Annual report 2018

Content

The Glamox Group

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

The Glamox Group is a global organization, with approx. 1400 employees within sales and production in several European countries, as well as Asia, North and South America. The annual turnover is NOK 2,8 billion. The Group owns a range of quality lighting brands including Glamox, Aqua Signal, Luxo, Norselight, LINKSrechts and Küttel. Glamox is committed to meeting customer needs and expectations by providing quality products and solutions, service and support.

Main points

- Order intake reached NOK 2,935m (NOK 2,653m), an increase of 10.6%
- Turnover reached NOK 2,773m (NOK 2,615m), an increase of 6.1%
- Operating result/margin of NOK 273.1m/9.8% compared with NOK 292.7m/11.2% in 2017
- Adjusted operating result/margin of NOK 364.6m/13.2% compared to NOK 337.0m/13.0% in 2017
- Net income after taxes of NOK 212.6m (NOK 258.2m)
- The operating result in 2018 was charged with NOK 91.6m as net special items. Last year included NOK 24.3m as net special items and NOK 20m in impairment loss
- Positive operating cash flow of 265.0m compared with NOK 197.2m the previous year
- Acquired Küttel AG a leading lighting company in Switzerland on the 1st April 2018
- Proposed ordinary dividend of NOK 2.138 per share

Key figures

		2018	2017	2016	2016	2015	2014
		IFRS	IFRS	IFRS	NGAAP	NGAAP	NGAAP
Total revenue	MNOK	2 772.7	2 614.5	2 508.6	2 508.6	2 498.4	2 221.5
Operating profit	MNOK	273.1	292.7	267.8	263.1	298.5	259.6
Adjusted Operating profit	MNOK	364.6	337.0	284.4	279.8	314.2	279.1
Profit before tax	MNOK	270.3	302.8	255.8	251.5	293.1	264.9
Profit after tax	MNOK	212.6	258.2	194.9	191.1	214.4	193.9
Cash flow from operations	MNOK	265.0	197.2	319.0	310.3	250.3	210.0
Total profitability	%	20.3	23.6	20.4	20.1	25.9	22.2
Equity ratio	%	42.1	45.6	48.2	41.5	39.1	34.4
Earnings per share	NOK	3.22	3.91	2.95	2.90	3.25	2.94

The lighting company

Our product brands

The Glamox Group owns five international product brands.

GLAMOX

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

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

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

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

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

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

Our mission

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

Our values

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

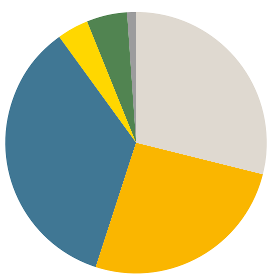
Cooperation
We team up with customers and colleagues to find the best solutions.

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

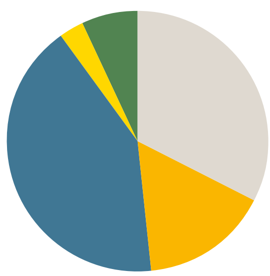
Quality
We deliver the product quality and level of service and support that our customers expect from us.

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

Revenues by market: 2 773 MNOK



Man-years (average) by market: 1 344



Group organisation

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

Professional Building Solutions

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

Global Marine & Offshore

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

Sourcing, Production and Logistics

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

President & CEO
Rune Marthinussen

- **Accounting, finance and HR**
  Thomas Lindberg
  CFO/Senior Vice President
- **Business Development, Group IT and Digitalisation**
  Håkon Helmersen
  Director

Professional Building Solutions (PBS)
Knut Rusten
Senior Vice President

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

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

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

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

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

Main points from the divisions

Professional Building Solutions (PBS)

Glamox PBS is a leading supplier of lighting solutions to the Northern and Central European non-residential building market. PBS develops complete solutions for educational and healthcare institutions, commercial and industrial buildings.

Office and commercial buildings

Industrial buildings

Educational establishments

Health institutions

Retail and shopping centers

Hotels and restaurants

The PBS division has sales and marketing responsibilities towards defined market segments. The division is also responsible for product development, product testing and product management of own products. These products are manufactured by production units organized in Division SPL.

PBS develops and sells lighting solutions for non-residential market segments. The most important markets served by this division are Central and Northern Europe, as well as the United States for arm-based task lights and illuminated magnifiers. Glamox also operates in the Middle East and Australia in collaboration with distributors. In several of PBS’ markets, electric heaters are also marketed and sold under the brand name Glamox Heating and produced by Adax AS.

PBS has three strong brands: Glamox, Luxo and Küttel. PBS has expanded its product range and geographical representation in recent years through acquisitions and product development. The Division offers a wide range of luminaires including interior and industrial lighting, decorative and outdoor luminaires as well as special fittings adapted to all the market segments we operate in. In addition, Glamox offers a wide range of arm-based tasks lights and illuminated magnifiers. PBS is taking system responsibility for complete solutions including Light Management System (LMS) and services. Glamox solutions reduce energy consumption, by combining simplified planning with highly efficient luminaires connected by light management systems. Glamox Human Centric Lighting solutions mimic daylight in order to enhance sleep, performance and well-being.
PBS has its own sales companies in Norway, Denmark, Sweden, Finland, Estonia, Great Britain, Ireland, Germany, the Netherlands, Switzerland and the United States. We are represented through distributors in the other markets.

The main market segments are office, commercial and industrial buildings, educational and health institutions. PBS also delivers lighting solutions to hotels and shops/shopping centres.
Glamox is the market leader in professional lighting in Norway and holds strong market positions in the other Nordic countries and in Estonia. PBS serves all important clients in the sales and distribution value chain, including architects, electrical consultants, building owners and developers, main contractors and installers as well as electrical wholesalers. Our task lights are sold through office furniture dealers. In all markets, there is a strong focus on getting specified in order to be the preferred supplier in building projects.

In 2018, PBS has total revenues of NOK 2,016m (including Küttel) compared to NOK 1,865m in 2017, a growth of 8.1 %. At year-end 2018, the number of man-labour years in PBS (including Küttel) was 361, of which 72% were employed in businesses outside Norway.

Main points from the divisions

Global Marine & Offshore (GMO)

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

Commercial marine

Cruise & ferries

Navy

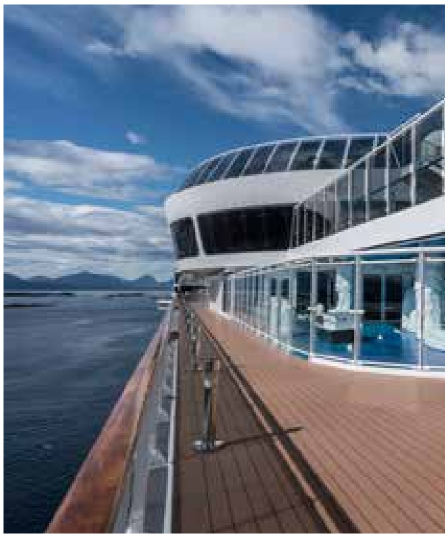
Recreational boats

Offshore Energy

Onshore Energy and Petrochemical Industry

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

GMO is one of the world's leading suppliers of lighting solutions to the global marine and offshore markets. The division has 5 strong international brands: Aqua Signal, Glamox, Luxo, Norselight and LINKSrechts.
The division is represented on all continents through its own sales companies, consultants



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

GMO delivers a wide range of comprehensive lighting solutions to various markets and market segments. The division has a strong focus on product development and has over the last years launched several new product families based on LED-technology. This includes LED-based EX-products to the oil and gas industry. GMO operates within the commercial marine, cruise & ferries, navy, recreational boats, offshore energy, onshore energy and petrochemical industry market segments. The division is the global leader in the commercial marine sector. GMO also holds a strong position within the cruise & ferry and the navy segments. In the offshore segment GMO has a strong position with regard to floating installations in both Europe and Asia. Further, GMO has a strong position in the recreational boat sector in Europe and the United States, particularly within navigation lights.

The most important factor in terms of demand for our products is the new construction of ships and offshore construction. Orders and deliveries of lighting solutions to newbuilding take place relatively late in the construction process. However, the maintenance market and upgrade of existing installations with LED-solutions are becoming an important business for the division.

In 2018 GMO had total revenues of NOK 742m compared with NOK 735m in 2017, an increase of 1.0%.

At year-end 2018, the number of man-labor years in GMO was 182, of which 85% were employed in businesses outside Norway.

Main points from the divisions

Sourcing, Production and Logistics (SPL)

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

The SPL division has a key role in the Glamox value chain. Responsibilities include order handling, procurement, manufacturing of goods, warehousing and distributions.

The division operates production units in six different locations in Europe and one in China. Our prime objective is to serve the sales units and their customers with competitive products, good delivery capability, high quality and good technical support.

The production units within SPL are product owners of our Group developed products. We are responsible for the production of

four product brands in the Glamox Group: Aqua Signal, Glamox, Norselight and Luxo; all of them international product brands with well-earned reputation.

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

Because of the high-quality demands placed on the quality and durability of our products, the Glamox Group operates modern assessment and testing laboratories in Norway and Germany for the simulation of a wide variety of environmental conditions. The simulations performed in our laboratories aim to test our products in the most realistic conditions possible. We do this so that we will know exactly what our products can endure, in order to provide them with the correct national and international classifications and certifications. Our laboratories are certified in accordance to the requirements of ISO 9001, ATEX and IECEx.

As part of the Group's business concept, Glamox will position itself as an environmental company through systematic and long-term efforts. The Group's production units in Molde, Kirkenær, Sweden and Estonia are certified in accordance with EN ISO 14001.

At year-end 2018, the number of man-labour years in Sourcing, Production and Logistics was 797, of which 66% were employed in businesses outside Norway.

Annual statement

Main points and key figures

- Order intake reached NOK 2,935m (NOK 2,653m), an increase of 10.6%
- Turnover reached NOK 2,773m (NOK 2,615m), an increase of 6.1%
- Operating result/margin of NOK 273.1m/9.8% compared with NOK 292.7m/11.2% in 2017
- Adjusted operating result/margin of NOK 364.6m/13.2% compared to NOK 337.0m/13.0% in 2017
- Net income after taxes of NOK 212.6m (NOK 258.2m)
- The operating result in 2018 was charged with NOK 91.6m as net special items. Last year included NOK 24.3m as net special items and NOK 20m in impairment loss
- Positive operating cash flow of 265.0m compared with NOK 197.2m the previous year
- Acquired Küttel AG a leading lighting company in Switzerland on the 1st April 2018
- Proposed ordinary dividend of NOK 2.138 per share

Glamox is a Norwegian industrial group that develops, manufactures and distributes professional lighting solutions for the global market. Glamox has more than 1,300 employees and the Group's operations are divided between three operational divisions: Professional Building Solutions (PBS), Global Marine & Offshore (GMO) and Sourcing Production Logistics (SPL). Glamox operates production units in seven different locations in Europe, Canada and China and an extensive network of sales offices and agents in Europe as well as in Asia, USA, Canada and Brazil to ensure access to attractive markets. The head office is in Oslo.

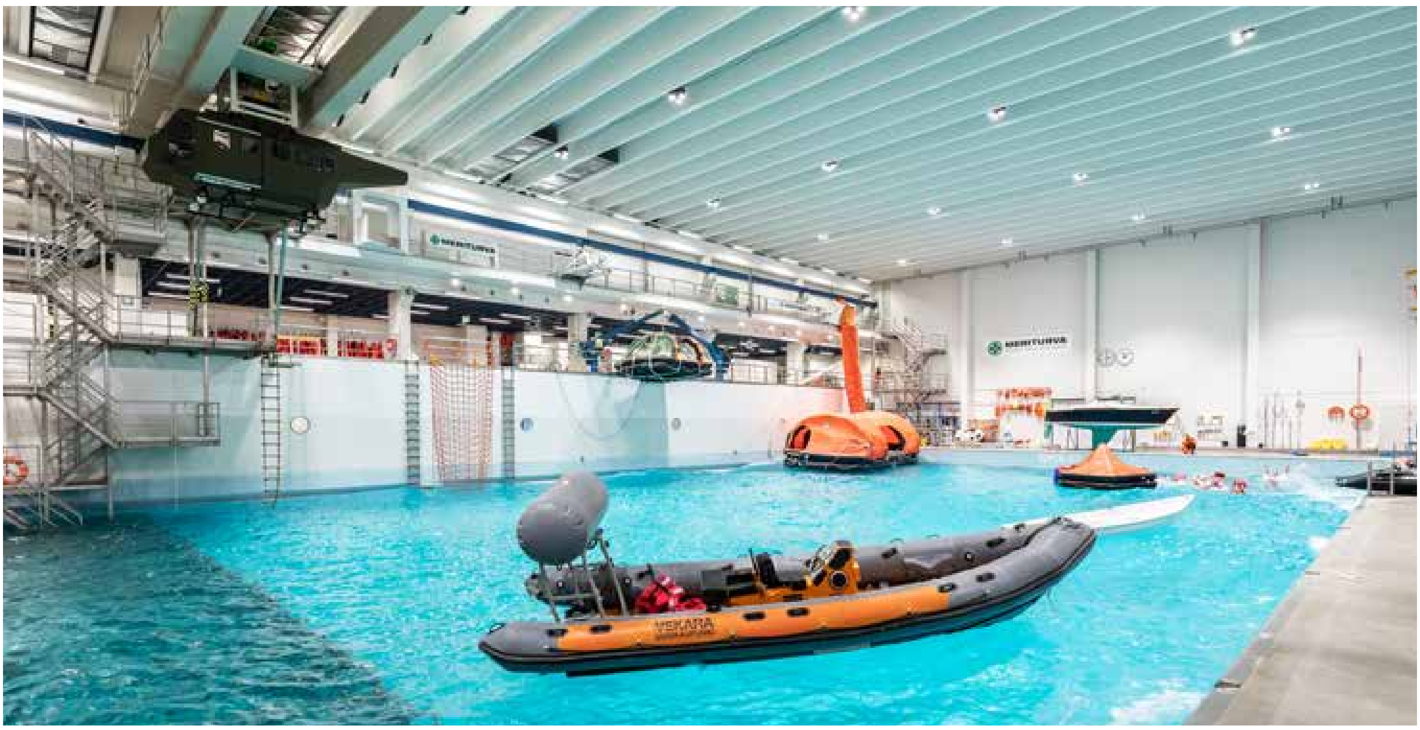
In 2018, Glamox had order intake of NOK 2,935m compared to NOK 2,653m in 2017, an increase of 10.6%. Revenues were NOK 2,773m compared to NOK 2,615m in 2017, an increase of 6.1%.

