# Annual report 2017

# 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. 1300 employees within sales and production in several European countries, as well as Asia, North and South America. The annual turnover is NOK 2,6 billion. The Group owns a range of quality lighting brands including Glamox, Aqua Signal, Luxo, Norselight and LINKSrechts. Glamox is committed to meeting customer needs and expectations by providing quality products and solutions, service and support.


# Main points

- The investment firm Triton acquired 75.16% of the shares in Glamox AS on the 11th December from Arendals Fossekompani ASA
- The Must family has been a significant shareholder in Glamox since 1982 and continues its long term ownership in the company of 24.69%, via its investment company Fondsavanse and related parties, alongside the new majority owner
- Order intake reached NOK 2,653m (NOK 2,623m), an increase of 1.1%
- Turnover reached NOK 2,615m (NOK 2,509m), an increase of 4.2%
- Operating result/margin of NOK 292.7m/11.2% compared with NOK 267.8m/10.7% in 2016
- Net income after taxes of NOK 258.2m (NOK 194.9m)
- The operating result in 2017 was charged with NOK 24.3m as net special items and NOK 20m as impairment loss. Last year included NOK 16.7m as net special items
- Positive operating cash flow of 197.2m compared with NOK 319.0m the previous year
- Continued growth in sales of LED products
- Proposed ordinary dividend of NOK 1.88 per share

# Key figures

| | | 2017 | 2016 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| | | IFRS | IFRS | NGAAP | NGAAP | NGAAP | NGAAP |
| Total revenue | MNOK | 2 614.5 | 2 508.6 | 2 508.6 | 2 498.4 | 2 221.5 | 1 997.0 |
| Operating profit | MNOK | 292.7 | 267.8 | 263.1 | 298.5 | 259.6 | 202.6 |
| Profit before tax | MNOK | 302.8 | 255.8 | 251.5 | 293.1 | 264.9 | 208.1 |
| Profit after tax | MNOK | 258.2 | 194.9 | 191.1 | 214.4 | 193.9 | 148.5 |
| Cash flow from operations | MNOK | 173.1 | 235.7 | 199.6 | 188.2 | 172.3 | 168.0 |
| Total profitability | % | 23.6 | 20.4 | 20.1 | 25.9 | 22.2 | 16.6 |
| Equity ratio | % | 45.6 | 48.2 | 41.5 | 39.1 | 34.4 | 45.4 |
| Earnings per share | NOK | 3.91 | 2.95 | 2.90 | 3.25 | 2.94 | 2.25 |

# 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

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

NORSElight

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

LUXO

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

LINKS rechts

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

## 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.

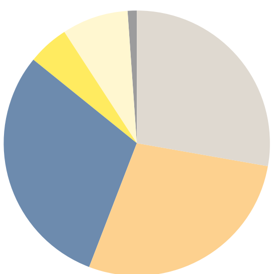
### Cooperation
We team up with customers and colleagues to find the best solutions.

### 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.

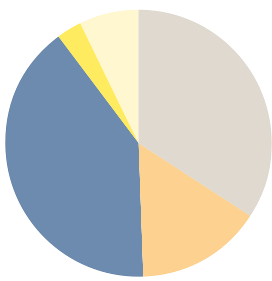
### Ethics
We treat customers, colleagues, suppliers and all others with respect and dignity. We respect laws and regulations, and take pride in our consideration for the environment.

## Revenues by market: 2 615 MNOK



28 % Norway
28 % Nordic Region ex. Norway
30 % Europe ex. Nordic Region
5 % North-America
8 % Asia
1 % Others

## Man-years (average) by market: 1 300



34 % Norway
15 % Nordic Region ex. Norway
40 % Europe ex. Nordic Region
3 % North-America
7 % Asia

# 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 land-based lighting. The division offers the market total solutions within several lighting concepts 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

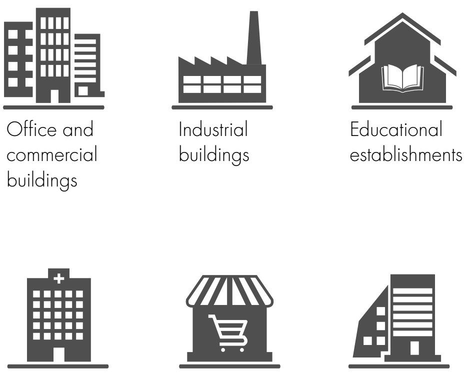
**Business Development, Group IT and Digitalisation**
Håkon Helmersen
Director

| **Professional Building Solutions (PBS)**<br>Knut Rusten<br>Senior Vice President | **Global Marine & Offshore (GMO)**<br>Jan Berner<br>Senior Vice President | **Sourcing, Production and Logistics (SPL)**<br>Meelis Peterson<br>Senior Vice President |
|---|---|---|
| **Norway**<br>Glamox AS BU Norway | **Norway**<br>Glamox AS BU Glamox International | **Norway**<br>Glamox AS BU Production Molde |
| **Sweden**<br>Glamox AB BU Sweden | **Germany**<br>Glamox Aqua Signal GmbH | **Norway**<br>Glamox AS BU Production Kirkenær |
| **Denmark**<br>Glamox A/S | **Germany**<br>LINKSrechts GmbH | **Sweden**<br>Glamox AB BU Production Sweden |
| **Finland**<br>Glamox OY | **The Netherlands**<br>Glamox B.V. | **Estonia**<br>AS Glamox BU Production Estonia |
| **The Baltic area**<br>AS Glamox BU Estonia | **USA**<br>Glamox Aqua Signal Corporation | **Germany**<br>Glamox Production GmbH & Co KG |
| **Germany**<br>Glamox GmbH | **Canada**<br>Glamox Inc. | **China**<br>Glamox (Suzhou) Lighting Co. Ltd. |
| **United Kingdom**<br>Glamox Ltd | **China**<br>Glamox Trading Co.Ltd. | |
| **Ireland**<br>Glamox Ireland Ltd | **Singapore**<br>Glamox PTE. Ltd | |
| **The Netherlands**<br>Glamox B.V. | **South-Korea**<br>Glamox Co. Ltd. | |
| **USA**<br>Luxo Corporation | **Brazil**<br>Glamox Brasil Iluminacao LTDA | |
| **Switzerland**<br>O. Küttel AG | | |

# Main points from the divisions

## Professional Building Solutions (PBS)

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



Office and commercial buildings

Industrial buildings

Educational establishments

Health institutions

Retail and shopping centers

Hotels and restaurants

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

PBS develops and sells lighting solutions for land-based 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. We are also operating in the Middle East and Australia in collaboration with distributors. In several of PBS’ markets, electric heaters are also marketed and sold under the brand name Glamox Heating and produced by Adax AS.

LUX AWARDS 2017 COMMENDED

PBS has two strong brands: Glamox and Luxo.

PBS has expanded its product range and geographical representation in recent years through acquisitions and product development. The Division offers a wide range within decorative general lighting and industrial lighting, special fittings adapted to all the market segments we operate in, plus arm-based tasks lights and illuminated magnifiers. Because of the strong focus within the market on a change in technology to LED, we have focused more and increased our skills base within the use of LED-technology, to the extent where we now exclusively offer LED-based products within all market segments and areas of use. PBS is taking system responsibility also for Light Management System (LMS)-solutions. This includes luminaires, LMS-components and services such as commissioning.

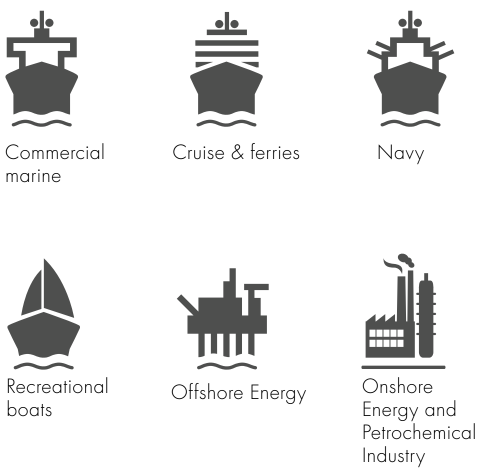
PBS has its own sales companies in Norway, Denmark, Sweden, Finland, Estonia, Great Britain, Ireland, Germany, the Netherlands and the United States. We are represented through distributors in the other markets. The main market segments are office and commercial buildings, industrial buildings, educational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

In 2017, PBS has total revenues of NOK 1,859m compared to NOK 1,707m in 2016, a growth of 8.9%. At year-end 2017, the number of man-labour years in PBS was 296, of which 66% 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.




