financial income and expenses

Financial income and expenses	2019	2018
Interest income	1 038	1 064
Dividend from subsidiary	107 437	-
Unrealised gain financial derivates	3 317	
Interest expenses	-94 774	-91 216
Other financial expenses	-4 017	-4 715
Net Financial income	**13 001**	**-94 867**

Note 9 - Tax

	2019	2018
Tax payable		
Ordinary profit before tax	6 364	-100 314
Permanent differences	-104 214	189
Bases for tax payable	-97 850	-100 125
Tax base	22 %	23 %
Tax payable this years profit	**0**	**0**
Current tax liabilities 31.12	**0**	**0**
Deferred tax liabilities (assets):		
Derivatives	3 317	-
Losses carried forward (including tax credit)	-108 656	-104 541
Restricted interest deduction carried forward	-93 735	-
Basis for deferred tax liabilities (assets):	**-199 075**	**-104 541**
Net deferred tax assets recognised in balance sheet	**0**	**0**

Note 10 - Management remuneration

GLX Holding AS has no employees.
The Board of GLX Holding AS has proposed a remuneration of NOK 50 thousand to board member, Torfinn Kildal, for the twelve month period ending in June 2020 at the General meeting.

Note 11 - Interest in subsidiaries

In 2018, GLX Holding increased its ownership in Glamox AS from 75.16 % to 76.16 %. As of 31.12.2019 GLX Holding AS owns 76.17% of the shares in Glamox AS, which also represents the voting share.

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. Glamox AS is the parent company of Glamox Group. Glamox AS registered adress is Birger Hatlebaks veg 15 in Molde, Norway. Glamox AS has 24 subsidiaries located in Europe, Asia and America. Total revenue of Glamox Group in 2019 is NOK 3 097.6 million (2018: NOK 2 772.7 million). Operating profit in 2019 is NOK 307.3 million (2018: NOK 273.1 million). Average number of full time employees in Glamox Group was 1 502 in 2019 (2018: 1 344).

The book value of the Glamox shares is NOK 2 735.3 million as of 31.12.2019.
The total Share capital in Glamox AS is NOK 65.9 million as of 31.12.2019.

Note 12 - Events after the reporting period

Dividends
After the reporting date, the Board of Directors of Glamox AS has proposed a dividend distribution amounting to NOK 141.1 million. GLX Holding AS will receive NOK 107.4 million of this distribution.

The Board of Directors of Glamox recognize that 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 of Glamox expect it to affect demand negatively in both business areas.

Glamox' 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 the employees and business partners, secondly, protect the business and the company and thirdly, keep critical activities going that strengthen the long term position.

So far, Glamox has experienced limited operational impact in the 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. Glamox is experiencing some decline in the demand for their 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, the 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.

13 Related party transactions

Related parties are Group companies, major shareholders, board and senior management in the parent company and the group subsidiaries. Note 11 provides information about the Group's subsidiary.

All transactions within the Group or with other related parties are based on the principle of arm's length.

The company has agreements with Triton Advisers Limited and Triton Investment Management Limited for counseling and success fee related to the acquisition of businesses respectively. Expenses during 2019 were NOK 5.0 million (2018: 3.8 million). GLX Holding AS have a short-term receivable towards Glamox AS of NOK 2.8 million as of December 31, 2019. The receivable relates to acquisition cost of ES-System, that were invoiced GLX Holding AS from an external party. The costs are reinvoiced Glamox AS, which should cover the costs.

Note 14 - Significant accounting policies

GLX Holding AS is a company incorporated and domiciled in Norway. GLX Holding AS was established in 2017, with the purpose to own shares in Glamox AS. Kronprinsesse Märthas plass 1, 0161 OSLO. The parent company is Glace HoldCo AS. The ultimate parent of GLX Holding AS is Triton Fund IV, which is located at Jersey.

The financial statements of the company comprise of statements of profit and loss, other comprehensive income, financial position, cash flows, changes in equity, and related notes. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by The European Union (EU). The financial statements have been prepared on a historical cost basis, and the financial statements are prepared based on the going concern assumption.

Subsidiaries in parent company
'Subsidiaries' refers to companies in which GLX Holding normally has a shareholding of more than 50%, and in which the company has a controlling interest. Investments in subsidiaries are accounted for using the cost method. The investments are valued at cost less impairment losses. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of investment"

Current versus non-current classification
The Company 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

Provisions
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.

Dividend distribution to shareholders
GLX Holding AS recognises a liability to make distributions to equity holders 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
The Company`s financial instruments are grouped in the following categories:

- Fair value with changes in value through profit or loss (FVPL)
- 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 company. This category generally applies to interest-bearing loans and other financial liabilities.

The company has the following financial instruments:

Financial liabilities (AC): Includes the company`s other non-current interest bearing liabilities (notes: 3,4 and 5) and current non- financial liabilities (notes: 2).

Initial recognition and subsequent measurement
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.

Derecognition of financial instruments
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.

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.

Fair value measurement
The Company 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 Company.

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 Company 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 Company 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 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.
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.

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.

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.

Statements of cash flow
The consolidated statements of cash flows are prepared using the indirect method.

Note 15 - Changes in accounting policies

The company has adopted IFRS 16 on January 1, 2019. GLX Holding AS has not entered into any leasing contracts and the implementation of the new standard had no effect on the financial statement.

Directors` Responsibility Statement

The Board of Directors reviewed and approved the Board of Directors' Report and the consolidated and annual financial statements for GLX Holding AS as of 31 December 2019 (annual report 2019).