Market development within the land-based division (PBS) is governed by activities within new-build and modernisation of non-residential buildings. Most of this division's main markets showed low single digit growth in 2018 corresponding to a slow-down in the overall demand growth from the year before.

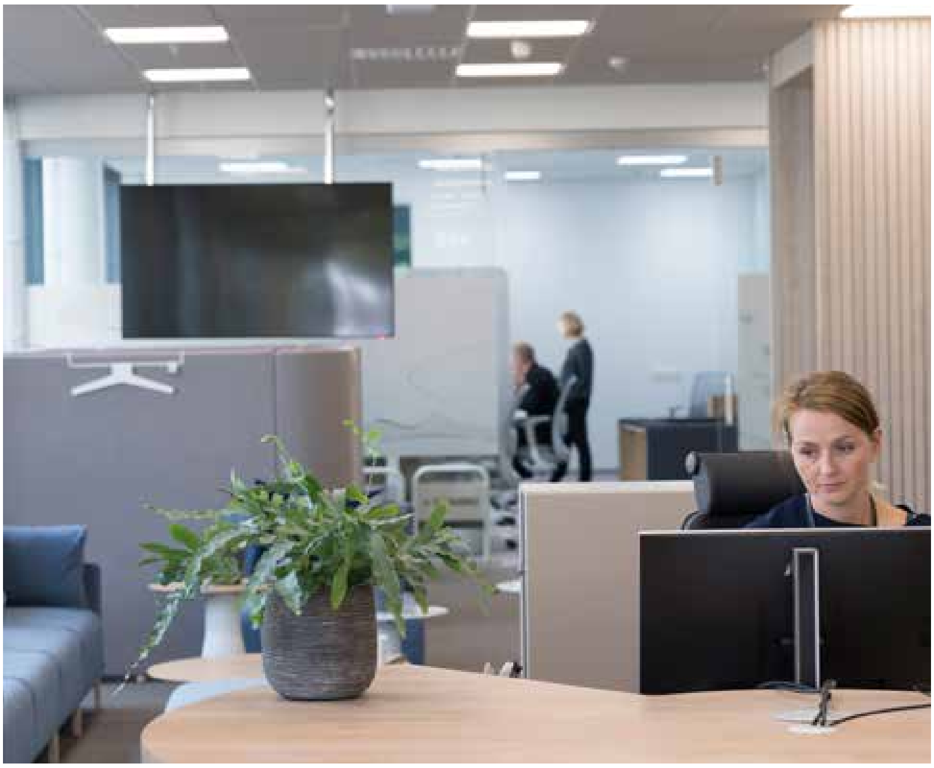
Market trends within the maritime and offshore-related division (GMO) are dictated by the level of activity within new-build, refurbishment and rehabilitation of all types of maritime vessels and offshore installations. The division continued to experience a relative weak demand for products in both offshore energy and commercial marine. The difficult market situation in these market segments has been offset by a positive trend in the activity within Navy and Cruise & Ferry.

In terms of comparable operations, the Group experienced an increase in orders received of 4.1% and turnover of 0.4%. Growth in most countries in Northern Europe for the land-based division contributed positively together with strong growth in the Navy and Cruise & Ferry segments. The Group continued to experience decreasing turnover from the offshore energy segment, and to a lesser degree in the commercial marine segment. The sales team was reinforced in several markets throughout 2018. Sales of LED – based products continued to grow in 2018.
In 2018, the Group continued with a high level of activity in product development and many new product series were launched. All new product families are now launched with LED technology.

The Group's operating result was NOK 273.1m compared to NOK 292.7m in 2017. Operating margin was 9.8% compared to 11.2% in 2017. The decrease in operating result of 6.8% is mainly explained by two large special items. The accounts in 2018 were charged with NOK 91.6m in net special items, compared to NOK 24.3m in net special items and NOK 20m in impairment loss in 2017. The net special items in 2018 include NOK 44m related to restructuring costs in GMO where the Group discontinued the metal production and outsourced warehouse service in Bremen and a provision of NOK 41m for claim costs related to one product sold to the energy segment over several years. In addition, the net special items include an extraordinary bonus to all employees of NOK 8m and an income from the reversal



Annual statement



of a cost provision of NOK 3m as well as some other smaller items.

Adjusted for the net special items the Group's operating result in 2018 was NOK 364.6m compared to NOK 337.0m in 2017. Adjusted operating margin was 13.2% compared to 13.0% in 2017.

The Group had net financial expense of NOK 2.8m in 2018 compared to net financial income of NOK 10.0m in 2017.

The change in net financial expense is mainly due to a positive effect of the reversal of an earn-out accrual in 2017.

The net income before taxes was NOK 270.3m, compared with NOK 302.8m the previous year. Profit after tax was NOK 212.6m compared to NOK 258.2m the previous year.

As of 31.12.2018, the Group has a tax deficit for carrying forward of NOK 141m (NOK 39m), and an untaxed profit of NOK 260m (NOK 236m).

The Group generated positive cash flow in 2018 of NOK 83.5m, compared with NOK 210.0m in negative cash flow in 2017. Cash flow from operations was NOK 265.0m, compared with NOK 197.2m in 2017. The increase in cash flow from operations is mainly due to a positive effect from a decrease in working capital. Investments in tangible fixed assets and intangible assets totalled NOK 67.1m in 2018 compared to NOK 46.7m in 2017 while acquisitions and other investments totalled NOK 93.0m. Net cash flow from financing activities was NOK 26.2m negative including a dividend distribution of NOK 124.1m

Turnover in the parent company Glamox AS was NOK 1,470m, compared to NOK 1,423m in 2017. Operating result was NOK 124.0m compared to NOK 81.1m in 2017. The increase in the operating result is mainly due to higher turnover. Net income before tax was NOK 255.8m, compared to NOK 279.5m in 2017. The decrease in net income before tax is primarily due to lower dividend from subsidiaries. In accordance with the Group's currency policy, the parent company takes currency exchange positions to even out exchange rate exposure arising at group level, primarily as a result of equity values in subsidiary companies.

The Board is pleased with the achievements of the Group in 2018 despite difficult markets within some of the main market segments. Adjusted for net special items the Group's operating result for 2018 was the best in the Group's history. In recognition of the improvement in results, the Board decided to give an extraordinary bonus to all Group employees totalling NOK 8m.

The extraordinary bonus to all Group employees is recognized in full in the 2018 accounts of the parent company as it believes it will benefit from motivating the entire Group's personnel to achieve higher sales of products produced by the parent company. In addition, motivating continuous improvements in the whole Group value chain will result in lower purchase prices for the parent company from its subsidiaries. The Board wishes to thank all Glamox employees for their contribution to the good result in 2018.

Financial position

The closing balance as at 31.12.2018 was NOK 1,658m, compared with NOK 1,328m as at 31.12.2017.
At the turn of the year, the Group's equity capital was NOK 698m. The equity ratio was 42.1% (45.6%). Glamox AS had equity capital of NOK 383m and an equity ratio of 32.3% (28.1%).

At the turn of the year, the liquidity reserve for the Group amounted to NOK 1,005m, compared with NOK 838m the previous year.

The Group has net interest-bearing deposits of NOK 9m as of 31.12.2018 compared to NOK 29m as of 31.12.2017.

The Board believes the company's equity and liquidity as of 31.12.2018 to be satisfactory, including after the provision for a dividend of NOK 2.138 per share, corresponding to total dividend distribution of NOK 141.1m. The Board of Directors confirms that the accounts have been prepared on a going concern basis.

Financial risk

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

Development by business areas and divisions

The Group has two business areas - Professional Building Solutions (PBS) and Global Marine & Offshore (GMO). They operate in strategically different markets, have different sales channels, marketing strategies and risk. Each of the two business areas represent a complete value chain and are supported by the Sourcing, Production and Logistics (SPL) division implying that all cost of the SPL division is distributed between the two operating segments based on the products sold. Operational the Group is organized into three divisions - Professional Building Solutions (PBS), Global Marine & Offshore (GMO) and Sourcing, Production and Logistics (SPL), see note 1.1 and 2.1 for more details.

Professional Building Solutions (PBS)

Professional Building Solutions (PBS) is a leading supplier of lighting solutions to the European non-residential building market. PBS develop complete solutions for educational and healthcare institutions, commercial and industrial buildings. PBS achieved an order intake of NOK 2 125m (NOK 1 870m) in 2018, an increase of 13.6 % compared to 2017. In the same period, turnover was NOK 2 024m (NOK 1 859m), an increase of 8.9 % from 2017. The business area achieved an adjusted EBITDA result in 2018 of NOK 360m (17.8%) compared to NOK 321m (17.3%) in 2017. The increase in profitability is driven by the growth in volume and economies of scale in the whole value chain.

The most important markets for PBS are North- and Central-Europe. The most important markets have seen low single digit growth in 2018. The growth in order intake and revenue for PBS has been higher than the market growth in many countries, which means that Glamox has improved its market position.

Global Marine & Offshore (GMO)

Global Marine & Offshore (GMO) is responsible for lighting solutions for the maritime and offshore-related markets, plus onshore energy and petrochemical industry. GMO achieved an order intake of NOK 802m (NOK 778m), an increase of 3.1 %. In the same period, turnover was NOK 745m (NOK 738m), an increase of 1.0 %. The adjusted EBITDA result in 2018 was NOK 65m (8.7%) compared to NOK 72m

Annual statement

(9.8%) in 2017. Increased investments in sales capacity and product development is the main reason for the reduced profitability level.

The increase in order intake and revenue is caused by higher activity in the Navy and Cruise & Ferry segments driven by positive markets with more projects in these sectors in 2018. The positive trend in these segments has offset the general low activity in the Offshore and Commercial Marine segments. The low level of investments in new builds for offshore rigs and platforms the last few years has also affected 2018 with continued low demand.

Orders for new build commercial vessels worldwide has dropped further in 2018 caused by increased uncertainty related to the future growth rate in seaborne trade. The market condition is challenging for GMO as most shipyards faces reduced activity and shrinking order books. GMO has managed to avoid a large fall in revenue in this segment in 2018 through inclusion of more LED light solutions and good demand from the more specialised new build markets in Norway and a few regions in Europe.

Sourcing, Production and Logistics (SPL)
The SPL division is operational responsible for the purchase of raw materials and trading products, production of the products the Group has developed itself and for logistics throughout the Group. End of 2018 the production site in Bremen was closed down. Beginning of 2019 SPL still operates production units at five different sites in Europe and one in China. Two of the European sites are in Norway, one in Germany, one in Sweden and one in Estonia. SPL sells its products via the two sales divisions GMO and PBS.

There is continued price pressure on the Group's products, and to maintain the competitive edge, the processes of making savings on materials and rationalising production have been given high priority. In addition to the major changes in the value chain caused by LED technology, there are engineering and logistics challenges involved in handling such frequent changes in technology for vital components used in our products.

Due to a weak market for the segments that the German production unit predominantly serves with conventional non-led products, the production site producing metal parts in Bremen was closed down end of 2018. Going forward the German production unit will mainly focus on LED-technology. This will reinforce its position as a world leader in LED marine and EX LED lighting technology.

Acquisition of Küttel AG
As a step in the acquisition strategy the Group acquired the company Küttel AG in 2018. Küttel AG is a leading company in the Swiss market for commercial lighting solutions with a widely-recognized and well-respected brand. With this acquisition the Group has increased the market presence in central Europe and established a leading position in Switzerland.