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

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

The division is represented on all continents through its own sales companies, agents and distributors. The division has sales units

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

GMO delivers a wide range of 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 and ferries, navy, recreational boats, offshore energy, onshore energy and petrochemical industry market segments.

The division is the global leader in the commercial marine sector. GMO also holds a strong position within the 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 2017 GMO had total revenues of NOK 738m compared with NOK 802m in 2016, a decrease of 8.0%. At year-end 2017, the number of man-labour years in GMO was 178, of which 84% 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 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. Its prime objective is to serve the sales units and their customers with competitive products, good delivery capability, high quality and good technical support.

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

four product brands in the Glamox Group: Aqua Signal, Glamox, 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 2017, the number of man-labour years in Sourcing, Production and Logistics was 780, of which 63% were employed in businesses outside Norway.

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## Main points and key figures

- The investment firm Triton acquired 75.16% of the shares in Glamox AS on the 11th December from Arendals Fossekompani ASA
- The Must family has been a significant shareholder in Glamox since 1982 and continues its long term ownership in the company of 24.69%, via its investment company Fondsavanse and related parties, alongside the new majority owner
- Order intake reached NOK 2,653m (NOK 2,623m), an increase of 1.1%
- Turnover reached NOK 2,615m (NOK 2,509m), an increase of 4.2%
- Operating result/margin of NOK 292.7m/11.2% compared with NOK 267.8m/10.7% in 2016
- Net income after taxes of NOK 258.2m (NOK 194.9m)
- The operating result in 2017 was charged with NOK 24.3m as net special items and NOK 20m as impairment loss. Last year included NOK 16.7m as net special items
- Positive operating cash flow of 197.2m compared with NOK 319.0m the previous year
- Continued growth in sales of LED products
- Proposed ordinary dividend of NOK 1.88 per share

Glamox is a Norwegian industrial group that develops, manufactures and distributes professional lighting solutions for the global market. Glamox operates in several European countries, as well as in Asia, USA, Canada and Brazil. The Group is organised with Glamox AS as parent company. The head office is in Oslo.

In 2017, Glamox had order intake of NOK 2,653m compared to NOK 2,623m in 2016, an increase of 1.1%. Revenues were NOK 2,615m compared to NOK 2,509m in 2016, an increase of 4.2%.

Market development within the land-based division (Professional Building Solutions) was governed by activities within new-build, modernisation and commercial building. Most of this division's main markets showed growth in 2017. This continues to be primarily due to the transfer to higher value LED lighting solutions and underlying economic growth. Market trends within the maritime and offshore-related division (Global Marine & Offshore) 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 compared with 2016. The difficult market situation in these market segments has been partially relieved by the building of special purpose ships and LNG carriers, chemical tankers and RoRo vessels with a proportion of LED solutions included, which gives higher value to the light packages.

In terms of comparable operations, the Group experienced a currency-neutral increase in turnover of 5.4%. The main reason was strong growth in most countries in Northern Europe. 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 2017. Sales of LED – based products continued to grow in 2017.

In 2017, 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 292.7m compared to NOK 267.8m in 2016. Operating margin was 11.2% compared to 10.7% in 2016. The increase in operating result of 9.3% is primarily due to an increase in turnover and higher contribution margin. The accounts in 2017 were charged with NOK 24.3m in net special items, compared to NOK 16.7m in 2016. The  net special items in 2017 include profit from sales of real estate and minor product rights (NOK 17.5m) as well as cost related to IPO process and restructuring within the business (NOK 27.0m) and an extraordinary bonus for all employees (NOK 14.8m). In addition the operating result in 2017 was charged with NOK 20.0m in impairment loss related to previous acquisition.

Adjusted for the net special items and the impairment the Group's operating result was NOK 337.0m compared to NOK 284.5m in 2016. Adjusted operating margin was 13.0% compared to 11.3% in 2016.

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The Group had net financial income of NOK 10.0m in 2017 compared to net financial costs of NOK 12.0m in 2016. The change in net financial income is mainly explained by the reversal of earn-out accruals on previous acquisition.

The net income before taxes was NOK 302.8m, compared with NOK 255.8m the previous year. Profit after tax was NOK 258.2m compared to NOK 194.9m the previous year.

As of 31.12.2017, the Group has a tax deficit for carrying forward of NOK 39m (NOK 33m), and an untaxed profit of NOK 236m (NOK 368m).

Due to an additional dividend payment of NOK 280m, the Group generated negative cash flow in 2017 of minus NOK 210m, compared with NOK 116.9m in 2016. Total dividends paid out in 2017 were NOK 375m. Cash flow from operations was NOK 197.2m, compared with NOK 319.0m in 2016. The decrease in cash flow from operations is mainly due to increased working capital and increased taxes paid on previously untaxed profit. Investments in tangible fixed assets and intangible assets totalled NOK 46.7m in 2017 compared to NOK 54.1m in 2016.

Turnover in the parent company Glamox AS was NOK 1,423m, compared to NOK 1,379m in 2016. Operating result was NOK 81.1m compared to NOK 70.8m in 2016. The increase in the operating result is mainly due to higher turnover. Net income before tax was NOK 279.5m, compared to NOK 417.8m in 2016. The decrease in net income before tax is primarily due to lower dividend from subsidiaries and an increase in net financial expenses. 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 2017 despite difficult markets within some of the main market segments. Adjusted for net special items and impairment losses the Group's operating result for 2017 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 14.8m.

The extraordinary bonus to all Group employees is recognized in full in the 2017 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 2017.

## Capital and liquidity

The closing balance as at 31.12.2017 was NOK 1,328m, compared with NOK

1,456m as at 31.12.2016.

At the turn of the year, the Group's equity capital was NOK 606m. The equity ratio was 45.6% (48.2%). Glamox AS had equity capital of NOK 299m and an equity ratio of 28.1% (30.4%).

At the turn of the year, the liquidity reserve for the Group amounted to NOK 838m, compared with NOK 538m the previous year.

The Group has net interest-bearing deposits of NOK 29m as of 31.12.2017 compared to NOK 247m as of 31.12.2016.

The Board believes the company's equity and liquidity as of 31.12.2017 to be satisfactory, including after provision for a dividend of NOK 1.88 per share, corresponding to total dividend distribution of NOK 124.1m.

The accounts were prepared based on the assumption of continued operations.


## 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 responsible for providing lighting solutions for the onshore market. PBS achieved an order intake of NOK 1 866m (NOK 1 794m) in 2017, an increase of 4.0 % compared to 2016. In the same period, turnover was NOK 1 859m (NOK 1 707m), an increase of 8.9 % from 2016. The business area achieved an EBITDA result in 2017 of NOK 320.8m (17.3%) compared to NOK 237.7m (13.9%) in 2016. 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 Central- and Northern-Europe, as well as USA for arm-based table lamps and magnifiers. Most of the important markets have seen growth in 2017. The growth in order intake and revenue for PBS has been higher than the market growth, 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 778m (NOK 822m), a decrease of 5.4 %. In the same period, turnover was NOK 738m (NOK 802m), a decrease of 8.0 %. The EBITDA result in 2017 was NOK 72.0m (9.8%) compared to NOK 94.8m (11.8%) in 2016. The decrease in turnover is the main reason for the decline in profitability.

The decrease in order intake and revenues is the result of weak markets within both segments – offshore energy and commercial marine. In the last few years there have been very low levels of investments in and new-orders for offshore rigs and platforms.

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Orders for new merchant ships have also been low in recent years, but in 2017 the number of new-building ordering increased significantly compared to the historical low 2016 levels. The difficult market situation has been partially relieved by the building of ships and vessels with a proportion of LED solutions included, which gives higher value to the light packages. The division has almost completed the deliveries to the Johan Sverdrup project during 2017. All deliveries to the project have been LED solutions.
The biggest drop in new orders has been for the yards in Korea, China and Singapore. However, GMO has achieved an increase in deliveries to yards and other customer in Europe compared to 2016.

**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. It operates production units at six different sites in Europe and one in China. Two of the European sites are in Norway, two in Germany, one in Sweden and one in Estonia. SPL sells its products via the two sales divisions GMO and PBS.

Price pressure on the Group's products is heavy, and to maintain our 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.