To the best of our knowledge;
- the consolidated financial statements and financial statement are prepared in accordance with IFRS and IFRIC as adopted by the EU and additional Norwegian disclosure requirements in the Norwegian Accounting act that were effective as of 31 December 2019.

- the consolidated and annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of 31 December 2019 for the Group and the Parent Company.

- the Board of Directors' Report for the Group and the Parent Company includes a true and fair view of;

- the development and performance of the business and the position of the Group and the Parent Company.

- the principal risks and uncertainties the Group and the Parent Company face.

Oslo, April 28, 2020

Gustaf Erik David Backemar
Chairman of the Board

Joachim Solbakken Espen
Board member

Carl Johan Jörgen Ulf Renvall
Board member

Torfinn Kildal
Board member

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To the General Meeting of GLX Holding AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company GLX Holding AS (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of profit and 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, and

- The consolidated financial statements of GLX Holding AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, the statements of profit and 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 International Financial Reporting Standards as adopted by the EU.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment assessment of Goodwill and intangible assets

Reference is made to section 10.1 Significant accounting policies, section 3.2 Goodwill, section 3.3 Product development and other intangible assets and section 8.2 Business combinations.

<table>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>There is an inherent uncertainty related to the assessment of whether future cash flows will be sufficient to support the carrying value of goodwill and other intangible assets.

As of 31 December 2019, the Group carries NOK 1.700 million of goodwill and NOK 1.324 million of intangible assets on the balance sheet. The total amount mainly relates to the acquisition of Glamox AS in 2017. The remaining elements of goodwill relates to Glamox AS' acquisitions in 2018 and 2019 (reference is made to Key Audit Matter 2. below regarding acquisitions in 2019)

Due to the significance of the carrying value and risk of non-recoverability related to goodwill and intangible assets, impairment assessment is considered a key audit matter. The recoverable amount is based on value in use calculations. The key judgments applied by management in the impairment testing were:

• determination of cash generating units
• future financial performance;
• market development;
• growth rate;
• profitability; and
• discount rate.

No significant impairment charges are recognized in respect of goodwill and other intangible assets in 2019.</td><td>Our audit procedures in this area included, among others:

• assessing management's process and results for identification and classification of cash generating units (CGUs) to evaluate if they were appropriate and in accordance with IAS 36;
• evaluating the historical accuracy of management`s 2019 budgets and forecasts and challenging management on the current year cash flow forecasts as well as the timing of future cash flows;<br>• challenging management on the growth assumptions and management`s future business plan assumptions with reference to current market conditions;
• engaging KPMG valuation specialists to assess the mathematical and methodological integrity of management's impairment models and the discounts rates applied with reference to market data;
• obtaining and evaluating management's sensitivity analysis to determine the impact of reasonably possible changes. Performing our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment.; and
• assessing whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying assets' impairment assessments.

From the audit evidence obtained, we consider management's assessment of the carrying value of goodwill and intangible assets to be in accordance with the requirements under the relevant accounting standards.</td></tr>
</table>

2. Acquisitions and relating purchase price allocations in 2019: i. Luxonic Lightning Ltd. and ii. ES-System S.A.

Reference is made to section 10.1 Significant accounting policies, section 3.2 Goodwill, section 3.3 Product development and other intangible assets and section 8.2 Business Combinations.

<table>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In 2019 the Group acquired all shares in the following companies:

i. Acquisition of Luxonic Lighting Ltd.

On 30 April, Glamox AS entered into an agreement to acquire 100% of the shares in Luxonic Lighting Ltd. Management determined the acquisition date to be 30 April 2019 in accordance with IFRS 3 'Business</td><td>Our audit procedures in this area included, among others:

• reading the purchase agreements for the transactions;
• obtaining the transaction documents and other relevant documents;
• tracing payments to bank statements;
• assessment of the date of control for accounting purposes;</td></tr>
</table>

Combinations', and Luxonic Lightning Ltd. was consolidated in the Group accounts from that date. As a result of the transaction, the Group recognised NOK 51,3 million of goodwill and NOK 34,8 million of other intangible assets. In addition, a contingent liability of NOK 57,4 million was recognised. ii. Acquisition of ES-System S.A. On 14 October 2019, Glamox AS announced a public cash tender offer to acquire 100% of the shares in ES-System S.A. Management determined the acquisition date to be 10 December 2019, and ES-System S.A. was consolidated in the Group accounts from that date. Following the transaction, the Group recognised goodwill of NOK 2,3 million and other intangible assets of NOK 55,6 million at the date of acquisition. Acquisition accounting is considered a key audit matter due to the significant amount of goodwill and other intangible assets recognised in the transactions and the high degree of management judgement involved in identifying and estimating the fair value of assets acquired and liabilities assumed.	• understanding and assessing the identification process and the completeness of the acquired assets and liabilities; • with assistance from KPMG valuation specialists, evaluating and challenging management's valuation methods and assumptions in the allocation of the purchase price; and • assessing the appropriateness of the disclosures in the consolidated financial statements with reference to the purchase agreement and purchase price allocation. From the audit evidence obtained, we consider management's assessment of allocation of the purchase price to be in accordance with the requirements under the relevant accounting standards.

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 for the Financial Statements

The Board of Directors (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, 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, 28 April 2020
KPMG AS

Lone Frogner

Lone Brith Frogner
State Authorised Public Accountant

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