The acquisition was closed on 1st April 2018 and Küttel AG is consolidated in the Group's accounts from the 2nd quarter 2018. Küttel AG operates as a separate business unit in the Professional Building Solutions (PBS) division.

Code of conduct
On the 30th August 2018 the Board of

Directors of Glamox AS approved a Code of Conduct that all employees and Board members are required to comply with.

The purpose of the Code of Conduct is to create a transparent, sound corporate culture and to preserve the integrity of Glamox by helping employees to promote standards of good business practice. The Code of Conduct incorporates the long existing Group's core values and its policy for Corporate Social Responsibility.

As a result of Triton becoming the new majority shareholder, the Group has increased its focus on further developing and implementing a Compliance Management System. It includes a range of policies including a Responsible Business Partner policy, Whistleblowing policy, Crisis management policy and a Health Safety and Environmental (HSE) policy. These policies were approved by the Group Management Team in November 2018.

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

Glamox and the environment

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

The environmental aspects are an important part of our product development. Through energy-effective products and solutions, we aim to make the most of market opportunities, such as the EU energy directive for the construction industry. 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, Kirkenær, Sweden and Estonia are certified in accordance with EN ISO 14001.

Human resources and working environment

The number of full-time employees (FTEs) was 1,318 at the end of 2018, up from 1,282 at the end of 2017. The main reason for the increase in FTEs is the acquisition of Küttel AG which had 53 FTEs employed at the end of 2018. In Glamox AS the number of full-time employees decreased from 446 at year-end 2017 to 416 at the end of 2018.

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 promotion prospects.

Annual statement

Female employees made up 40.4% of the Group's workforce at the end of 2018. The percentage of women among board members elected by shareholders was 0% while the percentage of women among board members elected by employees was 67%.

Absenteeism due to illness in the Group was 5.0% in 2018. In Glamox AS it was 6.0% in 2018, compared to 5.7% in 2017.

Four accidents that led to days of absence were reported in the Group in 2018. Three of the four accidents were reported in Glamox AS, compared to two in 2017. This gave an accident ratio in Glamox AS (H-value) of 4.0 accidents per 1 million worked hours compared to 2.6 in 2017. The Group has the ambition that this ratio is zero and focus on a safe working environment is a continuous process.

Equal opportunities

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.

At present, Glamox AS has employees originating from many nationalities. At the end of 2018, the company had employees originating from 38 countries. The company strongly believes in providing the opportunity to qualify for all types of work and opportunities for promotion regardless of ethnic background.

Shareholder situation

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

Proposal for allocation of profit

The Board proposes that the year's profit in Glamox AS of NOK 223 884k is allocated as follows:

Proposed ordinary dividend of (NOK 2.138 per share): NOK 141 059k

Transferred to other equity capital: NOK 82 826

Outlook

The demand for lighting solutions in PBS' markets has slowed down somewhat in 2018 and is expected to remain on the same level in 2019. The LED share in PBS is now above 92%. However, the installed base of LED solutions in non-residential buildings is still very low. PBS is continuing its investments in new products and systems, as well as increasing the capacity and competence in the organisation in order to make the Glamox lighting solutions even more competitive.
For GMO orders for new build commercial vessels worldwide has dropped further in 2018 and is expected to stay at the same level in 2019. The global offshore energy segment is estimated to have reached bottom in 2018 and we expect this market to improve in slightly 2019. We also expect the positive development within Navy and Cruise & Ferry to continue in 2019.

The lighting industry continues to go through changes as a result of the developments in LED technology and Light Management Systems. The Glamox Group has developed a healthy position in the lighting market over the years. We will continue to strengthen and improve this position and through our strong application knowledge we will develop and supply new solutions for our customers globally.

The Glamox Group's long-term strategy continues to focus on growth and financial strength.

Oslo, 24 April 2019

Mikael Aro Chairman of the Board	Gustaf Backemar Board member	Thomas Hofvenstam Board member	Torfinn Kildal Board member	Arild Nysæther Board member
Lars Ivar Røiri Board member	Mette Smisetfoss Ødegård Board member	Henny S. Eidem Board member	Espen Ytterstad Board member	Rune E. Marthinussen CEO & President

Glamox - Consolidated statement of profit and loss

Profit and loss

For the years ended 31 December

NOK 1000	Notes	2018	2017
Revenue	2.1, 2.2	2 731 296	2 559 148
Other operating income	2.2	41 422	55 387
Total revenues		**2 772 718**	**2 614 535**
Raw materials and consumables used		1 285 180	1 195 809
Payroll and related costs	2.4	879 380	802 614
Depreciation and amortisation	3.1, 3.3	60 515	55 846
Impairment of non-current assets	3.2	-	19 961
Other operating expenses	2.5	274 578	247 567
Total operating expenses		2 499 652	2 321 798
Operating profit	1.4	**273 066**	**292 736**
Financial income	5.11	30 414	35 684
Financial expenses	5.11	33 167	25 650
Net financial items		-2 752	10 034
Profit before tax		**270 314**	**302 771**
Taxes	6.1	57 669	44 581
Profit for the year		**212 644**	**258 189**
Profit/loss attributable to equity holders of the parent		212 656	258 197
Profit/loss attributable to non controlling interests		-12	-8
Other comprehensive income			
Profit for the year		**212 644**	**258 189**
Items that subsequently will not be reclassified to profit or loss:			
Gain/loss from remeasurement on defined benefit plans	7.2	-781	5 766
Tax effect on remeasurements on defined benefit plans	7.2	-244	-1 389
Total items that subsequently will not be reclassified to profit or loss		-1 025	4 377
Items that subsequently may be reclassified to profit or loss:			
Currency translation differences		19 556	43 306
Net gain/loss on hedge of foreign subsidiaries	5.5	-18 963	-36 007
Tax effect from hedge of foreign subsidiaries	6.1	4 361	8 642
Total items that subsequently may be reclassified to profit or loss		4 954	15 941
Other comprehensive income for the period		**3 929**	**20 319**
Total comprehensive income for the period		**216 573**	**278 508**
Total comprehensive income attributable to equity holders of the parent		216 585	278 516
Total comprehensive income attributable to non controlling interests		-12	-8
Earnings per share attributable to equity holders of the parent			
Weighted average number of ordinary shares outstanding (in thousands):			
Basic		65 989	65 989
Diluted		65 989	65 989
Per ordinary share in NOK:			
Basic		3,22	3,91
Diluted		3,22	3,91

Glamox - Consolidated statement of financial position

NOK 1000	Notes	31.12.2018	31.12.2017
ASSETS			
Intangible non-current assets			
Goodwill	3.2	58 321	21 783
Intangible assets	3.3	89 529	60 698
Total intangible non-current assets		**147 850**	**82 480**
Tangible non-current assets			
Land, buildings and other property	3.1	128 309	107 992
Machinery and plant	3.1	97 972	96 558
Fixtures and fittings, tools, office equipment etc.	3.1	51 834	50 524
Total tangible non-current assets		**278 116**	**255 074**
Deferred tax assets	6.1	48 898	15 775
Other non-current assets		3 669	2 998
Total non-current assets		**478 533**	**356 327**
Current assets			
Inventories	2.3	462 384	389 128
Trade receivables	5.9	371 126	358 803
Other receivables	5.9	79 962	53 627
Cash and cash equivalents	5.8	265 554	170 433
Total current assets		**1 179 026**	**971 991**
Total assets		**1 657 559**	**1 328 318**
EQUITY AND LIABILITIES			
Equity			
Share capital	5.7	65 989	65 989
Share premium		27 253	27 253
Retained earnings and other reserves		605 109	512 582
Non-controlling interests		86	98
Total equity		**698 436**	**605 922**
Non-current liabilities			
Pension liabilities	7.2	50 327	19 985
Interest bearing liabilities to financial institutions	5.1, 5.2	230 274	111 625
Other long-term loans	5.1	6 085	5 972
Deferred tax liabilities	6.1	70 935	64 030
Provisions and other liabilities	4.1	36 098	39 017
Total non-current liabilities		**393 718**	**240 629**
Current liabilities			
Trade payables	5.10	203 949	176 775
Income tax payable	6.1	35 847	34 302
Other payables	5.10	95 653	82 889
Provisions and other liabilities	4.1, 5.1	229 954	187 801
Total current liabilities		**565 404**	**481 767**
Total liabilities		**959 122**	**722 396**
TOTAL EQUITY AND LIABILITIES		**1 657 559**	**1 328 318**

Oslo, 24 April 2019

Mikael Aro
Chairman of the Board

Gustaf Backemar
Board member

Thomas Hofvenstam
Board member

Torfinn Kildal
Board member

Arild Nysæther
Board member

Lars Ivar Røiri
Board member

Mette Smisetfoss Ødegård
Employee representative

Henny S. Eidem
Employee representative

Espen Ytterstad
Employee representative

Rune E. Marthinussen
CEO & President

Glamox - Consolidated statement of cash flows

For the years ended 31 December (NOK 1000)

Cash flows from operating activities	Notes	2018	2017
Profit before tax		270 314	302 771
Taxes paid		-82 163	-103 038
Depreciation, amortisation and impairment	3.1, 3.3	60 515	75 807
Profit from sale of assets	3.1	-	-17 539
Changes in inventory	2.3	-61 417	-19 821
Changes in accounts receivable	5.9	8 966	-60 707
Changes in accounts payable	5.10	20 466	-15 046
Changes in pension scheme assets/liabilities	7.2	4 056	-5 186
Changes defined benefit plan recognized directly in equity	7.2	-782	5 766
Net financial items		2 752	-10 034
Changes in other balance sheet items		42 302	44 218
Net cash flows from operating activities		**265 009**	**197 190**

Cash flows from investing activities			
Interests received		4 357	1 970
Proceeds from sale of tangible fixed assets		1 105	21 118
Purchase of tangible fixed assets and intangible assets	3.1, 3.3	-67 098	-46 740
Purchase of shares in subsidiaries	8.2	-93 037	-
Payment (-) / proceeds (+) on other investments		-672	-481
Net cash flow from investing activities		**-155 345**	**-24 134**

Cash flow from financing activities			
Proceeds from issuance of debt	5.2	112 680	116 620
Interests paid		-14 810	-3 885
Repayment of long-term debt	5.2	-	-120 737
Payment of dividends to shareholders	5.7	-124 059	-375 023
Net cash flow from financing activities		**-26 188**	**-383 026**

Net change in cash and cash equivalents		83 476	-209 969
Cash and cash equivalents, beginning of period		170 433	380 074
Effect of change in exchange rate		11 645	329
Cash and cash equivalents, end of period		**265 554**	**170 433**

Glamox - Consolidated statement of changes in equity

NOK 1000	Share capital	Share premium reserve	Retained earnings	Currency translation differences	Net investment hedge reserve	Total shareholders equity	Non-controlling interests	Total equity
Balance as of 31 December 2016	**65 989**	**27 253**	**607 339**	**8 552**	**-6 800**	**702 333**	**153**	**702 484**
Profit (loss) for the year			258 197			258 197	-8	258 189
Other comprehensive income			4 377	43 306	-27 365	20 319		20 319
Total comprehensive income			262 575	43 306	-27 365	278 516	-8	278 508
Changes in non-controlling interests								
Dividends			-375 024			-375 024	-47	-375 070
Balance as of 31 December 2017	**65 989**	**27 253**	**494 890**	**51 858**	**-34 165**	**605 825**	**98**	**605 922**
Profit (loss) for the year			212 656			212 656	-12	212 644
Other comprehensive income			-1 025	19 556	-14 602	3 929		3 929
Total comprehensive income			211 631	19 556	-14 602	216 585	-12	216 573
Changes in non-controlling interests								
Dividends			-124 059			-124 059		-124 059
Balance as of 31 December 2018	**65 989**	**27 253**	**582 463**	**71 414**	**-48 767**	**698 351**	**86**	**698 436**

Notes

1.1 Corporate information

Glamox AS is a company incorporated and domiciled in Norway. The registered adress is Birger Hatlebakksvei 15 in Molde. Glamox AS is a leading lighting supplier to the world's marine and offshore markets, and a significant supplier to the professional building market in Europe. The registered office is located in Molde, Norway. GLX Holding AS is the parent company with 76,16% ownership.

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

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

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

1.2 Basis of preparation

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

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

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Glamox AS and its subsidiaries as at 31 December 2018. The subsidiaries are consolidated when control is achieved, that is, when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, Glamox' presumption is that a majority of voting rights results in control. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Uniform accounting policies are applied to all group companies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1.3 Estimation uncertainty, judgments and assumptions

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

Sources of estimation uncertainty

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

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

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

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

Economic life of property, plant and equipment and intangible assets
The useful life of each item, which is assessed at least annually, is determined as the period over which the asset is expected to be available for use.