During 2016, the division cut its workforce and adapted production capacity at its plants in Norway and Germany. This was in response to the drop-in demand for products from offshore energy and commercial marine market segments.
The lower demand from offshore energy and commercial marine segments has continued in 2017, and the capacity adjustment is sustained through 2017.

## Triton new majority owner of the Glamox Group

On the 11th December 2017 Triton acquired 75.16% of the shares of Glamox AS, being the parent company of the Glamox Group.

Triton is an investment firm investing in medium-sized businesses in Austria, Belgium, Denmark, Finland, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden and Switzerland. Triton focus on companies with the potential to create sustainable, long-term value through changing economic cycles and work closely with management to achieve that.

The Must family has been a significant shareholder in Glamox since 1982 and continues its long term ownership in the company of 24.69%, via its investment company Fondsavanse and related parties, alongside the majority owner.

## Glamox and the external environment

As part of the Group's business concept, Glamox positions itself as an environmentally friendly company through systematic and long-term efforts.

The Group's production units at Molde, Kirkenær, Sweden and Estonia are certified in accordance with EN ISO 14001.

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.

## Human resources and working environment

The number of full time employees (FTE) was 1,282 as of 31.12.2017, compared to 1,277 the previous year. At year-end, the number of full time employees in Glamox AS was 446, compared to 449 in 2016.

The working environment in the Group units is satisfactory, and there is good collaboration with employee representatives.

Absenteeism due to illness at Glamox AS was 5.7% in 2017, compared to 4.9% in 2016. Sick leave in the Group's other units is lower overall than in the Norwegian units.

Two accidents were reported in Glamox AS in 2017 that led to days of absence, compared to three in 2016. This gave an accident ratio (H-value) of 2.6 accidents per 1 million worked hours compared to 3.9 in 2016. The Group has the ambition that this ratio is zero and focus on a safe working environment is a continuous process.

## Report on gender equality

At the turn of the year, the number of employees in Glamox AS was 481 (508). The percentage of women was 36% (35%). There were 45% (43%) women among operators. The percentage of women in white collar jobs was 26% (25%) and the number in management positions with personnel responsibility was 22% (21%).

Company 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.

The percentage of women among board members elected by shareholders was 0%. The percentage of women among board members elected by employees was 67%.

## Efforts to advance the purpose and intention of the anti-discrimination act and anti-discrimination and accessibility act

At present, Glamox AS has employees originating from many nationalities. At the end of the year, 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 269 961k is allocated as follows:

Proposed ordinary dividend of (NOK 1.88 per share):
NOK 124 059k
Distributed additional dividends:
NOK 280 000k
Transferred from other equity capital:
NOK -134 098k

## Outlook

The demand for lighting solutions in PBS'

# Annual statement

markets is expected to remain on the same level in 2018 as we have seen in 2017. The LED share in PBS is now above 90 %. However, the installed base of LED solutions in non-residential buildings is still very low and is probably still in the area of 10 %. 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. PBS acquired in second quarter 2018 the company O. Küttel AG, a leading Swiss provider of lighting for the professional building market.

For GMO we expect our main markets to improve towards the end of 2018. In 2017, the global number of new-building ordering in the commercial marine segment increased while the activity in the offshore energy segment remained low. The positive development in the commercial marine segment could lead to improved demand towards the end of 2018.

The lighting industry continues to go through changes as a result of changes 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, 27 April 2018

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

# Glamox - Consolidated statement of profit and loss

**Profit and loss**

For the years ended 31 December

| NOK 1000 | Notes | 2017 | 2016 |
|---|---|---|---|
| Revenue | 2.2 | 2 559 148 | 2 471 575 |
| Other operating income | 2.2 | 55 387 | 37 026 |
| **Total revenues** | | **2 614 535** | **2 508 602** |
| Raw materials and consumables used | | 1 195 809 | 1 185 420 |
| Payroll and related costs | 2.4 | 802 614 | 753 274 |
| Depreciation and amortisation | 3.1, 3.3 | 55 846 | 48 013 |
| Impairment of non-current assets | 3.2 | 19 961 | |
| Other operating expenses | 2.5 | 247 567 | 254 125 |
| Total operating expenses | | 2 321 798 | 2 240 832 |
| **Operating profit** | | **292 736** | **267 769** |
| Financial income | 5.11 | 35 684 | 15 670 |
| Financial expenses | 5.11 | 25 650 | 27 673 |
| Net financial items | | 10 034 | -12 003 |
| **Profit before tax** | | **302 771** | **255 766** |
| Taxes | 6.1 | 44 581 | 60 891 |
| **Profit for the year** | | **258 189** | **194 876** |
| Profit/loss attributable to equity holders of the parent | | 258 197 | 194 826 |
| Profit/loss attributable to non controlling interests | | -8 | 50 |
| **Other comprehensive income** | | | |
| **Profit for the year** | | **258 189** | **194 876** |
| *Items that subsequently will not be reclassified to profit or loss:* | | | |
| Gain/loss from remeasurement on defined benefit plans | 7.2 | 5 766 | -542 |
| Tax effect on remeasurements on defined benefit plans | 7.2 | -1 389 | 61 |
| Total items that subsequently will not be reclassified to profit or loss | | 4 377 | -480 |
| *Items that subsequently may be reclassified to profit or loss:* | | | |
| Currency translation differences | | 43 306 | -40 826 |
| Net gain/loss on hedge of foreign subsidiaries | 5.5 | -36 007 | 35 357 |
| Tax effect from hedge of foreign subsidiaries | 6.1 | 8 642 | -8 839 |
| Total items that subsequently may be reclassified to profit or loss | | 15 941 | -14 308 |
| **Other comprehensive income for the period** | | **20 319** | **-14 789** |
| **Total comprehensive income for the period** | | **278 508** | **180 087** |
| Total comprehensive income attributable to equity holders of the parent | | 278 516 | 180 037 |
| Total comprehensive income attributable to non controlling interests | | -8 | 50 |

**Earnings per share attributable to equity holders of the parent**

| | | 2017 | 2016 |
|---|---|---|---|
| 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 | | 3.91 | 2.95 |
| Diluted | | 3.91 | 2.95 |

# Glamox - Consolidated statement of financial position

| NOK 1000 | Notes | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| **Assets** | | | |
| **Intangible non-current assets** | | | |
| Goodwill | 3.2 | 21 783 | 39 945 |
| Intangible assets | 3.3 | 60 698 | 60 539 |
| **Total intangible non-current assets** | | **82 480** | **100 484** |
| | | | |
| **Tangible non-current assets** | | | |
| Land, buildings and other property | 3.1 | 107 992 | 115 302 |
| Machinery and plant | 3.1 | 96 558 | 101 767 |
| Fixtures and fittings, tools, office equipment etc. | 3.1 | 50 524 | 39 895 |
| **Total tangible non-current assets** | | **255 074** | **256 965** |
| | | | |
| Deferred tax assets | 6.1 | 15 775 | 16 523 |
| Other non-current assets | | 2 998 | 2 516 |
| **Total non-current assets** | | **356 327** | **376 488** |
| | | | |
| **Current assets** | | | |
| Inventories | 2.3 | 389 128 | 369 307 |
| Trade receivables | 5.9 | 358 803 | 298 096 |
| Other receivables | 5.9 | 53 627 | 32 169 |
| Cash and cash equivalents | 5.8 | 170 433 | 380 074 |
| **Total current assets** | | **971 991** | **1 079 645** |
| **Total assets** | | **1 328 318** | **1 456 133** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 5.7 | 65 989 | 65 989 |
| Share premium | | 27 253 | 27 253 |
| Retained earnings and other reserves | | 512 582 | 609 090 |
| Non-controlling interests | | 98 | 153 |
| **Total equity** | | **605 922** | **702 484** |
| | | | |
| **Non-current liabilities** | | | |
| Pension liabilities | 7.2 | 19 985 | 25 171 |
| Interest bearing liabilities to financial institutions | 5.1, 5.2 | 111 625 | 11 046 |
| Other long-term loans | 5.1 | 5 972 | 5 618 |
| Deferred tax liabilities | 6.1 | 64 030 | 103 726 |
| Provisions and other liabilities | 4.1 | 39 017 | 57 451 |
| **Total non-current liabilities** | | **240 629** | **203 012** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | 5.10 | 176 775 | 191 821 |
| Income tax payable | 6.1 | 34 302 | 51 131 |
| Other payables | 5.10 | 82 889 | 45 282 |
| Interest bearing liabilities to financial institutions | 5.1, 5.2 | - | 100 619 |
| Provisions and other liabilities | 4.1, 5.1 | 187 801 | 161 784 |
| **Total current liabilities** | | **481 767** | **550 636** |
| | | | |
| **Total liabilities** | | **722 396** | **753 649** |
| **Total equity and liabilities** | | **1 328 318** | **1 456 133** |

