

Quarterly report Q3 2016

to shareholders in Glamox AS

Highlights

- Strong growth in order intake for the quarter of 15.7%, an increase of 13.4% when adjusted for currency exchange rates.
- Growth in turnover for the quarter of 5.1% compared to last year, an increase of 2.6% when adjusted for currency exchange rates.
- Operating profit for the quarter was NOK 70.9 mill (11.8%), compared to NOK 77.3 mill (13.5%) last year.

Main Figures for Glamox Group

| Results | 3rd quarter | | 01.01. - 30.09. | | 01.01.-31.12. |
|---|-------------|-------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 | 2015 |
| (Figures in NOK mill) | | | | | |
| Order intake | 617.8 | 534.1 | 1 968.6 | 1 813.9 | 2 436.7 |
| Revenues | 601.5 | 572.1 | 1 857.2 | 1 853.0 | 2 498.4 |
| Operating profit | 70.9 | 77.3 | 204.5 | 251.3 | 298.5 |
| Operating profit margin | 11.8% | 13.5% | 11.0% | 13.6% | 11.9% |
| Profit before taxes | 68.6 | 77.5 | 194.1 | 245.8 | 293.1 |
| Profit after taxes | 51.0 | 57.0 | 143.5 | 180.8 | 214.4 |
| Cash flow from operations ¹⁾ | 103.8 | 60.2 | 163.9 | 157.5 | 249.4 |
| Earnings per share (in NOK) | 0.77 | 0.86 | 2.17 | 2.74 | 3.25 |
| | | | 30.09.2016 | 30.09.2015 | 31.12.2015 |
| (Figures in NOK mill) | | | | | |
| ASSETS | | | | | |
| Fixed assets | | | 366 | 273 | 291 |
| Current assets | | | 1 006 | 935 | 1 036 |
| TOTAL ASSETS | | | 1 372 | 1 208 | 1 327 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | 661 | 565 | 519 |
| Non-current liabilities | | | 303 | 246 | 276 |
| Current liabilities | | | 408 | 397 | 532 |
| TOTAL EQUITY AND LIABILITIES | | | 1 372 | 1 208 | 1 327 |

¹⁾ Net income before taxes plus net depreciation and amortisation of goodwill, plus/minus changes in working capital, minus investments in tangible fixed assets.

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Order Intake and Revenues

The Group's order intake for the quarter totalled NOK 617.8 mill (NOK 534.1 mill), an increase of 15.7%. Currency neutral order intake for the quarter was up by 13.4%. As of 30 September, the Group's order intake totalled NOK 1,968.6 mill (NOK 1,813.9 mill), an increase of 8.5%. Currency neutral growth was 4.3%.

The quarterly turnover was NOK 601.5 mill (NOK 572.1 mill), an increase of 5.1%. Currency neutral growth was 2.6%. As of 30 September, the Group's turnover totalled NOK 1,857.2 mill (NOK 1,853.0 mill), an increase of 0.2%. Currency neutral the decrease was 4.0%.

Sale of products with LED technology continued to show strong growth in the quarter.

Professional Building Solutions (PBS)

The PBS division provides total lighting solutions to the professional 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 professional building modernisation sectors drives developments in the individual markets.

On the whole, PBS is experiencing healthy market demand for lighting solutions. However, there is great uncertainty in the UK after the Brexit growth. The increase in sales of lighting featuring LED technology is to a considerable extent responsible for the growth in the market. However, there continues to be significant price pressure on LED products.

PBS experienced growth in both its order intake and turnover during the third quarter. Strengthening of the sales team and our product portfolio continues.

Incoming orders at PBS during the third quarter totalled NOK 389.1 mill, compared to NOK 355.0 mill during the same period last year. This is an increase of 9.6%. The order intake as of 30 September was NOK 1,304.2 mill (NOK 1,181.8 mill), an increase of 10.4%.

Turnover during the third quarter totalled NOK 409.1 mill, compared to NOK 383.0 mill during the same period last year. This is an increase of 6.8%. Turnover as of 30 September was NOK 1,247.0 mill (NOK 1,163.7 mill), an increase of 7.2%.

Global Marine & Offshore (GMO)

The GMO division 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 division.

During the first nine months of the year, fewer contracts were placed by shipyards, among other customers. This applies to the Commercial Marine and Oil & Gas segments. The Navy and Cruise & Ferries markets, however, showed positive development.

In spite of weak markets in the division's two main segments of Commercial Marine and Oil & Gas, GMO managed to compensate for this through an increased order intake in the other segments. However, the low number of contracts with shipyards in the Commercial Marine and Oil & Gas segments over time requires improved prospects for the division during the last quarter of the year and in early 2017.

Incoming orders at GMO during the 3rd quarter totalled NOK 227.3 mill (NOK 176.9 mill), an increase of 28.5% compared to last year. As of 30 September, order intake totalled NOK 657.3 mill (NOK 625.1 mill), an increase of 5.2%.

Turnover in the quarter was NOK 193.5 mill (NOK 194.7 mill), a decline of 0.6%. As of 30 September, the turnover was NOK 611.6 mill (NOK 700.5 mill), a decrease of 12.7%. The main reason for the decrease thus far this year is a significant decrease in sales to the Oil & Gas segment.

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Group Profit

The Group had an operating profit in the quarter of NOK 70.9 mill (NOK 77.3 mill). This gave an operating margin of 11.8% (13.5%). The operating result as of 30 September was NOK 204.5 mill (NOK 251.3 mill). This gave an operating margin of 11.0% (13.6%).

Profit before tax for the quarter was NOK 68.6 mill, compared to NOK 77.5 mill last year. As of 30 September, the profit before tax was NOK 194.1 mill, compared to NOK 245.8 mill last year.

Profit after tax for the quarter was NOK 51.0 mill, compared to NOK 57.0 mill last year. As of 30 September, the profit after tax was NOK 143.5 mill, compared to NOK 180.8 mill last year.

The decrease in results during the quarter is due to the decrease in the gross margin and slightly higher costs compared to last year. Cost increases are in line with budget. A weaker Norwegian krone has had a positive effect on results during the period.

Cash Flow and Liquidity

The quarterly cash flow from operations after investing in business assets was NOK 103.8 mill (NOK 60.2 mill). As of 30 September, the cash flow from operations was NOK 163.9 mill (NOK 157.5 mill).

The increase in the cash flow for the quarter compared to last year is primarily due to reduced capital tie-up during the period, chiefly related to stock. The lower result from operations and higher investments during the period led to a slight reduction in cash flows this quarter.

Quarterly investments amount to NOK 17.5 mill, compared to NOK 8.5 mill.

The liquidity reserve at the end of the quarter amounted to NOK 453 mill compared to NOK 421 mill at the same point last year.

Capital Situation

The Group had equity of NOK 661 mill (48.2%) as of 30 September 2016. At the same time last year, this amount was NOK 565 mill (46.8%).

The Group's net interest-bearing deposits as of 30 September 2016 were NOK 84 mill. At the same point last year, the Group's net interest-bearing deposits amounted to NOK 38 mill.

Outlook

For the PBS markets, we expect the same level for the remainder of the year, while the GMO markets are expected to be weaker for the remainder of the year and into 2017.

For the year as a whole, the Board expects a somewhat lower result than in 2015.

Oslo, 17 October 2016

Bjørn Arnestad
Chairman of the Board (signature)

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