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

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

1.4 Adjusted profit and special items

	2018	2017
Total revenues	2 772 718	2 614 535
Total revenues - Adjusted	2 769 718	2 596 853
EBITDA [1]	333 580	368 543
EBITDA margin	12,0 %	14,1 %
Adjusted EBITDA [2]	425 152	392 838
Adjusted EBITDA margin	15,4 %	15,1 %
Operating profit (EBIT)	273 066	292 736
Operating profit (EBIT) margin	9,8 %	11,2 %
Adjusted Operating profit (EBIT)	364 638	336 992
Adjusted Operating profit (EBIT) margin	13,2 %	13,0 %
Special items:		
Restructuring cost	43 821	13 714
Claim cost related to one product	41 005	
IPO-process		15 642
Bonus	8 000	14 800
Profit from sale of assets		-17 682
Reversal of provision	-3 000	-3 000
Other	1 746	821
Total Special items excluding impairment of non-current assets	**91 572**	**24 295**
Adjusted EBITDA	**425 152**	**392 838**
Impairment of non-current assets		19 961
Total Special items	**91 572**	**44 256**
Adjusted Operating profit (EBIT)	**364 638**	**336 992**

[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.

2.1 Segment information

Operating segments within Glamox Group

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

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

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

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

The internal managment reporting of operating segments does not include any balance sheet items. Consequently, the overview of financial information per operating segment does not include assets and liabilites.

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

Year ended 31 December 2017	**Professional Building Solutions (PBS)**	**Global Marine & Offshore (GMO)**	**Other**	**Total**
Revenues	1 859 042	737 811	17 682	**2 614 535**
EBITDA	320 812	72 027	-24 295	**368 544**
in %	17,3 %	9,8 %		14,1 %

Other item in 2018 and 2017 refers to special items. See note 2.2, 2.4 and 2.5 for further information.

Reconciliation of profit	**2018**	**2017**
EBITDA	333 579	368 544
Depreciation and amortisation	60 515	75 807
Operating profit	**273 066**	**292 736**

Geographic information	**2018**	**2017**
Revenues from external customers		
Nordics	1 512 660	1 460 366
Europe, excl. Nordics	957 505	776 102
North America	117 441	139 493
Asia	152 159	205 887
Other	32 952	32 686
Total	**2 772 718**	**2 614 535**

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

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

2.2 Revenues from contracts with customers

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

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

Revenues from sales	**2018**	**2017**
Sale of goods	2 731 296	2 559 148
Total revenues from sales	**2 731 296**	**2 559 148**

Other operating income		
Other operating income	41 422	55 387
Total other operating income	**41 422**	**55 387**

Other operating income mainly consist of freight invoiced to customers.
In 2018, Other operating revenue includes reversal of provision of NOK 3.0 million.
In 2017, Other operating revenue includes profit from sale of assets of NOK 17.7 million.

2.3 Inventories

Inventories	**31.12.2018**	**31.12.2017**
Raw materials	209 768	189 930
Work in progress	38 666	37 089
Finished goods	213 950	162 108
Total inventories	**462 384**	**389 128**

Provision for obsolete inventories	**2018**	**2017**
At January 1	**50 348**	**43 583**
Currency effect	565	2 165
Provision used	-10 312	-8 567
Provision reversed	-3 183	-323
Additonal provision	30 404	13 490
At December 31	**67 821**	**50 348**

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 relates to the factories at Molde, Suzhou and Bremen and are mainly caused by shift from conventional products to LED products. In addition the provision for obsolesce is increased due to increased risk in some export markets. Further, provision for obsolete inventory at Küttel is included as of 31.12.2018.

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	2018	2017
Salaries	692 418	627 117
National insurance	115 295	108 272
Pension costs	35 205	32 229
Other remuneration	28 462	20 195
Bonus to all employees*	8 000	14 800
Total payroll and related costs	**879 380**	**802 614**

Average number of Full Time Employee (FTE)	1 344	1 300

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

In 2017, salaries and national insurance include items of NOK 9.4 million related to restructuring and compensation to managers and key employees for extra work in relation to the IPO process.

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

See note 7.1 for management remuneration.

2.5 Other operating expenses

Other operating expenses	2018	2017
Sales and marketing expenses	32 205	25 772
Energi and housing	49 411	48 073
Repair and maintenance	22 181	22 419
Travel and transport	49 414	44 986
Claim	24 970	13 883
Other	97 315	90 928
Bad debts	-919	1 507
Total other operating expenses	**274 578**	**247 567**

Auditor	2018	2017
Fee for statutory audit	2 822	3 005
Audit-related fees	1 409	3 876
Tax compliance services	753	920
Other fees	232	364
Total	**5 215**	**8 165**

Special items
Other operating expenses for 2018 includes items of NOK 6.9 million related to restructuring. Claim cost include NOK 14.0 million related to claim on one product family.

Other operating expenses for 2017 includes items of NOK 17.7 million related to a restructuring of a manufacturing unit and an IPO-process. Due to the sale of 75.16% of the shares in Glamox AS, the IPO was not implemented.

Audit fee:
The amounts above are excluding VAT. The audit fees in 2017 includes NOK 45 thousand related to the former parent company, Arendals Fossekompani ASA, and were subsequently reimbursed.

In 2017, audit-related fee included NOK 3.4 million related to the IPO process.

3.1 Property, plant and equipment

	Land/ Buildings	Machinery	Fixtures and Fittings	Total
Acquisition cost 31.12.2016	**249 091**	**405 454**	**175 988**	**830 533**
Additions	1 167	24 252	12 347	37 767
Disposals	-28 231	-4 086	-7 061	-39 378
Additions through acquisition of subsidiary	-	-	-	-
Reclassifications	344	-10 792	10 448	-
Currency translation effects	6 365	11 972	8 361	26 698
Acquisition cost 31.12.2017	**228 736**	**426 800**	**200 083**	**855 620**
Additions	833	25 164	15 017	41 014
Disposals	-321	-5 306	-3 045	-8 671
Additions through acquisition of subsidiary	24 408	525	828	25 760
Reclassifications	6 604	-3 889	-2 904	-188
Currency translation effects	2 657	1 179	966	4 802
Acquisition cost 31.12.2018	**262 918**	**444 474**	**210 946**	**918 337**
Accumulated depreciation and impairment 31.12.2016	**133 789**	**303 687**	**136 093**	**573 568**
Depreciation for the year	8 481	20 933	13 893	43 307
Impairment for the year	-	-	-	-
Disposals	-23 937	-3 929	-6 328	-34 194
Reclassifications	-	-	-	-
Currency translation effects	2 411	9 550	5 903	17 865
Accumulated depreciation and impairment 31.12.2017	**120 745**	**330 242**	**149 560**	**600 546**
Depreciation for the year	10 014	18 639	16 312	44 965
Impairment for the year	-	-	-	-
Disposals	-321	-4 825	-2 954	-8 100
Reclassifications	4 078	-	-4 249	-171
Currency translation effects	93	2 446	443	2 983
Accumulated depreciation and impairment 31.12.2018	**134 610**	**346 502**	**159 112**	**640 223**
Carrying amount 31.12.2017	**107 992**	**96 558**	**50 524**	**255 074**
Carrying amount 31.12.2018	**128 309**	**97 972**	**51 834**	**278 116**

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

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 2018 or 2017. 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 2018 or 2017 for property, plant and equipment.

3.2 Goodwill

	Goodwill
Acquisition cost 31.12.2016	**39 946**
Acquisitions	-
Currency translation effects	1 797
Acquisition cost 31.12.2017	**41 743**
Acquisitions	33 547
Currency translation effects	2 992
Acquisition cost 31.12.2018	**78 282**

Accumulated Impairment 31.12.2016	**-**
Impairment for the year	19 961
Currency translation effects	-
Accumulated Impairment 31.12.2017	**19 961**
Impairment for the year	-
Currency translation effects	-
Accumulated Impairment 31.12.2018	**19 961**

Carrying amount 31.12.2017	**21 783**
Carrying amount 31.12.2018	**58 321**

Carrying amount of goodwill allocated to the cash-generating units	Goodwill
PBS (Luxo)	8 687
LINKSrechts	5 432
Glamox BV	7 752
O. Küttel AG	36 450
Total goodwill - carrying amount 31.12.2018	**58 321**

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 2018 is NOK 58 321 thousand and is derived from acquiring of Luxo in 2009, Glamox B.V. in 2015, LINKSrecht in 2016 and Küttel in 2018. The recoverable amounts of the CGUs have been determined based on value-in-use calculations.

The Group performed its annual impairment test in December. In 2017 there was an impairment charge of tNOK 19 961 related to LINKSrecht. In 2018 there are no impairment loss.
For the 2018 impairment testing, the cash flows in the calculations are based on budgets for 2019 and assumption used in the strategy plan for the periode 2019 to 2022, both approved by the Group Management. Cash flows after year 2022 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 is post-tax between 7.4% and 12.9%.

Cash generating units and assessments made by management

LINKSrechts

LINKSrechts was acquired by Glamox in June 2016. The company produces and distribute advanced LED lighting system for the military marine sector all over the world. It supplies Helicoper Visual Landing Aid Systems (HVLAS), Advanced Submarine Lighting Systems (ASLS) and Advanced Naval Lighting Systems (ANLS) for naval surface ships. The main customers are military marine in differenct countries around the world. During 2018 LINKSrechts has received orders of large projects. In the impairment caluculation the terminal growth rate is assumed to be 1.0% and a WACC of 12.9% has been utilized. The sensitivity analysis show that even if revenue were reduced by 20%-p, an impairment loss would not occur.

Glamox B.V.

Glamox B.V was acquired by Glamox in January 2015. Glamox B.V has been an independent distributor of Glamox products for over 30 years. The company operates both witin the PBS and GMO segment in the Netherlands. In the impairment test calculation, the terminal growth rate is assumed to be 1.5% and a WACC of 7.4% has been utilized. The sensitivity analysis show that even if revenue were reduced by over 20%-p, an impairment loss would not occur.

PBS (Luxo)

Luxo was acquired by Glamox in 2009. Luxo was a company that developed, produced and distributed lighting products and solutions to the professional land-based lighting market. Luxo consisted of sales units and production units that where located in differenct countries. Luxo company and Glamox company in the same market/ country where merged. The CGU related to goodwill of this acqusition is the PBS division. In the impairment test calculation, the terminal growth rate is assumed to be 1.0% and a WACC of 9.3% has been utilized. The sensitivity analysis show that even if revenue were reduced by over 20%-p, an impairment loss would not occur.

O. Küttel AG

Küttel AG was aquired by Glamox in 2018. 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 31.12.2016	**6 956**	**173 230**	**180 186**
Additions	1 739	7 234	8 973
Additions through acquisition of subsidiary	-	-	-
Disposals	-	-67	-67
Currency translation effects	18	4 477	4 495
Acquisition cost 31.12.2017	**8 713**	**184 875**	**193 588**
Additions	3 270	22 814	26 084
Additions through acquisition of subsidiary*	-	16 828	16 828
Disposals	-63	-	-63
Reclassifications	-	188	-
Currency translation effects	-10	3 025	3 014
Acquisition cost 31.12.2018	**11 910**	**227 729**	**239 639**
Accumulated amortisation and impairment 31.12.2016	**1 295**	**118 352**	**119 647**
Amortisation for the year	1 859	10 680	12 539
Impairment for the year	-	-	-
Disposals	-	-67	-67
Currency translation effects	18	753	771
Accumulated amortisation and impairment 31.12.2017	**3 173**	**129 718**	**132 891**
Amortisation for the year	1 855	13 694	15 549
Impairment for the year	-	-	-
Disposals	-63	-	-63
Reclassifications	-	171	-
Currency translation effects	-6	1 568	1 562
Accumulated amortisation and impairment 31.12.2018	**4 959**	**145 151**	**150 110**
Carrying amount 31.12.2017	**5 541**	**55 156**	**60 698**
Carrying amount 31.12.2018	**6 952**	**82 578**	**89 529**

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

Capitialised product development relates 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. Net Capitalised development costs as of the year ended December 31, 2018 were NOK 6 952 thousand. The Group directly expensed NOK 35 613 thousand related to research and development activities in 2018 (2017: NOK 35 629 thousand).

Carrying amount of other intangible assets per 31.12.2018 is NOK 82 578 thousands and consist of trademarks of NOK 19 353 thousand from the acquisition of Luxo, LINKSrechts and Küttel, customer relations of NOK 20 432 thousand from the acquisition of Glamox BV, LINKSrechts and Küttel, technology of NOK 16 299 thousand from the acqusition of LINKSrechts, and the rest is related to software investments. Trademark from the aquisition of Küttel are assessed to be indefinite and therefore not amortised. Except for this, other intangible assets are amortised over 5-10 years based on the useful economic life.

* See note 8.2 Business Combinations.

As of 31 December 2018, no impairment indicators were identified.

4.1 Provisions and other liabilities

Provisions and other liabilities	31.12.2018	31.12.2017
Non-current provisions and other liabilities		
Warranties	36 098	39 017
Total non-current provisions and other liabilities	**36 098**	**39 017**
Current provisions and other liabilities		
Derivatives	853	4 920
Prepayments from customers	18 218	21 739
Restructuring/Severence payment	19 544	15 113
Provision for salaries and wages	92 848	97 816
Product claim	46 416	-
Other liabilities	52 074	48 213
Total current provisions and other liabilities	**229 954**	**187 801**

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

Accruals for restructuring and severance payment is related to discontinued metal production and outsourcing of warehouse service at the production site in Bremen, Germany.