Oslo, 27 April 2018

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 cash flows

For the years ended 31 December

| Cash flows from operating activities | Notes | 2017 | 2016 |
|---|---|---|---|
| Profit before tax | | 302 771 | 255 766 |
| Taxes paid | | -103 038 | -45 277 |
| Depreciation, amortisation and impairment | 3.1, 3.3 | 75 807 | 48 013 |
| Profit from sale of assets | 3.1 | -17 539 | |
| Changes in inventory | 2.3 | -19 821 | 53 852 |
| Changes in accounts receivable | 5.9 | -60 707 | 4 343 |
| Changes in accounts payable | 5.10 | -15 046 | -7 782 |
| Changes in pension scheme assets/liabilities | 7.2 | -5 186 | -434 |
| Changes defined benefit plan recognized directly in equity | 7.2 | 5 766 | -542 |
| Net financial items | | -10 034 | 12 003 |
| Changes in other balance sheet items | | 44 218 | -982 |
| **Net cash flows from operating activities** | | **197 190** | **318 961** |

| Cash flows from investing activities | | | |
|---|---|---|---|
| Interests received | | 1 970 | 3 230 |
| Proceeds from sale of tangible fixed assets | | 21 118 | |
| Purchase of tangible fixed assets and intangible assets | 3.1 | -46 740 | -54 081 |
| Purchase of shares in subsidiaries | 8.2 | | -33 709 |
| Payment (-) / proceeds (+) on other investments | | -481 | 1 302 |
| **Net cash flow from investing activities** | | **-24 134** | **-83 258** |

| Cash flow from financing activities | | | |
|---|---|---|---|
| Proceeds from issuance of debt | 5.2 | 116 620 | 1 077 |
| Interests paid | | -3 885 | -2 342 |
| Repayment of long-term debt | 5.2 | -120 737 | -18 583 |
| Payment of dividends to shareholders | 5.7 | -375 023 | -98 983 |
| **Net cash flow from financing activities** | | **-383 026** | **-118 831** |

| | | | |
|---|---|---|---|
| **Net change in cash and cash equivalents** | | -209 969 | 116 871 |
| **Cash and cash equivalents, beginning of period** | | 380 074 | 284 766 |
| **Effect of change in exchange rate** | | 329 | -21 563 |
| **Cash and cash equivalents, end of period** | | **170 433** | **380 074** |

# 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 2015** | **65 989** | **27 253** | **511 977** | **49 378** | **-33 318** | **621 279** | **219** | **621 496** |
| Profit (loss) for the year | | | 194 826 | | | 194 826 | 50 | 194 876 |
| Other comprehensive income | | | -480 | -40 826 | 26 518 | -14 789 | | -14 789 |
| Total comprehensive income | | | 194 345 | -40 826 | 26 518 | 180 037 | 50 | 180 087 |
| Dividends | | | -98 983 | | | -98 983 | -116 | -99 099 |
| **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 |
| 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** |

# 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 75.16% 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 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 (1 000), except when otherwise indicated. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

### Basis of consolidation

The consolidated financial statements comprise the financial statements of Glamox AS and its subsidiaries as at 31 December 2017. 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. Changes in  the profit prospects of LINKSrecht has been idenfified and this influence the impairment of goodwill related to LINKSrecht.

**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.

## Judgements in applying the Group's accounting policies

**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 or 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.

# 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 chain, implying that all cost of goods sold (COGS) and administration cost of the SPL division is distributed between the two operating segments, based on the products sold. Group functions are also distributed between the two operation segments, based on allocation keys.

These two segments offer different products, 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 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 % |

| **Year ended 31 December 2016** | **Professional Building Solutions (PBS)** | **Global Marine & Offshore (GMO)** | **Other** | **Total** |
|---|---|---|---|---|
| Revenues | 1 706 816 | 801 786 | | **2 508 602** |
| EBITDA | 237 657 | 94 794 | -16 670 | **315 781** |
| in % | 13.9 % | 11.8 % | | 12.6 % |

Other item in 2017 and 2016 refers to special items. See note 2.2, 2.4 and 2.5 for further information.

| **Reconciliation of profit** | **2017** | **2016** |
|---|---|---|
| EBITDA | 368 544 | 315 781 |
| Depreciation and amortisation | 75 807 | 48 013 |
| **Operating profit** | **292 736** | **267 768** |

| **Geographic information** | **2017** | **2016** |
|---|---|---|
| Revenues from external customers | | |
| Nordics | 1 460 366 | 1 372 855 |
| Europe, excl. Nordics | 776 102 | 682 592 |
| North America | 139 493 | 144 841 |
| Asia | 205 887 | 282 810 |
| Other | 32 686 | 25 503 |
| **Total** | **2 614 535** | **2 508 602** |

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 and other operating income

| Revenues from sales | 2017 | 2016 |
|---|---|---|
| Sale of goods | 2 559 148 | 2 471 575 |
| **Total revenues from sales** | **2 559 148** | **2 471 575** |

| Other operating income | 2017 | 2016 |
|---|---|---|
| Other operating income | 55 387 | 37 026 |
| **Total other operating income** | **55 387** | **37 026** |

Other operating income mainly consist of freight invoiced to customers.
In 2017 Other operating revenue includes proft from sale of assets of NOK 17.5 million.
The company generally incurs a warranty obligation in relation to its sale of goods. For more information regarding these warranties, reference is made to note 4.1.

## 2.3 Inventories

| Inventories | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Raw materials | 189 930 | 173 291 |
| Work in progress | 37 089 | 40 616 |
| Finished goods | 162 108 | 155 400 |
| **Total inventories** | **389 128** | **369 307** |

| Provision for obsolete inventories | 2017 | 2016 |
|---|---|---|
| **At January 1** | **43 583** | **45 129** |
| Currency effect | 2 165 | |
| Provision used | -8 567 | |
| Provision reversed | -323 | |
| Additonal provision | 13 490 | |
| Change in obsolete inventories | | -1 546 |
| **At December 31** | **50 348** | **43 583** |

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 | 2017 | 2016 |
|---|---|---|
| Salaries | 627 117 | 601 156 |
| National insurance | 108 272 | 105 209 |
| Pension costs | 32 229 | 29 310 |
| Other remuneration | 20 195 | 17 599 |
| Bonus to all employees* | 14 800 | - |
| **Total payroll and related costs** | **802 614** | **753 274** |

| | | |
|---|---|---|
| Average number of Full Time Employee (FTE) | 1 300 | 1 303 |

Salaries and national insurance include items of NOK 9.3 million related to restructuring and compensation to managers and key employees for extra work in relation to the IPO process.

* At Glamox AS' board meeting held on 18.12.2017, the Board decided to pay out a one-off bonus to all employees.
The parent company covered 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 | 2017 | 2016 |
|---|---|---|
| Sales and marketing expenses | 25 772 | 29 980 |
| Other manufacturing sales and administration expenses | 220 289 | 221 220 |
| Bad debts | 1 507 | 2 926 |
| **Total other operating expenses** | **247 567** | **254 125** |

| Auditor | 2017 | 2016 |
|---|---|---|
| Fee for statutory audit | 3 005 | 2 763 |
| Audit-related fees | 3 876 | 239 |
| Tax compliance services | 920 | 543 |
| Other fees | 364 | 639 |
| **Total** | **8 165** | **4 184** |

**Restructuring and IPO cost included in other operating expenses**

Other manufacturing, sales, and administrative 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.

Other manufacturing, sales, and administrative expenses for 2016 includes items of NOK 13.0 million related to restructuring of several subsidiaries; both sales units and manufacturing units.

**Audit fee:**

The amounts above are excluding VAT. The audit fees in 2017 include NOK 45 thousand (2016: NOK 56 thousand) related to the former parent company, Arendals Fossekompani ASA, and were subsequently reimbursed.

Audit-related fee includes NOK 3.4 million related to the IPO process.

# 3.1 Property, plant and equipment

| | Land/ Buildings | Machinery | Fixtures and Fittings | Total |
|---|---|---|---|---|
| **Acquisition cost 31.12.2015** | **254 949** | **380 323** | **172 255** | **807 527** |
| Additions | 847 | 36 876 | 12 489 | 50 213 |
| Disposals | -4 401 | -416 | -4 800 | -9 618 |
| Additions through acquisition of subsidiary | 2 040 | 991 | 549 | 3 580 |
| Currency translation effects | -4 988 | -10 052 | -6 129 | -21 169 |
| **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** |

| | | | | |
|---|---|---|---|---|
| **Accumulated depreciation and impairment 31.12.2015** | **131 462** | **292 466** | **133 639** | **557 567** |
| Depreciation for the year | 8 766 | 19 845 | 11 097 | 39 708 |
| Impairment for the year | - | - | - | - |
| Disposals | -4 401 | -394 | -4 341 | -9 136 |
| Reclassifications | - | -365 | 365 | - |
| Currency translation effects | -2 038 | -7 865 | -4 668 | -14 571 |
| **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** |

| | | | | |
|---|---|---|---|---|
| **Carrying amount 31.12.2016** | **115 302** | **101 767** | **39 895** | **256 965** |
| **Carrying amount 31.12.2017** | **107 992** | **96 558** | **50 524** | **255 074** |

| | | | |
|---|---|---|---|
| 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 2017 or 2016. 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 2017 or 2016 for property, plant and equipment.

# 3.2 Goodwill

| | Goodwill |
|---|---|
| **Acquisition cost 31.12.2015** | **16 440** |
| Acquisitions | 23 922 |
| Disposals | |
| Currency translation effects | -416 |
| **Acquisition cost 31.12.2016** | **39 946** |
| Acquisitions | |
| Disposals | |
| Currency translation effects | 1 797 |
| **Acquisition cost 31.12.2017** | **41 743** |
| | |
| **Accumulated impairment 31.12.2015** | **-** |
| Impairment for the year | - |
| Disposals | - |
| Currency translation effects | - |
| **Accumulated Impairment 31.12.2016** | **-** |
| Impairment for the year | 19 961 |
| Disposals | - |
| Currency translation effects | - |
| **Accumulated Impairment 31.12.2017** | **19 961** |
| | |
| **Carrying amount 31.12.2016** | **39 945** |
| **Carrying amount 31.12.2017** | **21 783** |

| **Carrying amount of goodwill allocated to the cash-generating units** | **Goodwill** |
|---|---|
| PBS (Luxo) | 8 687 |
| LINKSrechts | 5 342 |
| Glamox BV | 7 753 |
| **Total goodwill - carrying amount 31.12.2017** | **21 783** |

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 2017 is NOK 21 783 thousand and is mainly derived from acquiring of Luxo in 2009, Glamox B.V. in 2015 and LINKSrecht in 2016. The recoverable amounts of the CGUs have been determined based on value-in-use calculations.

The Group performed its annual impairment test in December 2017, 2016 and 2015. In addition, goodwill was tested for impairment as of the transition date to IFRS, 1 January 2015. No impairment charges was made at any of the dates of 2015 and 2016.

For 2017 there is an impairment charge of tNOK 19 961 related to LINKSrecht.

For the 2017 impairment testing, the cash flows in the calculations are based on budgets for 2018 and assumption used in the strategy plan for the periode 2018 to 2021, both approved by the Group Management. Cash flows after year 2021 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 lower than 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 between 9.3% and 13.1%.

## Cash generating units and assessments made by management

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

Lately LINKSrecht has experienced that placement of orders of large projects is deferred between one to several years in the future. Based on this the revenue estimates have a higher uncertainty and therefore inclueds a higher risk. In the impairment caluculation this increased risk has been taken into account, and the impact on operatingprofit in the future. In addition the impairment calculation has assumed the terminal growth rate to be 1.0% and a WACC of 13.1% has been utilized.

Based on these estimations and assumtions we have a impairment loss of tNOK 19 961.

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 1.0% and a WACC of 9.8% has been utilized. The sensitivity analysis show that even if revenue were reduced by 10%-p, an impairment loss would not occure.

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 10%-p, an impairment loss would not occure.

# 3.3 Product development and other intangible assets

| | Product Development | Other intangible assets | Total |
|---|---|---|---|
| **Acquisition cost 31.12.2015** | **3 257** | **139 049** | **142 306** |
| Additions | 3 478 | 390 | 3 868 |
| Additions through acquisition of subsidiary | 471 | 55 558 | 56 029 |
| Disposals | - | -20 334 | -20 334 |
| Currency translation effects | -250 | -1 433 | -1 683 |
| **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** |
| | | | |
| **Accumulated depreciation and impairment 31.12.2015** | **166** | **132 211** | **132 378** |
| Amortisation for the year | 1 371 | 6 934 | 8 305 |
| Impairment for the year | | | - |
| Disposals | | -20 334 | -20 334 |
| Currency translation effects | -242 | -459 | -701 |
| **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** |
| | | | |
| **Carrying amount 31.12.2016** | **5 661** | **54 878** | **60 540** |
| **Carrying amount 31.12.2017** | **5 541** | **55 156** | **60 698** |

| | | |
|---|---|---|
| Economic life | Up to 3-5 yrs. | 5 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, 2017 were NOK 5 541 thousand. The Group directly expensed NOK 35 629 thousand related to research and development activities in 2017 (2016: NOK 36 070 thousand)

Other intangible assets consist of IT-systems and rights, in addition to customer relations and brand names from acquisitions. Acquired brand names in relation to the acquisition of LINKSrechts are amortised over 7 years. As of 31 December 2017, no impairment indicators were identified.

# 4.1 Provisions and other liabilities

| Provisions and other liabilities | Balance 31.12.2017 | Balance 31.12.2016 |
|---|---|---|
| **Non-current provisions and other liabilities** | | |
| Warranties | 39 017 | 37 916 |
| Other liabilities | | 19 535 |
| **Total non-current provisions and other liabilities** | **39 017** | **57 451** |
| **Current provisions and other liabilities** | | |
| Derivatives | 4 920 | 2 618 |
| Prepayments from customers | 21 739 | 4 771 |
| Restructuring/Severence payment | 15 113 | 14 511 |
| Provision for salaries and wages | 97 816 | 77 137 |
| Other liabilities | 48 213 | 62 747 |
| **Total current provisions and other liabilities** | **187 801** | **161 784** |

Warranties relates to product warrenty 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. Non-current Other liabilities in 2016 relates to the non-current part of the contingent consideration regarding the acquisition of LINKSrechts. Current other liabilities in 2016 contains the current part of the contingent consideration regarding the acquisition of Linksrechts.

# 4.2 Leasing commitments

**Operating lease commitments**

| **2017**<br>**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** |

| **2016**<br>**Minimum lease payments (non-cancellable operating leases)** | **2016 lease cost** | **Matures within 1 year** | **Matures 2-5 years** | **Matures more than 5 years** | **Total** |
|---|---|---|---|---|---|
| Rent | 25 655 | 23 562 | 49 042 | 36 849 | 109 453 |
| Production equipment | 434 | 236 | 292 | 0 | 528 |
| Office equipment | 938 | 948 | 1 294 | 0 | 2 242 |
| Cars | 15 339 | 10 386 | 15 573 | 0 | 25 959 |
| Other | 1 011 | 987 | 1 525 | 0 | 2 512 |
| **Total** | **43 377** | **36 120** | **67 725** | **36 849** | **140 694** |

# 5.1 Financial instruments

The Group has the following financial instruments:

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

**Loans and receivables:** Trade receivables and other current receivables (notes: 5.9)

**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)

## 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 2017 NOK 100.1 millions of the interest bearing liabilities have been designated as hedging instrument (2016: 97.2 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 IAS 39.