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

Other liabilities contains accrued fee, general accrued expenses and a potential liability related to discontinued businesses.

4.2 Leasing commitments

Operating lease commitments

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**

2017 Minimum lease payments (non-cancellable operating leases)	2017 lease cost	Matures within 1 year	Matures 2-5 years	Matures more than 5 years	Total
Rent	26 891	21 601	55 550	24 060	101 210
Production equipment	201	138	216	0	354
Office equipment	1 299	906	1 698	0	2 604
Cars	15 488	13 084	18 149	0	31 233
Other	1 036	1 013	1 080	0	2 093
Total	**44 914**	**36 742**	**76 693**	**24 060**	**137 495**

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 – Forward contracts (see below))

Derivates and hedging

The Group applies hedge accounting related to its hedges of net investments in foreign subsidiaries. Loans and bank overdrafts in the same currency as the underlying investments are designated as hedging instruments. As of 31 December 2018 NOK 218.9 millions of the interest bearing liabilities have been designated as hedging instrument (2017: 100.1 MNOK). In the Group accounts, the underlying currency effects related to the hedging instruments are presented in the statement of OCI, to the extent that the hedging relationship is effective. At the end of the period, the hedging relationship is effective.

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

For further information, see note 5.5 and 10.1.

The table below shows the various financial assets and liabilities, grouped in the different categories of financial instruments according to IFRS 9.

31.12.2018	Amortised cost	Fair value through profit or loss (FVTPL)	Total
Financial assets			
Trade receivables (note 5.9)	371 126		371 126
Other receivables (note 5.9)	79 962		79 962
Cash and cash equivalents (note 5.8)	265 554		265 554
Total financial assets	**716 642**	**-**	**716 642**

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

Changes in significant accounting policies - IFRS 9 Financial instruments

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. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.
For the classification and measurement of financial liabilities, IFRS 9 largely retains the existing requirements in IAS 39.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group`s financial assets and financial liabilities as at 1 January 2018.

31.12.2017	Note	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IFRS 9
Financial assets				
Trade receivables (note 5.9)	(a)	Loans and receivables	Amortised cost	358 803
Other receivables (note 5.9)	(a)	Loans and receivables	Amortised cost	53 627
Cash and cash equivalents (note 5.8)	(a)	Loans and receivables	Amortised cost	170 433
Total financial assets				**582 863**

31.12.2017		Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IFRS 9
Financial liabilities				
Derivatives	(b)	Fair value through profit or loss	Fair value through profit or loss	4 920
Interest bearing liabilities to financial institutions (note 5.2)	(b)	Amortised cost	Amortised cost	115 625
Other long-term loans (incl. current part)	(b)	Amortised cost	Amortised cost	8 958
Trade and other payables (note 5.10)	(b)	Amortised cost	Amortised cost	176 775
Total financial liabilities				**306 279**

(a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. The effect of adopting IFRS 9 had no effect on the carrying amounts per 01.01.2018.

(b) Classification of financial liabilities are unchanged under IFRS 9. The effect of adopting IFRS 9 had no effect on the carrying amounts per 01.01.2018.

5.2 Interest bearing liabilities to financial institutions

Non-current Interest bearing loans and borrowings	Interest rate	Maturity	31.12.2018	31.12.2017
Revolving facility - utilised amount (NOK)	NIBOR + margin	2022	15 500	15 500
Revolving facility - utilised amount (EUR)	EURIBOR + margin	2022	218 863	100 125
Total non-current interest bearing loans and borrowings			**234 363**	**115 625**

Revolving facility	2018	2017
Opening balance	115 625	-
Proceeds from issuing of debt	-	116 620
Increase of utilised amount	112 680	-
Repayment	-	-
Effect of changes in foreign exchange rates	6 057	-995
Closing balance	**234 363**	**115 625**

Revolving facility

Glamox holds a revolving facility that was established in December 2017. In June 2018, the utilized amount was increased by EUR 11.8 million. In July 2018, the credit limit of the revolving facility was increased by NOK 200 million, up to NOK 1 000 million
An arrangement fee related to the financing, is booked against non-current interest bearing liablities and will be expensed over the availability period of the facility.

Covenant requirements:

Glamox' loan agreements includes the following financial covenants requirements on Group level:

- Equity ratio minimum 20%
- Net interest bearing debt (NIBD)/EBITDA (Last Twelve Months) less than 4.0

There have been no breaches in covenants in 2018 or 2017 for Glamox.

Assets pledged as security and guarantee liabilities	31.12.2018	31.12.2017
Secured balance sheet liabilities:		
Interest bearing liabilities to financial institutions	234 363	115 625
Secured pension liability	13 820	13 820
Balance sheet value of assets pledged as security for secured liabilities:		
Land, buildings and other property	41 157	46 621
Machinery and plant	45 459	43 976
Fixtures and fittings, tools, office equipment etc.	19 947	19 856
Inventories	142 595	137 543
Account receivable	208 262	224 340
Total	**457 421**	**472 336**

Glamox AS has issued a parent guarantee in relation to a credit facility of SGD 2.0 millions.
The credit facility is towards a subsidiary. The same applies for 2017.

5.3 Ageing of financial liabilities

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

31.12.2017	Less than 12 months	1 to 3 years	Over 3 years	Total
Derivatives	4 920			4 920
Interest bearing liabilities to financial institutions (note 5.2)*	2 160	4 320	119 945	126 424
Other long-term loans	2 986	5 972		8 958
Trade and other payables (note 5.10)	176 775			176 775
Totals	**186 841**	**10 292**	**119 945**	**317 078**

* 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. There were no transfers between the levels during 2018 and 2017. For related accounting policies, reference is made to note 10.1.

	Carrying amount at	Date of valuation	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities measured/disclosed at fair value							
Interest-bearing loans and borrowings	31.12.2018	31.12.2018	234 363	234 363		x	
Interest-bearing loans and borrowings	31.12.2017	31.12.2017	115 625	115 625		x	
Derivative financial liabilities	31.12.2018	31.12.2018	853	853		x	
Derivative financial liabilities	31.12.2017	31.12.2017	4 920	4 920		x	

Fair value of financial instruments

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

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

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models using present value calculations (hierarchy level 2). The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies and currency basis spreads between the respective currencies. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk. As at 31 December 2018, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on measurement of financial instruments recognised at fair value. Glamox applies input from its respective bank relations in performing the fair value calculations.

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

5.5 Financial risk management

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

Interest rate risk

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

Glamox is in a position of net interest bearing deposit. The main part of the deposit is organised in a Multi Currency Cash pool. The interest-bearing liability relates to a Revolving Credit Facility (RCF). As of 31.12.2018 it is utilised NOK 15.5 millions and EUR 22.0 millions of the RCF. The interest of the utilised amount of the RCF is payable at a rate of NIBOR/EURIBOR/LIBOR plus a margin, dependent on Glamox's NIBD/EBITDA ratio.

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

Interest rate sensitivity	Increase / decrease in basis points	Effect on profit before tax
31.12.2018	+/- 100	+ 0.3 mnok /- 2.5 mNOK
31.12.2017	+/- 100	+ 0.6 mnok /- 1.2 mNOK

Foreign currency risk

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

Glamox uses forward contracts as an economic instrument to hedge cash flow. As of 31.12.2018, the Group had forward contracts for both sale and purchase of currencies. Currency sales amounted to NOK 105 million while the currency purchase amounted to NOK 119 million based on 31.12.2018 exchange rates. The Group's forward contracts had a market value of NOK -4.4 million as of 01.01.2018 and NOK -0.8 million as of 31.12.2018.

Glamox has not applied hedge accounting in accordance with IAS39 for cash flow hedging.

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

	Equity in foreign subsidiaries		Net debt and overdraft in foreign currency	
Currency (in currency million)	31.12.2018	31.12.2017	31.12.2018	31.12.2017
EUR/DKK	43.1	48.3	44.8	42.5
SEK	113.9	94.8	106.6	87.4
GBP	0.0	0.7	0.0	0.7
CHF	15.4	0.0	15.0	0.0
SGD	6.2	6.6	6.4	7.5
CAD	3.4	2.5	3.5	3.1
USD	3.3	5.6	3.7	5.8

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 76.5 mNOK as of 31.12.2018, where equity in EUR represents 43.0 mNOK of this increase/decrease. Such changes in value would have limited impact on P/L, as they are mainly booked as translation differences against equity. Because of the hedge, the impact on equity is also limited.

Liquidity risk

Liquidity risk is the risk that Glamox will not be able to meet its financial obligations as they fall due. Glamox has a limited exposure to liquidity risk on the basis of a strong cash flow in addition to a solid balance sheet, as of 31.12.2018 the equity rate is 42.1 %. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

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

Credit risk

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

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

5.6 Capital management

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

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

In order to achieve this overall objective, the Group’s capital management, amongst other things, aims to ensure that it meets financial covenants related to the interest-bearing financial liabilities that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowing in the current period. Reference is made to note 5.2 for disclosed information regarding interest bearing liabilities and financial covenants.

	31.12.2018	**31.12.2017**
Interest bearing liabilities to financial institutions	234 363	115 625
Other long term loans (including current part)	9 128	8 958
Less: cash and bank deposit excl. restricted cash	-252 387	-153 688
Net interest bearing debt/(deposit)	**-8 896**	**-29 105**
EBITDA last 12 months	333 579	368 543
Gearing ratio	**-0,03**	**-0,08**
Total Assets	1 657 559	1 328 318
Total Equity	698 436	605 922
Equity ratio	**42 %**	**46 %**

5.7 Equity and shareholders

Share capital in Glamox AS at 31.12.2018	Number	Nominal Value	Balance Sheet
Shares	65 988 668	1	65 989
Total	**65 988 668**	**1**	**65 989**

All shares have the same voting rights.
There have been no changes in the number of shares in 2018 or 2017.

Dividends	2018	2017
Ordinary dividend paid in the period	124 059	95 024
Dividends per share in the period	1,88	1,44
Additional dividends paid in the period	-	280 000
Additional dividends per share	-	4,24

Ownership structure:

The largest shareholders in Glamox AS at 31.12.2018	Total shares	Shareholding/ Voting
GLX Holding AS C/O Triton Advisers	50 260 175	76,16 %
Fondsavanse AS	14 558 635	22,06 %
Erik Must	639 388	0,97 %
Rebecka Must	100 000	0,15 %
Jonathan Must	100 000	0,15 %
Nora Must	100 000	0,15 %
Iben Must	100 000	0,15 %
Selma Must	100 000	0,15 %
Lege Fr Arentz Legat C/O DNT Oslo og omegn	15 000	0,02 %
GINKO AS v/Eline Huitfeldt	3 266	0,00 %
Total 10 largest shareholders	**65 976 464**	**99,98 %**
Others (129 shareholders)	12 204	0,02 %
Total number of shares	**65 988 668**	**100,00 %**

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

Name	Position	Shares
Henny Eidem	Board member	14

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

5.8 Cash and cash equivalents

Cash and cash equivalents	31.12.2018	31.12.2017
Bank deposits, unrestricted	252 387	153 688
Bank deposit, restricted, employee taxes	13 167	16 745
Total cash and cash equivalents	**265 554**	**170 433**
Liquidity reserve	**1 004 655**	**838 063**

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

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

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

Restricted deposits in Glamox AS and the Group amounted to NOK 13.2 million in 2018.

5.9 Trade and other receivables

Trade and other receivables	31.12.2017	31.12.2016
Trade receivables		
Trade receivables	371 126	358 803
Total trade receivables	**371 126**	**358 803**
Other receivables		
Prepaid rent	3 203	2 519
Prepaid other expenses	10 776	10 101
Prepaid VAT	4 395	3 427
Other - Retention fees due	5 858	7 996
Withholding tax	29 387	
Other	26 344	29 584
Total other receivables	**79 962**	**53 627**

Provision for impairment of receivables	2018	2017
At January 1	**17 351**	**13 360**
Currency effect	123	758
This years loss	-1 031	-1 755
Payments received against previous losses	13	548
Provision this year	1 985	4 440
At December 31	**18 440**	**17 351**

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

Ageing analysis of trade receivables		Neither past due	Past due but not impaired			
	Total	nor impaired	< 30 days	31-60 days	61-90 days	> 90 days
2018	371 126	292 904	66 696	8 330	429	2 767
2017	358 803	283 506	62 255	12 433	610	-

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	31.12.2018	31.12.2017
Trade payables		
Trade payables	203 949	176 775
Trade payables to related parties	-	-
Total trade payables	**203 949**	**176 775**
Other payables		
Public duties payables	95 653	82 889
Total other payables	**95 653**	**82 889**

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

5.11 Financial income and expenses

Financial income and expenses	2018	2017
Financial income		
Currency gain	14 742	12 517
Interest income	4 357	1 970
Unrealised gain financial derivates	4 067	-
Realised gain financial derivates	7 096	-
Other financial income	152	21 197
Total financial income	**30 414**	**35 685**
Financial expenses		
Currency loss	15 707	14 637
Interest expenses	14 810	3 885
Unrealised loss financial derivates	-	2 902
Realised loss financial derivates	-	651
Other financial expenses	2 650	3 574
Financial expenses	**33 167**	**25 650**

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

Other financial income in 2017 includes reversal of the earn-out liability of NOK 21.2 million.