| **31.12.2017** | **Loans and receivables** | **Financial liabilities at fair value through P&L** | **Financial liabilities** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade receivables (note 5.9) | 358 803 | | | 358 803 |
| Other receivables (note 5.9) | 53 627 | | | 53 627 |
| **Total financial assets** | **412 430** | **-** | **-** | **412 430** |
| | | | | |
| **Liabilities** | | | | |
| Derivatives | | 4 920 | | 4 920 |
| Interest bearing liabilities to financial institutions (note 5.2) | | | 115 625 | 115 625 |
| Other long-term loans (including current part) | | | 8 958 | 8 958 |
| Trade and other payables (note 5.10) | | | 176 775 | 176 775 |
| **Total financial liabilities** | **-** | **4 920** | **301 359** | **306 279** |

| **31.12.2016** | **Loans and receivables** | **Financial liabilities at fair value through P&L** | **Financial liabilities** | **Total** |
|---|---|---|---|---|
| Assets | | | | |
| Trade receivables (note 5.9) | 298 096 | | | 298 096 |
| Other receivables (note 5.9) | 32 169 | | | 32 169 |
| **Total financial assets** | **330 265** | **-** | **-** | **330 265** |
| | | | | |
| **Liabilities** | | | | |
| Derivatives | | 2 618 | | 2 618 |
| Interest bearing liabilities to financial institutions (note 5.2) | | | 111 664 | 111 664 |
| Other long-term loans (including current part) | | | 8 427 | 8 427 |
| Trade and other payables (note 5.10) | | | 191 821 | 191 821 |
| **Total financial liabilities** | **-** | **2 618** | **311 912** | **314 530** |

# 5.2 Interest bearing liabilities to financial institutions

| Non-current Interest bearing loans and borrowings | Interest rate | Maturity | 31.12.2017 | 31.12.2016 |
|---|---|---|---|---|
| Revolving facility - utilised amount (NOK) | NIBOR + margin | 2022 | 15 500 | |
| Revolving facility - utilised amount (EUR) | EURIBOR + margin | 2022 | 100 125 | |
| Mortage Loan (NOK) | Fixed rate | 2020 | | 11 046 |
| **Total non-current interest bearing loans and borrowings** | | | **115 625** | **11 046** |

| Current interest bearing loans and liabilites | Interest rate | Maturity | 31.12.2017 | 31.12.2016 |
|---|---|---|---|---|
| Mortage Loan (NOK) | Fixed rate | 2020 | | 3 400 |
| Term Loan (EUR) | EURIBOR + margin | 2017 | | 97 219 |
| **Total current interest bearing loans and borrowings** | | | **-** | **100 619** |

## Refinancing 2017

In December 2017 a new refinancing agreement, consisting of a revolving credit facility of NOK 800 millions, was signed. The facility can be extended by additional NOK 400 millions under the same pledged securities. The refinancing resulted in a repayment of the former mortage loan and term loan. The repayment was financed by utilizng some of the new revolving credit facility.
An arrangement fee of NOK 4.0 millions related to the refinancing, is booked against non-current interest bearing liablities and will be expensed over the availability period of the facility. An increase of the currency rate, has affected the interest bearing liabilities by NOK 8.1 million.

## Refinancing 2016 and classification of term loan

The term loan (EUR) was renegotiated during 2016, and a final refinancing agreement was signed in January 2017. According to the previous agreement the loan was due to mature in full during October 2017. As the final agreement was signed subsequent to the end of the reporting period, as of 31 December 2016 Glamox AS did not have an unconditional right to defer payments for 12 months or more. In accordance with classification principles in IAS 1, the loan was therefore classified as current.

## 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 2017 or 2016 for Glamox.

| Assets pledged as security and guarantee liabilities | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Secured balance sheet liabilities:** | | |
| Interest bearing liabilities to financial institutions | 115 625 | 111 665 |
| Secured pension liability | 13 820 | 13 820 |
| **Balance sheet value of assets pledged as security for secured liabilities:** | | |
| Land, buildings and other property | 46 621 | 88 322 |
| Machinery and plant | 43 976 | 3 802 |
| Fixtures and fittings, tools, office equipment etc. | 19 856 | 16 529 |
| Intangible assets | | 693 |
| Inventories | 137 543 | 216 111 |
| Trade and other receivables | 224 340 | 156 422 |
| **Total** | **472 336** | **481 879** |

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 2016.

# 5.3 Ageing of financial liabilities

| 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** |

| 31.12.2016 | Less than 12 months | 1 to 3 years | Over 3 years | Total |
|---|---|---|---|---|
| Derivatives | 2 618 | | | 2 618 |
| Interest bearing liabilities to financial institutions (note 5.2)* | 102 195 | 12 563 | 2 565 | 117 322 |
| Other long-term loans | 2 809 | 5 618 | | 8 427 |
| Trade and other payables (note 5.10) | 191 821 | | | 191 821 |
| **Totals** | **299 443** | **18 181** | **2 565** | **320 188** |

* 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 2017 and 2016. 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 | 31.12.2017 | 31.12.2017 | 115 625 | 115 625 | | x | |
| Interest-bearing loans and borrowings | 31.12.2016 | 31.12.2016 | 111 664 | 111 664 | | | x |
| Derivative financial liabilities | 31.12.2017 | 31.12.2017 | 4 920 | 4 920 | | x | |
| Derivative financial liabilities | 31.12.2016 | 31.12.2016 | 2 618 | 2 618 | | 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 2017, 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 31.12.2017 it is utilised NOK 15.5 millions and EUR 10.2 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 |
|---|---|---|
| 31.12.2017 | +/- 100 | + 0.6 mnok /- 1.2 mNOK |
| 31.12.2016 | +/- 100 | + 2.3 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 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 31.12.2017, the Group had forward contracts for both sale and purchase of currencies. Currency sales amounted to NOK 117 million while the currency purchase amounted to NOK 167 million based on 31.12.2017 exchange rates. The Group's forward contracts had a market value of NOK -2.6 million as of 01.01.2017 and NOK -4.4 million as of 31.12.2017.

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) | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| EUR/DKK | 48.3 | 60.8 | 42.5 | 59.3 |
| SEK | 94.8 | 91.0 | 87.4 | 82.0 |
| GBP | 0.7 | 0.4 | 0.7 | 0.4 |
| SGD | 6.6 | 7.3 | 7.5 | 7.3 |
| CAD | 2.5 | 2.9 | 3.1 | 2.5 |
| USD | 5.6 | 6.4 | 5.8 | 6.4 |

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 68 mNOK as of 31.12.2017, where equity in EUR represents 46 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. Becauce of the hedge, the impact on the 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 31.12.2017 the equity rate is 46.0 %. 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.

| | **31.12.2017** | **31.12.2016** |
|---|---:|---:|
| Interest bearing liabilities to financial institutions | 115 625 | 111 664 |
| Other long term loans (including current part) | 8 958 | 8 427 |
| Less: cash and bank deposit excl. restricted cash | -153 688 | -367 091 |
| **Net interest bearing debt/(deposit)** | **-29 105** | **-247 000** |
| EBITDA last 12 months | 368 543 | 315 782 |
| Gearing ratio | -0.08 | -0.78 |
| | | |
| Total Assets | 1 328 318 | 1 456 133 |
| Total Equity | 605 922 | 702 484 |
| **Equity ratio** | **46 %** | **48 %** |

# 5.7 Equity and shareholders

| Share capital in Glamox AS at 31.12.2017 | 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 2017 or 2016.

| Dividends | 2017 | 2016 |
|---|---|---|
| Ordinary dividend paid in the period | 95 024 | 98 983 |
| Dividends per share in the period | 1.44 | 1.50 |
| | | |
| Additional dividends paid in the period | 280 000 | |
| Additional dividends per share | 4.24 | |

**Ownership structure:**

| The largest shareholders in Glamox AS at 31.12.2017 | Total shares | Shareholding/ Voting |
|---|---|---|
| GLX Holding AS | 49 598 116 | 75.16 % |
| Fondsavanse AS | 15 160 083 | 22.97 % |
| 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 | 59 237 | 0.09 % |
| GINKO AS v/Eline Huitfeldt | 11 353 | 0.02 % |
| **Total 10 largest shareholders** | **65 968 177** | **99.97 %** |
| Others (157 shareholders) | 20 491 | 0.03 % |
| **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 | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Bank deposits, unrestricted | 153 688 | 367 091 |
| Bank deposit, restricted, employee taxes | 16 745 | 12 983 |
| **Total cash and cash equivalents** | **170 433** | **380 074** |
| | | |
| **Liquidity reserve** | **838 063** | **538 436** |

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 16.7 million in 2017.