6.1 Taxes

Current income tax expense:	2018	2017
Tax payable	73 071	101 591
Reversal of provision for tax liability [1]	-	-23 384
Change deferred tax/deferred tax assets (ex. OCI effects)	-25 456	-38 948
Currency effects	-583	-3 320
Tax effect on net gain/loss on hedge of foreign subsidiaries	4 361	8 642
Tax related to previous years	6 277	
Total income tax expense	**57 669**	**44 581**
Effect of reduced tax rate (in Norway)	706	618

[1] The provision was reserved, as the tax audit in Germany was completed

Deferred tax related to items recognised in OCI during the year:		
Net gain/loss on hedge of foreign subsidiaries	-4 361	-8 642
Tax effect on remeasurements on defined benefit plans	244	1 389
Deferred tax charged to OCI	**-4 117**	**-7 253**

Total tax for the year on group level:		
Norwegian companies	31 711	9 287
Foreign companies	25 958	35 294
Total tax for the year	**57 669**	**44 581**

	31.12.2018	31.12.2017
Current tax liabilities consist of:		
Income tax payable for the year as above	73 071	101 591
- of which paid in fiscal year	-38 546	-67 289
- withholding tax	1 322	
Current tax liabilities 31.12	**35 847**	**34 302**

Deferred tax liabilities (assets):	31.12.2018	31.12.2017
Property, plant and equipment	-3 955	-8 788
Intangible assets	62 895	53 654
Other current assets	-25 249	-13 035
Liabilities	-27 622	-20 289
Net pension reserves/commitments	-45 706	-16 102
Derivates	-853	-4 920
Losses carried forward (including tax credit)	-140 759	-38 832
Untaxed profit [2]	260 248	236 018
Basis for deferred tax liabilities (assets):	**78 999**	**187 706**
Calculated deferred tax assets	**60 695**	**25 291**
- Deferred tax assets not recognised	-11 797	-9 516
Net deferred tax assets recognised in balance sheet	**48 898**	**15 775**
Deferred tax liabilities recognised in balance sheet	**70 935**	**64 030**

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

6.1 Taxes (cont.)

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

Reconciliation of income tax expense	2018	2017
Profit before taxes	**270 314**	**302 771**
Tax expense (Norway tax rate)	62 172	72 665
Permanent differences	299	-63
Effect of deferred tax asset not recognised	-2 281	-2 301
Reversal of tax liability provision		-23 384
Tax related to previous years	6 277	
Effects of changes in tax rate	706	618
Effects of foreign tax rates	-9 273	-2 954
Recognised income tax expense	**57 899**	**44 581**
Effective tax rate	**21,4 %**	**14,7 %**
Effective tax rate excluding the reversal of tax liability provision (2017)	**21,4 %**	**22,4 %**

7.1 Management remuneration

Benefits for CEO – agreements on severance pay, bonuses, etc.
The CEO is a part of a defined contribution pension scheme for salaries up to 12G (approx 1.1 mnok).
In addition, the CEO is entitled to a salary compensation of 23.95% of fixed salary for amounts exceeding 12G. The CEO also has a performance based bonus agreement.

The CEO has a performance related bonus agreement which can give up to seven months' additional salary. The financial statements of 2018 are charged with 1 269 TNOK 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	Extra compensation	Pension	Other remuneration
Rune Marthinussen - CEO	2018	3 134	1 269	-	49	178
Rune Marthinussen - CEO	2017	2 849	1 413	2 849	48	178

Remuneration to Board members		Directors' fees
Remuneration to Board members	2018	1 693
Remuneration to Board members	2017	1 176

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

7.2 Post-employment benefits

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 31.1 million in 2018 (2017: 30.6 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 62% of the net liability in the Group and Glamox AS accounts for approximately 26% of the net liability in the Group. Glamox AS has defined benefit plans for 4 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.

On Group level, 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) as at 31 December 2018. As of 31.12.2017 total net pension liabilities were NOK 20.0 million (net of the pension liability of NOK 29.9 million and reserve of NOK 9.9 million). Actuarial gains/losses recognised in the net pension liabilities amounted to NOK 1.8 million in 2018 (2017: NOK -5.8 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	Glamox AS	
Financial conditions:	**2018**	**2018**	**2017**
Mortality table	BVG 2015 GT	K2013	K2013
Discount rate	0,80 %	2,60 %	2,40 %
Expected return on plan assets	1,00 %	2,60 %	2,40 %
Salary increase	1,00 %	2,75 %	2,50 %
Pension increase	0,00 %	2,50 %	2,50 %

8.1 Interests in subsidiaries

Name of company	Office	CUR	Share Capital	Shareholding in Glamox AS	Carrying amount in Glamox AS	Group's voting ownership share
Glamox A/S	Denmark	DKK	4 900	100,0%	8 045	100,0%
Glamox AB	Sweden	SEK	600	100,0%	1 681	100,0%
Glamox Oy	Finland	EUR	100	100,0%	6 082	100,0%
Glamox Ltd.	England	GBP	4	100,0%	680	100,0%
Glamox Ireland Ltd.	Ireland	EUR	169	100,0%	1 787	100,0%
Glamox GmbH	Germany	EUR	683	25,0%	21 570	100,0%
AS Glamox HE	Estonia	EUR	166	100,0%	6 345	100,0% 5)
Glamox Aqua Signal GmbH	Germany	EUR	3 860	5,1%	6 344	100,0%
Glamox Production GmbH & Co. KG	Germany	EUR	5 845	0,0%	0	100,0%
GPG Verwaltungsgesellschaft mbH	Germany	EUR	25	0,0%	0	100,0%
Glamox B.V.	The Netherlands	EUR	18	100,0%	20 346	100,0%
LINKSrechts GmbH	Germany	EUR	27	100,0%	58 259	100,0%
Glamox Aqua Signal Corporation	USA	USD	100	100,0%	443	100,0%
Glamox Inc.	Canada	CAD	2 208	100,0%	0	100,0%
Glamox Pte Ltd.	Singapore	SGD	6 100	98,7%	23 666	98,7% 1)
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 AS	Norway	NOK	1 759	100,0%	19 039	100,0% 3)
Luxo Corporation	USA	USD	0	100,0%	0	100,0%
Glamox Brasil Iluminacao LTDA	Brazil	BRL	50	100,0%	130	100,0% 2)
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% 4)
Total carrying amount of shares in subsidiaries					**306 465**	

1) Non-controlling interests in Glamox Pte Ltd is 1.27%. Dividends paid to non-controlling interest in 2018 amounts to NOK 0.00 million (2017: NOK 0.047 million).
2) Non-controlling interests in Glamox Brasil Iluminacao LTDA owns 1 share of totally 50 000 shares, corresponding to 0.002%.
3) Glamox AS has given a group contribution to Luxo AS of NOK 770 thousand (after tax deduction) in 2018 (2017: NOK 731 thousand).
4) In 2018 Glamox AS has bought 100% of the shares in O. Küttel AG.
5) In 2018 AS Glamox HE has become a 100% direct owned subsidiary of Glamox AS.

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

8.2 Business combinations

O. Küttel AG

In 2018, Glamox AS acquired 100% of the shares of O. Küttel AG from Regent Bleuchtungsköper. The date of aquisition was 01.04.2018

Küttel is a leading Swiss provider of lighting for the professional building market in Switzerland. From the date of acquisition, Küttel has contributed CHF 16.1million (NOK 132.4 million) of revenue and CHF 0.6 million (NOK 5.1 million) of profit before interest and tax to the group's result. In the financial year 2017 the company had a revenue of CHF 21.4 million (NOK 175.9 million) and a profit before interest and tax of CHF 0.8 million (NOK 6.6 million) with accounting principal according to local Swiss gaap.

The total purchase consideration was CHF 14.75 million (NOK 119.8 million) all paid by cash.

Total transaction costs related to the acquistion was CHF 0.3 million (NOK 2.5 million), and was expensed as Other operating expenses.

Before the acquisition, Küttel reported financial figures according to local Swiss gaap. Swiss GAAP FER 16 states that a company does not have to report any pension liability from Swiss pension plans in the balance sheet, as the statutory coverage ratio of the pension foundation is guaranteed to always be 100%. However, there is a theoretical risk that the employer will have to spend more on pension premiums as the term and conditions of the affiliation contract could change. This risk trigger the defined benefit categorization of all Swiss pension plans accoring to IAS 19. Consequently, the pension plans of Küttel also has to be valued and recognised according to IAS 19.

The acquisition cost 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			33 547	33 547
Other intangible non-current assets			16 828	16 828
Deferred tax asset		3 680		3 680
Tangible non-current assets	16 823		8 938	25 761
Inventories	11 838			11 838
Trade and other receivables	39 764			39 764
Cash and cash equivalents	26 804			26 804
Total assets	**95 229**	**3 680**	**59 312**	**158 222**
Liabilities				
Deferred tax			3 607	3 607
Pension liabilities		26 287		26 287
Current liabilities	8 483			8 483
Total liabilities	**8 483**	**26 287**	**3 607**	**38 376**
Total identifiable net assets at fair value	**86 747**	**-22 606**	**55 705**	**119 846**
Purchase consideration				
Cash consideration paid				119 844
Analysis of cash flows on acquisition				
Cash consideration paid				**-119 844**
Net cash acquired with the subsidiary (included in the cash flows from investing activities)				26 804
Net cash flow on acquisition				**-93 037**

The acquired goodwill is assumed to mainly relate to positive market development, possibilities for efficiency improvements and opportunities related to strategic growth. The acquired Other intangible non-current assets relates to Trademark and Customer relationship.

If the acquisition of Küttel had occured 1 January 2018, revenues in 2018 for the Glamox Group would have been approximately CHF 5.3 million (NOK 43.6 million) higher and Profit before interest and tax would have been approximately CHF 0.5 million (NOK 4.1 million) higher.

9.1 Earnings per share

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

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

As Glamox does not have any share options or convertible preference shares as of 31 December 2018 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:

	2018	2017
Attribution of profit for the year		
Total profit for the year attributable to equity holders of the parent	212 656	258 197
Total profit for the year attributable to equity holders of the parent for basic earnings	**212 656**	**258 197**
Interest on convertible preference shares	-	-
Total profit for the year attributable to equity holders of the parent adjusted for the effect of dilution	**212 656**	**258 197**
Earnings per ordinary share attributable to shareholders:		
Weighted average number of ordinary shares outstanding used for calculation:		
Basic	65 989	65 989
Diluted	65 989	65 989
Earnings per share in NOK (basic)	**3,22**	**3,91**
Earnings per share in NOK (diluted)	**3,22**	**3,91**

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.

In 2017, former owner, Arendal Fossekompani ASA, covered the compensation to manager and key employees for extra work in relation to the sales process of the Glamox shares.

9.3 Events after the reporting period

Dividends

After the reporting date the board has proposed a dividend distribution amounting to NOK 141.1 million.
Other than this there have been no significant events subsequent to the reporting date.

.

10.1 Significant accounting policies

Revenue recognition
The IASB has issued a new standard for recognition of revenue. This has replaced IAS 18 which covers revenue from sale of goods and rendering of services and IAS 11 which covers revenue and costs from construction contracts. The new standard is based on the principle that revenue is recognized when control of a goods or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new 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 implementation date (01.01.2018) or 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. 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 obilagtion. 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 30 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
Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on 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 standard cost. The standard cost is re-calculated by year end. The effect of the re-calculations is booked through profit and loss.

Net realisable 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 IAS 39 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 determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Dividend distribution to shareholders

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

Financial instruments

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

Classification of financial instruments

Glamox' financial instruments are grouped in the following categories:

- Fair value with changes in value through profit or loss (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:

FVPL:
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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of currency derivatives are recognised in the statement of comprehensive income as financial income or financial expense. Glamox does not apply hedge accounting related to its forward currency contracts.

Hedge of net investment in foreign operations
Glamox aims to hedge its net investments in foreign subsidiaries due to the risk of fluctuations in exchange rates. The net investments consist of equity and some group internal loans. The Group uses its overdraft

facilities and long term debt in foreign currency as hedging instrument to hedge its exposure. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss. Reference is made to note 5.1 and 5.5 for more details.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated

Cash and short-term deposits

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

Fair value measurement

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

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

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

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

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

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

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

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

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

Taxes

Current income tax

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

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

Deferred tax

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

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

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

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

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 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group´s financial statements.