# 5.9 Trade and other receivables

| Trade and other receivables | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Trade receivables** | | |
| Trade receivables | 358 803 | 298 096 |
| Trade receivables from related parties | | |
| **Total trade receivables** | **358 803** | **298 096** |
| | | |
| **Other receivables** | | |
| Prepaid rent | 2 519 | 3 202 |
| Prepaid other expenses | 10 101 | 9 913 |
| Prepaid VAT | 3 427 | 6 364 |
| Other - Retention fees due | 7 996 | 4 220 |
| Other | 29 584 | 8 471 |
| **Total other receivables** | **53 627** | **32 169** |

| Provision for impairment of receivables | 2017 | 2016 |
|---|---|---|
| **At January 1** | **13 360** | **21 152** |
| Currency effect | 758 | |
| This years loss | -1 755 | -11 230 |
| Payments received against previous losses | 548 | 320 |
| Provision this year | 4 440 | 3 119 |
| **At December 31** | **17 351** | **13 360** |

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

| Ageing analysis of trade receivables | Total | Neither past due nor impaired | Past due but not impaired | | | |
|---|---|---|---|---|---|---|
| | | | < 30 days | 31-60 days | 61-90 days | > 90 days |
| **2017** | 358 803 | 283 506 | 62 255 | 12 433 | 610 | - |
| **2016** | 298 096 | 256 528 | 36 976 | 4 382 | 210 | - |

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 | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Trade payables** | | |
| Trade payables | 176 775 | 191 821 |
| Trade payables to related parties | | |
| **Total trade payables** | **176 775** | **191 821** |
| **Other payables** | | |
| Public duties payables | 82 889 | 45 282 |
| **Total other payables** | **82 889** | **45 282** |

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

# 5.11 Financial income and expenses

| Financial income and expenses | 2017 | 2016 |
|---|---|---|
| **Financial income** | | |
| Currency gain | 12 517 | 12 429 |
| Interest income | 1 970 | 3 230 |
| Other financial income | 21 197 | 11 |
| **Total financial income** | **35 685** | **15 670** |
| **Financial expenses** | | |
| Currency loss | 14 637 | 22 622 |
| Interest expenses | 3 885 | 324 |
| Unrealised loss financial derivates | 2 902 | 354 |
| Realised loss financial derivates | 651 | 2 345 |
| Other financial expenses | 3 574 | 2 029 |
| **Financial expenses** | **25 650** | **27 673** |

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 reversial of the earn-out liability of NOK 21.2 million.

# 6.1 Taxes

| | 2017 | 2016 |
|---|---|---|
| **Current income tax expense:** | | |
| Tax payable | 101 591 | 48 681 |
| Reversal of provision for tax liability [1] | -23 384 | - |
| Change deferred tax/deferred tax assets (ex. OCI effects) | -38 948 | 7 244 |
| Currency effects | -3 320 | 4 350 |
| Net gain/loss on hedge of foreign subsidiaries | 8 642 | |
| Withholding tax | - | 615 |
| **Total income tax expense** | **44 581** | **60 891** |
| Effect of reduced tax rate (in Norway) | 618 | 628 |

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

| | 2017 | 2016 |
|---|---|---|
| **Deferred tax related to items recognised in OCI during the year:** | | |
| Net gain/loss on hedge of foreign subsidiaries | -8 642 | 8 839 |
| Tax effect on remeasurements on defined benefit plans | 1 389 | -61 |
| **Deferred tax charged to OCI** | **-7 253** | **8 778** |

| | 2017 | 2016 |
|---|---|---|
| **Total tax for the year on group level:** | | |
| Norwegian companies | 9 287 | 28 784 |
| Foreign companies | 35 294 | 32 107 |
| **Total tax for the year** | **44 581** | **60 891** |

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Current tax liabilities consist of:** | | |
| Income tax payable for the year as above | 101 591 | 48 681 |
| - of which paid in fiscal year | -67 289 | -17 768 |
| - not due for earlier years | | 21 067 |
| - payment of withholding tax | | -849 |
| **Current tax liabilities 31.12** | **34 302** | **51 131** |

| **Deferred tax liabilities (assets):** | **31.12.2017** | **31.12.2016** |
|---|---|---|
| Property, plant and equipment | -8 788 | 4 570 |
| Intangible assets | 53 654 | 60 018 |
| Other current assets | -13 035 | -5 345 |
| Liabilities | -20 289 | 13 700 |
| Net pension reserves/commitments | -16 102 | -22 010 |
| Derivates | -4 920 | -2 018 |
| Losses carried forward (including tax credit) | -38 832 | -33 151 |
| Untaxed profit [2] | 236 018 | 368 322 |
| **Basis for deferred tax liabilities (assets):** | **187 706** | **384 085** |

| | | |
|---|---|---|
| **Calculated deferred tax assets** | **25 291** | **23 738** |
| - Deferred tax assets not recognised | -9 516 | -7 215 |
| **Net deferred tax assets recognised in balance sheet** | **15 775** | **16 523** |

| | | |
|---|---|---|
| **Deferred tax liabilities recognised in balance sheet** | **64 030** | **103 726** |

[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 17% 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 | 2017 | 2016 |
|---|---|---|
| **Profit before taxes** | **302 771** | **255 766** |
| Tax expense (Norway tax rate) | 72 665 | 63 942 |
| Permanent differences | -63 | 1 790 |
| Effect of deferred tax asset not recognised | -2 301 | -475 |
| Reversal of tax liability provision | -23 384 | - |
| Effects of changes in tax rate | 618 | 628 |
| Effects of foreign tax rates | -2 954 | -4 958 |
| **Recognised income tax expense** | **44 581** | **60 927** |
| | | |
| **Effective tax rate** | **14.7 %** | **23.8 %** |
| **Effective tax rate excluding the reversal of tax liability provision** | **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 2017 are charged with 1 413 TNOK related to the performance related bonus agreement. In addition the CEO has received a salary compensation equivalent to 12 months' salary due to extraordinary work related to the in parallel run IPO and sales process of the majority holder's shares. Half of this compensation has been re-charged to Arendals Fossekompani ASA in connection with the sales process.

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 | 2017 | 2 849 | 1 413 | 2 849 | 48 | 178 |
| Rune Marthinussen - CEO | 2016 | 2 726 | 829 | | 47 | 190 |

| Remuneration to Board members | | Directors' fees |
|---|---|---|
| Remuneration to Board members | 2017 | 1 176 |
| Remuneration to Board members | 2016 | 1 138 |

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 30.6 million in 2017 (2016:28.3 million).

## Defined benefit pension plan
The Group also has defined benefit pension plans in Glamox AS and two subsidiaries. The defined benefit plans in Glamox AS accounts for nearly 80% of the net liability in the Group. Glamox AS has defined benefit plans for 4 (2016:4) 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 20.0 million (net of the pension liability of NOK 29.9 million and reserve of NOK 9.9 million) as at 31 December 2017. As of 31.12.2016 total net pension liabilities were NOK 25.2 million (net of the pension liability of NOK 34.9 million and reserve of NOK 9.7 million). Actuarial gains/losses recognised in the net pension liabilities amounted to NOK -5.8 million in 2017 (2016: NOK 0.5 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.

## Financial conditions
Discount rate for 2017 is 2.4% (2016: 2.6%), anticipated pension increase is set to 2.25% (2016: 2.25%) and anticipated change in national insurance base rate is set to 2.25% (2016: 2.25%).

# 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 | 20.0% | 2 723 | 100.0% |
| 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 | 0 | 100.0% | 20 325 | 100.0% |
| LINKSrechts GmbH | Germany | EUR | 27 | 100.0% | 58 259 | 100.0% 2) |
| 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% | 18 290 | 100.0% 4) |
| Luxo Corporation | USA | USD | 0 | 100.0% | 0 | 100.0% 5) |
| Glamox Brasil Iluminacao LTDA | Brazil | BRL | 50 | 100.0% | 130 | 100.0% 3) |
| Birger Hatlebakks veg 15 AS | Norway | NOK | 100 | 100.0% | 1 373 | 100.0% |
| **Total carrying amount of shares in subsidiaries** | | | | | **179 931** | |

1) Non-controlling interests in Glamox Pte Ltd is 1.27%. Dividends paid to non-controlling interest in 2017 amounts to NOK 0.047 million (2016: NOK 0.116 million).
2) In 2016 Glamox AS has bought 100% of the shares in LINKSrechts . A part of the cost price included an earn-out element. At year-end 2017 Glamox had no obligation related to the earn-out and the correspodning liablity was reversed against the investment in the shares. In the Glamox Group financial statment the reversal of the liability was charged to profit and loss, and is presented as financial income (according to IFRS).
3) Non-controlling interests in Glamox Brasil Iluminacao LTDA owns 1 share of totally 50 000 shares, corresponding to 0.002%. Dividends paid to non-controlling interest in 2017 amounts to NOK 0 million (2016: NOK 0 million).
4) Glamox AS has given a group contribution to Luxo AS of NOK 731 thousand (after tax deduction) in 2017 (2016: NOK 766 thousand).
5) During 2016 Glamox AS have written down the value of investments in shares regarding Luxo Corporation (USA) from NOK 6.8 million to NOK 0 million.