IFRS 9 **Financial Instruments**
The group has adopted IFRS 9 Financial Instruments from 1 January 2018. The new standard sets out requirements for classification and measurement, impairment and hedge accounting. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Financial assets shall be classified and subsequently measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income, based on both the use of the assets within the entity's business model and the nature of the cash flows. A financial asset is derecognised when expired or when the entity no longer has control of the cash flows related to the assets. Financial liabilities are classified and subsequently measured at amortised cost, except for financial liabilities (including derivatives) which are classified at fair value.

The adoption of the new standard has not any significant effects on the financial statement.

IFRS 15 **Revenue from Contracts with customers**
The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The group has adopted the new rules retrospectively with the cumulative effect of initially applying the standard recognized directly to equity at the implementation. The adoption of the new standard did not result in any adjustments to the amounts recognized in the financial statement.

10.3 Standards issued but not yet effective

The future consolidated financial statements will be affected by new and amended IFRS standards and iterpretations which have been published but are not effective as of 31 December 2018. The effect of new and amended IFRS standards and interpertations which may have a significant impact on the Group have been summarized below:

IFRS 16 **Leases** (effective for annual periods beginning on or after 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 will adopt the standard on January 1, 2019 by using the modified retrospective method. 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).

Glamox has performed an assessment of the impact on its consolidated financial statements. The impact of IFRS 16 is a recognition of a lease liability of approximately NOK 128 million, and a corresponding right of use asset of approximately NOK 128 million. In addition the presentation of expenses related to those leases will now change as IFRS 16 replaces the ordinary operating lease expense with a depreciation charge, and interest expense on lease liabilities.

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 intend to 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.

Glamox AS - Profit and loss account

NOK Thousands	Note	2018	2017
Sales revenue	2/16	1 338 630	1 302 039
Other operating revenue	2/3/16	131 297	120 941
Total revenue		**1 469 928**	**1 422 980**
Raw materials and consumables used	4	849 262	845 447
Payroll and related costs	3/5	356 849	364 236
Depreciation and amortisation	7	24 874	23 025
Other operating expenses	3/5	114 964	109 200
Operating profit/loss		**123 979**	**81 073**
Dividend and group contribution from subsidiaries	16	153 550	235 711
Interest income from other group companies		2 054	2 670
Other financial income	6	7 412	5 107
Other financial expenses	6	-31 170	-45 083
Profit/loss before tax		**255 825**	**279 479**
Tax	11	-31 940	-9 518
Profit/loss after tax		**223 884**	**269 961**
Profit/loss for the year		**223 884**	**269 961**
Allocation of profit/loss for the year			
Proposed dividends	12	141 059	124 059
Distributed additional dividends	12	0	280 000
Transfered to (+)/from (-) other equity	12	82 826	-134 098
Total allocation		**223 884**	**269 961**

Glamox AS - Statement of financial position

NOK Thousands	Note	31.12.2018	31.12.2017
ASSETS			
Intangible non-current assets			
Intangible assets	7	26 244	6 773
Total intangible non-current assets		**26 244**	**6 773**
Tangible non-current assets			
Land, buildings and other property	7/13	41 157	46 621
Machinery and plant	7/13	45 459	43 886
Fixtures and fittings, tools, office equipment etc.	7/13	19 947	19 946
Total tangible non-current assets		**106 564**	**110 453**
Deferred tax assets	11	15 526	14 224
Investments in subsidiaries	8	306 465	179 931
Loan to group companies	9/14	61 828	61 833
Other non-current assets		115	115
Total non-current assets		**516 742**	**373 329**
Current assets			
Inventories	4/13	142 595	137 543
Trade receivables	13/14	208 262	224 340
Other receivables	14	192 164	257 712
Cash and cash equivalents	14/15	124 786	71 400
Total current assets		**667 807**	**690 996**
TOTAL ASSETS		**1 184 549**	**1 064 324**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	65 989	65 989
Share premium	12	27 253	27 253
Retained earnings and other reserves	12	289 607	205 965
Total equity		**382 848**	**299 207**
Non-current liabilities			
Pension liabilities	5	14 717	16 102
Interest bearing liabilities to financial institutions	10/13	230 274	111 625
Other long-term loans		100	100
Provisions and other liabilities		16 846	16 208
Total non-current liabilities		**261 937**	**144 035**
Current liabilities			
Trade payables	14	170 576	169 105
Income tax payable	11	28 302	9 324
Public duty payable		42 928	42 882
Dividends		141 059	124 059
Other current liabilities	14	156 899	275 713
Total current liabilities		**539 763**	**621 082**
Total liabilities		**801 701**	**765 118**
TOTAL EQUITY AND LIABILITIES		**1 184 549**	**1 064 324**

Oslo, 24 April 2019

Mikael Aro Chairman of the Board	Gustaf Backemar Board member	Thomas Hofvenstam Board member	Torfinn Kildal Board member	Arild Nysæther Board member
Lars Ivar Røiri Board member	Mette Smisetfoss Ødegård Board member	Henny S. Eidem Board member	Espen Ytterstad Board member	Rune E. Marthinussen CEO & President

Glamox AS - Cash flow statement

NOK Thousands	Note	2018	2017
Cash flow from operating activities			
Profit before tax		255 825	279 479
Taxes paid		-14 278	-26 809
Profit/loss on sale and fixed assets		-	-5 205
Depreciation	7	24 874	23 024
Writedown of shares and loans to subsidiaries		-	-
Changes in inventory		-5 052	-7 722
Changes in accounts receivables		16 078	-23 250
Changes in account payables		1 471	-10 215
Changes in pension scheme assets/liabilities		-1 385	-5 908
Changes defined benefit plan recognised directly in equity		1 059	5 787
Effect of change in exchange rate		5 968	8 068
Changes in other balance sheet items		66 721	154 556
NET CASH FLOW FROM OPERATING ACTIVITIES		**351 280**	**391 805**
Cash flow from investing activities			
Proceeds from sale of tangible fixed assets		-	7 287
Purchase of tangible fixed assets and intangible assets		-40 456	-25 843
Purchase of investments in shares and joint ventures		-	-731
Purchase of shares in subsidiary		-125 764	-
Payment of loan to group-companies		5	8 813
Net cash flow from investing activities		**-166 215**	**-10 474**
Cash flow from financing activities			
Proceeds from issuance of new long-term debt		112 680	112 620
Repayment of long-term loans		-	-120 737
Payment of dividends to share holders		-124 059	-375 024
Change in transfered cash from common cash pool arrangement within the Group		-120 301	-233 696
Net cash flow from financing activities		**-131 679**	**-616 837**
Net change in cash and cash equivalents		**53 386**	**-235 506**
Cash and cash equivalents 01.01	**1/14/15**	**71 400**	**306 906**
Cash and cash equivalents 31.12	**1/15**	**124 786**	**71 400**

Notes

1. Accounting principles

Basic policies - incorporation and classification

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

The annual accounts comprise the profit and loss account, balance sheet, cash flow statement and notes and are prepared in accordance with the Accounting Act and generally accepted accounting policy in Norway (NGAAP) applicable as at 31st of December 2018.

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

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

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

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

Subsidiaries and associated companies in parent company

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

General policies

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

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

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

The company uses forward currency contracts to hedge its foreign cash flow currency risk. Glamox does apply hedge accounting related to its forward currency contracts, but choos to not account for the hedge before the hedge occures, according to NRS 18.

Accounting policy for significant account items

Revenue recognition

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

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

Charging as expenditure/grouping

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

Unusual, sporadically and significant items

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

Intangible fixed assets

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

Tangible fixed assets

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

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

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

Receivables
Receivables are entered at nominal value minus anticipated loss.

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

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

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

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

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

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

Note 2 Segment information

Sales revenue and other operating revenue divided into geographical areas		**2018**	**2017**
Nordic region	MNOK	1 069	1 018
Europe, excl. Nordic region	MNOK	283	266
North America	MNOK	23	35
Asia	MNOK	87	95
Other	MNOK	8	9
Total	**MNOK**	**1 470**	**1 423**

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

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

In 2017, Other operating revenue contains non-recurring items of 5.2 MNOK related to profit from sale of property. The accounts, Payroll and other Operating expenses includes non-recurring items of 15.6 MNOK related to an IPO process. Due to the sale of 75.16% of the Glamox shares from Arendal Fossekompani ASA to GLX Holding AS, the IPO was not implemented.

Note 4 Inventory

Inventory	**2018**	**2017**	**Change**
Raw materials	44 535	46 673	-2 138
Work in progress	11 762	12 022	-260
Manufactured goods	86 299	78 848	7 451
Total inventory	**142 595**	**137 543**	**5 052**

Provision for obsolete inventory as of 31.12.2018 NOK 14.8 million (2017: NOK 8.0 million).

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

Payroll and related costs	**2018**	**2017**
Salaries	282 771	283 284
National insurance	42 205	41 568
Pension costs	16 022	15 818
Other remuneration	7 850	8 766
Bonus to all employees *	8 000	14 800
Payroll and related costs	**356 849**	**364 236**
Average number of man-years	**438**	**448**

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

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

The CEO is a member of the defined contribution pension schemes for salary up to 12G (approx 1.1 MNOK). The company has not a contribution pension scheme related to salary that exceeds 12G. In addition, the CEO is entitled to a salary compensation of 23.95% of ordinary fixed salary that exceeds 12G. The CEO also has a performance based bonus agreement.

The CEO has a performance related bonus agreement which can give up to seven months' additional salary. The financial statements of 2018 are charged with 1 269 TNOK related to the performance related bonus agreement.

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

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

Remuneration to CEO		**Salary**	**Performance-related bonus**	**Extra compensation**	**Pension vesting**	**Other remuneration**
Rune Marthinussen - CEO	2018	3 134	1 269	-	49	178
Rune Marthinussen - CEO	2017	2 849	1 413	2 849	48	178

Remuneration to Board members		**Directors' fees**
Total remuneration	2018	1 693
Total remuneration	2017	1 176

Auditor	**2018**	**2017**
Fee for statutory audit	825	1 106
Other attestation services	1 149	3 445
Tax advisory service	175	280
Other services, beyond audit	-	
Total	**2 149**	**4 831**

In 2017, TNOK 45 of statutory audit fee was charged to the former parent company, Arendals Fossekompani ASA. Furthermore, other attestation services in 2017 included NOK 3.4 million related to the IPO process.

Pensions and pension obligations

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

The AFP scheme is recognised as a defined contribution plan.

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

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

Pension expenses	**2018**	**2017**
Current value of this years pension accrual	0	0
Interest cost of pension commitments	368	583
Defined contribution pension scheme	15 654	15 235
Net pension expenses / (income)	**16 022**	**15 818**

Reconciliation of pension scheme's financed against sum in balance sheet:	**31.12.18**	**31.12.17**
Calculated pension commitments	-20 198	-21 583
Pension reserves	5 481	5 481
Net pension liabilities	**-14 717**	**-16 102**

Financial conditions:	**2018**	**2017**
Discount rate	2,60 %	2,40 %
Anticipated pension increase	2,50 %	2,25 %
Anticipated change in national insurance base rate	2,50 %	2,25 %

Standard conditions used in the insurance industry form the basis of the actuarial preconditions for demographic factors and retirement. The discount rate as of 31.12.2018 is based on the rate of norwegian corporate bonds. (Obligasjoner med fortrinnsrett -OMF)

Note 6 Specification of financial items

	2018	**2017**
Other financial income	7 412	5 107
Other financial expenses	-31 170	-45 083
Total other financial items	**-23 758**	**-39 975**

Of which:		
Currency effect	-12 688	-35 958

Note 7 Tangible fixed assets and intangible fixed assets

	Land / buildings	Machinery	Fixtures and Fittings	Total
Acquisition costs 31.12.2017	103 877	249 163	62 807	415 847
Additions	-	13 543	4 224	17 767
Reclassification	-	-2 408	2 408	0
Disposals	-	-1 884	-1 072	-2 956
Acquisition costs 31.12.2018	**103 877**	**258 413**	**68 368**	**430 658**
Accumulated depreciation 31.12.2017	57 257	205 186	42 951	305 394
This years depreciation	5 463	9 583	6 609	21 655
Reversed acc. depreciation and write down due to disposal	-	-1 815	-1 139	-2 955
Accumulated depreciation 31.12.2018	**62 720**	**212 954**	**48 421**	**324 095**
Balance sheet value at 31.12.2018	**41 157**	**45 459**	**19 947**	**106 564**
Financial life	Up to 20 yrs.	Up to 10 yrs.	Up to 10 yrs.	
Depreciation plan	Straight-line	Straight-line	Straight-line	

Further the parent company has lease agreements on operating equipment and office facilities. These lease agreements are regarded as operational leasing and annual lease payment in 2018 amounted to 10.9 MNOK. The majority of the leasing contracts have a lease period of 3-5 years, while office facilities have a lease period up to 10 years.

	Product developement	Other intangible assets*	Total
Acquisition costs 31.12.2017	19	96 326	96 345
Additions	-	22 689	22 689
Disposals	-19	-	-19
Acquisition costs 31.12.2018	**0**	**119 015**	**119 015**
Accumulated depreciation 31.12.2017	19	89 553	89 571
This years depreciation	-	3 218	3 218
Reversed acc. depreciation and write down due to disposal	-19	-	-19
Accumulated depreciation 31.12.2018	**0**	**92 771**	**92 771**
Balance sheet value at 31.12.2018	**0**	**26 244**	**26 244**
Financial life	3 to 5 yrs.	5 to 10 yrs.	
Depreciation plan	Straight-line	Straight-line	

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

Note 8 Subsidiaries

Name of company	Office	Currency	Share capital	Shareholding in Glamox AS	Book value in Glamox AS TNOK	Group's vouting ownership share
Glamox A/S	Denmark	DKK	4 900	100,0%	8 045	100,0%
Glamox AB	Sweden	SEK	600	100,0%	1 681	100,0%
Glamox Oy	Finland	EUR	100	100,0%	6 082	100,0%
Glamox Ltd.	England	GBP	4	100,0%	680	100,0%
Glamox Ireland Ltd.	Ireland	EUR	169	100,0%	1 787	100,0%
Glamox GmbH	Germany	EUR	683	25,0%	21 570	100,0%
AS Glamox HE	Estonia	EUR	166	100,0%	6 345	100,0% 5)
Glamox Aqua Signal GmbH	Germany	EUR	3 860	5,1%	6 344	100,0%
Glamox Production GmbH & Co. KG	Germany	EUR	5 845	0,0%	0	100,0%
GPG Verwaltungsgesellschaft mbH	Germany	EUR	25	0,0%	0	100,0%
Glamox B.V.	The Netherlands	EUR	18	100,0%	20 346	100,0%
LINKSrechts GmbH	Germany	EUR	27	100,0%	58 259	100,0%
Glamox Aqua Signal Corporation	US	USD	100	100,0%	443	100,0%
Glamox Canada Inc.	Canada	CAD	2 208	100,0%	0	100,0%
Glamox Far East Pte Ltd.	Singapore	SGD	6 100	98,7%	23 666	98,7% 1)
Glamox (Suzhou) Lighting Co. Ltd	China	CNY	20 388	100,0%	4 050	100,0%
Suzhou Glamox Trade Co. Ltd	China	CNY	500	0,0%	0	100,0%
Glamox Korea Co. Ltd.	South Korea	KRW	775 020	100,0%	4 483	100,0%
Luxo AS	Norway	NOK	1 759	100,0%	19 039	100,0% 3)
Luxo Corporation	US	USD	0	100,0%	0	100,0%
Glamox Brasil Iluminacao LTDA	Brazil	BRL	50	100,0%	130	100,0% 2)
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% 4)
Total book value of shares in subsidiaries					**306 465**	

1) Minority interests in Glamox Far East Pte Ltd is 1,27%.
2) Minority interests in Glamox Brasil Iluminacao LTDA owns 1 share of totally 50.000 shares, corresponding to 0,002%.
3) Glamox AS has given a group contribution to Luxo AS of NOK 770 thousand (after tax deduction) in 2018 (2017: NOK 731 thousand). This is entered as investment in subsidiaries in the financial accounts of the parent company.
4) In 2018 Glamox AS has bought 100% of the shares in O. Küttel AG.
5) In 2018 AS Glamox HE has become a 100% direct owned subsidiary of Glamox AS.

Note 9 Receivables due for payment later than one year

Balance sheet value of receivables due for payment later than one year:	31.12.2018	31.12.2017
Receivables, Group Companies	61 828	60 294
Other long term receivables	-	
Total	**61 828**	**60 294**

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

	31.12.2018	31.12.2017
Liabilities to financial institutions	0	0

Note 11 Tax

	2018	2017
Tax payable calculated as follows:		
Ordinary profit before tax	255 825	279 479
Permanent differences	-147 120	-242 397
Change in temporary differences	8 538	-956
Change defined benefit plan recognised directly against equity	1 059	5 787
Basis for tax payable	**118 302**	**41 913**
Tax rate	23 %	24 %
Tax payable on profit for the year	**27 209**	**10 059**
Tax for the year is calculated as follows		
Tax payable on profit for the year	27 209	10 059
Change deferred tax/deferred tax assets in balance sheet	-1 302	848
Change in deferred tax booked directly against equity	-244	-1 389
Additional tax related to earlier years	6 277	0
Total tax for the year	**31 940**	**9 518**
Effect of changed tax rate	706	618
Current tax liabilities consist of:		
Tax payable for the year as above	27 209	10 059
- tax on group contribution from subsidiaries	-230	-231
- withholding tax	1 322	-504
Current tax liabilities 31.12	**28 302**	**9 324**

Specification of basis for deferred tax:	**31.12.2018**	**31.12.2017**
Offsetting differences:		
Fixed assets	-20 056	-17 310
Other current assets	-10 968	-8 350
Liabilities	-24 833	-20 083
Net pension reserves/commitments	-14 717	-16 102
Gross basis for deferred tax	**-70 573**	**-61 845**
Net deferred tax assets posted in balance	**15 526**	**14 224**

The Group Management and Board does a continuous evaluation of the amount they consider to be secured to book in the companies' balance sheet, based on the expected future income and realistic tax adaptation. Based on these evaluations, 15.5 MNOK have been booked as deferred tax assets in the balance sheet.

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

Note 12 Equity and sharesholders

	Share capital	Other reserves	Other equity	Total
Equity 31.12.2017	**65 989**	**27 253**	**205 965**	**299 207**
Change in equity for the year:				
Profit for the year			223 884	223 884
Proposed dividends			-141 059	-141 059
Pension actuarial gain/loss recognized in equity			1 059	1 059
Tax on pension actuarial gain/loss recognized in equity			-244	-244
Equity 31.12.2018	**65 989**	**27 253**	**289 607**	**382 848**

Share capital and shareholder information:

Share capital in Glamox AS at 31.12.2018 consist of:	**Number**	**Nominal Value**	**Balance Sheet**
Shares	65 988 668	1	65 989
Total	**65 988 668**	**1**	65 989

All shares have the same voting rights.

Ownership structure:

The largest shareholders in Glamox AS at 31.12.2018 were:	**Total shares**	**Shareholding/ Voting**
GLX Holding AS C/O Triton Advisers	50 260 175	76,16 %
Fondsavanse AS	14 558 635	22,06 %
Erik Must	639 388	0,97 %
Rebecka Must	100 000	0,15 %
Jonathan Must	100 000	0,15 %
Nora Must	100 000	0,15 %
Iben Must	100 000	0,15 %
Selma Must	100 000	0,15 %
Lege Fr Arentz Legat C/O DNT Oslo og omegn	15 000	0,02 %
Eva Marie Mittet	3 266	0,00 %
Total 10 largest shareholders	**65 976 464**	**99,98 %**
Others (129 shareholders)	12 204	0,02 %
Total number of shares	**65 988 668**	**100,00 %**

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

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

Note 13 Assets pledged as security and guarantee liabilities

	31.12.2018	31.12.2017
Secured balance sheet liabilities		
Liabilities to financial institutions*	234 363	115 625
Secured pension liability	13 820	13 820
Balance sheet value of assets pledged as security for secured liabilities:		
Land, buildings etc.	41 157	46 621
Machinery and plant	45 459	43 976
Fixture and fittings	19 947	19 856
Inventory	142 595	137 543
Accounts receivable	208 262	224 340
Total	**457 421**	**472 336**

*Glamox holds a revolving facility. In June 2018, the utilized amount was increased by EUR 11.8 million (approximately NOK 112.7 million). In July 2018, the credit limit of the revolving facility was increased by NOK 200 million, up to NOK 1 000 million. An arrangement fee related to the financing, is booked against non-current interest bearing liablities and will be expensed over the availability period of the facility.

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

The company has issued a parent guarantee in relation to a credit facility of SGD 2.0 millions. The credit facility is towards a subsidiary. The same applies for 2017.

Note 14 Outstanding accounts against Group companies

	31.12.2018	31.12.2017
Account receivables on Group companies	88 384	94 265
Short term receivables on Group companies	153 096	236 571
Loans to Group companies	61 828	61 833
Total receivables on Group companies	**303 308**	**392 670**
Account payables to Group companies	61 216	66 890
Other short term liabilities to Group companies	60 303	180 566
Total payables to Group companies	**120 519**	**247 456**

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

Of other short term liabilities to Group companies amounted to 60.3 MNOK (180.6 MNOK in 2017) is 59.3 MNOK (179.6 MNOK in 2017) the subsidiaries share of the parent's cash deposit.

Note 15 Cash etc.

	31.12.2018	31.12.2017
Liquidity reserve	877 256	739 030

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

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

Locked-up deposits in Glamox AS amounted to 13.2 MNOK.

Note 16 Related parties for parent company and Group

Related parties are Group companies, major shareholders, board and senior management in the parent company and the group subsidiaries. Agreements on remuneration for Management appear in note 5.

Transactions between Glamox AS and other group companies

	2018	2017
Sales revenue	429 180	429 337
Services	95 317	82 916
Interest income	2 054	2 781
Dividend from subsidiaries	153 550	235 711
Cost of Goods	376 376	381 768
Group contribution paid	999	962

In 2017, Arendal Fossekompani ASA covered the compensation to managers and key employees for extra work in relation to the sales process of the Glamox shares. Except from this, there has been no transactions between related parties (outside the Group) for the relevant financial year, 2018 and 2017.

Note 17 Financial market risk

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

a) Interest risk and control

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

Underlying loan agreements is used to manage the interest risk.

b) Currency risk and control

Operational cash flow (transaction risk)

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

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

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

As at 31.12.2018, Glamox had forward contracts for both sale and purchase of currencies. Currency sales amounted to 105 MNOK while the currency purchase amounted to 119 MNOK based on 31.12.2018 exchange rates.

Forward contracts that are not recognized in the balance sheet, had a market value of -4.9 MNOK as of 01.01.2018 and -0.6 MNOK as of 31.12.2018.

KPMG AS

Telephone
Fax
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Glamox AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Glamox AS (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Glamox AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss, the consolidated statement of changes in equity and the consolidated 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 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 26 April 2019
KPMG AS

Lone Brith Frogner

Lone Brith Frogner
State Authorised Public Accountant

Key figures

			2018	2017	2016	2016	2015	2014
	Sales / Profit		IFRS	IFRS	IFRS	NGAAP	NGAAP	NGAAP
1.	Total income	MNOK	2772.7	2614.5	2508.6	2508.6	2498.4	2221.5
2.	Operating profit/loss	MNOK	273.1	292.7	267.8	263.1	298.5	259.6
3.	Profit/loss before tax	MNOK	270.3	302.8	255.8	251.5	293.1	264.9
4.	Profit/loss after tax	MNOK	212.6	258.2	194.9	191.1	214.4	193.9
	Profitability							
5.	Operating margin	%	9.8	11.2	10.7	10.5	11.9	11.7
6.	Gross profit margin	%	9.7	11.6	10.2	10.0	11.7	11.9
7.	Gross profit margin	%	7.7	9.9	7.8	7.6	8.6	8.7
8.	Total profitability	%	20.3	23.6	20.4	20.1	25.9	22.2
9.	Return on equity	%	32.6	39.5	31.9	34.2	47.5	38.0
	Capital / Liquidity							
10.	Current ratio		2.1	2.0	2.0	2.0	1.9	1.9
11.	Cash flow	MNOK	248.7	275.5	258.5	258.1	289.7	236.5
12.	Cash flow from activities	MNOK	109.7	173.1	235.7	199.6	188.2	172.3
13.	Equity	MNOK	698.4	605.9	702.5	599.8	518.7	384.9
14.	Equity ratio	%	42.1	45.6	48.2	41.5	39.1	34.4
15.	Investments	MNOK	67.1	46.7	54.1	50.6	44.4	36.8
	Share-related key figures							
16.	Earnings per share	NOK	3.22	3.91	2.95	2.90	3.25	2.94
17.	Cash flow per share	NOK	3.77	4.18	3.92	3.91	4.39	3.58
18.	Book equity per share	NOK	10.58	9.18	10.65	9.09	7.86	5.83

Definition of key figures

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

Professional Building Solutions

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

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

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

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

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

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

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

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

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

USA
Luxo Corporation
Albany, New York
Tel +1 914 345 0067
office@luxous.com

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

Global Marine & Offshore

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

Germany
Glamox Aqua Signal GmbH
Bremen
Tel +49 421 36 93 52-0
sales.aquasignal@glamox.com

LINKSrechts GmbH
Seevetal
Tel +49 (0) 4105 580 59 0
info@LINKSrechts

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

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

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

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

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

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

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

Sourcing, Production and Logistics

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

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

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

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

Germany
Glamox Production GmbH & Co KG
Bremen / Teterow
Tel +49 399 6142 0

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

Photo: Hannah Hodson from Willmott Dixon

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

Tel. +47 22 02 11 00

info@glamox.com
www.glamox.com

AR2018101E