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

# 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 2017 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:

| | 2017 | 2016 |
|---|---|---|
| **Attribution of profit for the year** | | |
| Total profit for the year attributable to equity holders of the parent | 258 197 | 194 826 |
| **Total profit for the year attributable to equity holders of the parent for basic earnings** | **258 197** | **194 826** |
| Interest on convertible preference shares | - | - |
| **Total profit for the year attributable to equity holders of the parent adjusted for the effect of dilution** | **258 197** | **194 826** |
| | | |
| **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)** | **3.91** | **2.95** |
| **Earnings per share in NOK (diluted)** | **3.91** | **2.95** |

# 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.
Arendal Fossekompani ASA has covered the compensation to manager and key employees for extra work in relation to the sales process of the Glamox shares. Except from this, there has been no transaction between related parties (outside the Group) for the relevant financial year, 2017 and 2016.

# 9.3 Events after the reporting period

## Business combination

At March 16, 2018 Glamox entered into an agreement to acquire a equity interest of O. Küttel AG from Regent Beleuchtungskörper AG. Küttel is a leading Swiss provider of lighting for the professional building market. For the financial year 2017, Küttel had a revenue of CHF 21.2 million and EBIT of CHF 0.7 million. For 2016 the revenue was CHF 19.4 million and EBIT of CHF 1.2 million. Küttel employs 53 man-years.

## Dividends

After the reporting date the Board has proposed a dividend distribution amounting to NOK 124.0 million.

Other than this there have been no significant events subsequent to the reporting date.

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# 10.1 Significant accounting policies

## Revenue recognition
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.

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.

### Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. 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 inplies that delivery is completed when the goods are made available, suitably packaged at a specified loaction, often at Glamox factory or depot. 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. A liability for potential warranty claims, discounts or returns is recognised at the time of product delivery – see Note 4.1 for more information.

## 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

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. The group has no assets with indefinite useful lives.

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)
- Loans and receivables
- Financial liabilities

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

Financial instruments at FVPL are financial assets and liabilities held for trading. A financial asset/liability is classified as held for trading if acquired/incurred principally for the purpose of selling or repurchasing it in the short term. Derivatives (forward contracts) are also categorised as held for trading, as the Group does not apply hedge accounting related to these instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable cash flows that are not quoted in an active market. This category generally applies to trade and other receivables.

Financial liabilities is together with loans and receivables the category most relevant to the Group. This category generally applies to interest-bearing loans, trade payables and other financial liabilities.

The Group has the following financial instruments:

FVPL:
Derivative instruments – Forward contracts (notes: 5.1)

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

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: 5.1, 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).

Loans and receivables are initially recognised at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at their amortised cost using the effective interest rate method (EIR). 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 are recognised initially at fair value net of directly attributable transaction costs. Subsequently these liabilities are measured at their amortised cost using the effective interest rate method (EIR). 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
Financial assets valued at amortised cost are impaired when it exists objective evidence that the instrument's cash flows have been negatively affected by one or more events occurring after the initial recognition of the instrument. The impairment loss is recognised in the profit or loss. The loss is measured as the difference between the asset`s carrying value and the present value of estimated future cash flows discounted with the instruments original effective interest rate.
If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced.

#### 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 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 2017. The effect of new and amended IFRS standards and interpertations which may have a significant impact on the Group have been summarized below:

IFRS 15 **Revenue from Contracts with Customers** (effective from 1 January 2018, approved by the EU). IFRS 15 establish a new five-step model that will apply to revenue arising from contracts with customers. The core principle of IFRS 15 is that revenue is recognised to reflect the transfer of contracted goods or services to customers, and then at an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. With a few exceptions, the standard applies to all income-generating contracts with customers and provides a model for the recognition and valuation of the sale of certain non-financial assets (e.g. sale of property, plant and equipment).

The IFRS 15 assessment is still ongoing. The initial review of relevant segments and revenue streams have not indicated any significant impact on revenue recognition. The Group expect to finalize the IFRS 15 assessment before 30 June 2018.

The review has however identified certain elements that could result in difference in accounting:
- Contract with separate freight element where this may be separated and recognized differently.
- Certain guarantees that include extended periodes may be defined as a separate service, which will be recognized at a later time than with current standard.
- Revenue from products that are specified to customers may be recognized differently, if certain conditions applies.
- Contracts including milestone payments, may be subject to difference in timing of recognition.

The Group has decided to implement IFRS 15 retrospectively with the cumulative effect of initially applying the standard recognized directly to equity at implementation.

IFRS 9 **Financial Instruments** (effective from 1 January 2018 and approved by the EU). The standard replaces IAS 39. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The standard will be implemented retrospectively, except for hedge accounting, although preparing comparative figures is not a requirement. The rules for hedge accounting should mainly be implemented prospectively but with some exceptions. The Group has made an initial assessment of the impact of IFRS 9 and do not anticipate any significant effects on the financial statements.

IFRS 16 **Leases** (effective from 1 January 2019, but not approved by the EU). IFRS 16 replaces existing IFRS leases requirements, IAS 17. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying assets has a low values.

Glamox has performed an initial assessment of the potential impact on its consolidated financial statements, but has not yet completed a detailed assessment. The impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate, the composition of Glamox 's lease portfolio and the extent to which Glamox chooses to use recognition exemptions.

So fare, the most significant impact identified is that Glamox will recognise new assets and liabilities for its operating leases. As a result, the balance sheet will increase by 5-10 precent. In addition the nature 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.

# Glamox AS - Profit and loss account

| NOK Thousands | Note | 2017 | 2016 |
|---|---|---|---|
| Sales revenue | 2/16 | 1 302 039 | 1 272 707 |
| Other operating revenue | 3/16 | 120 941 | 105 837 |
| **Total revenue** | | **1 422 980** | **1 378 544** |
| | | | |
| Raw materials and consumables used | 4 | 845 447 | 830 527 |
| Payroll and related costs | 3/5 | 364 236 | 336 493 |
| Depreciation of fixed assets | 7 | 23 025 | 19 445 |
| Other operating expenses | 3/5 | 109 200 | 121 281 |
| **Operating profit/loss** | | **81 073** | **70 799** |
| | | | |
| Dividend and group contribution from subsidiaries | 16 | 235 711 | 318 767 |
| Interest income from other group companies | | 2 670 | 2 728 |
| Other financial income | 6 | 5 107 | 38 273 |
| Other financial expenses | 6 | -45 083 | -12 800 |
| **Profit/loss before tax** | | **279 479** | **417 767** |
| | | | |
| Tax | 11 | -9 518 | -28 511 |
| **Profit/loss after tax** | | **269 961** | **389 256** |
| | | | |
| **Profit/loss for the year** | | **269 961** | **389 256** |
| | | | |
| **Allocation of profit/loss for the year** | | | |
| Proposed dividends | 12 | 124 059 | 95 024 |
| Distributed additional dividends | 12 | 280 000 | 0 |
| Transfered to (+)/from (-) other equity | 12 | -134 098 | 294 232 |
| **Total allocation** | | **269 961** | **389 256** |

# Glamox AS - Statement of financial position

| NOK Thousands | Note | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Intangible non-current assets** | | | |
| Intangible assets | 7 | 6 773 | |
| **Total intangible non-current assets** | | **6 773** | **-** |
| **Tangible non-current assets** | | | |
| Land, buildings and other property | 7/13 | 46 621 | 54 417 |
| Machinery and plant | 7/13 | 43 886 | 48 164 |
| Fixtures and fittings, tools, office equipment etc. | 7/13 | 19 946 | 13 732 |
| **Total tangible non-current assets** | | **110 453** | **116 314** |
| Deferred tax assets | 11 | 14 224 | 15 072 |
| Investments in subsidiaries | 8 | 179 931 | 200 356 |
| Loan to group companies | 9/14 | 61 833 | 70 646 |
| Other non-current assets | | 115 | 115 |
| **Total non-current assets** | | **373 329** | **402 502** |
| | | | |
| **Current assets** | | | |
| Inventories | 4/13 | 137 543 | 129 822 |
| Trade receivables | 13/14 | 224 340 | 201 090 |
| Other receivables | 14 | 257 712 | 368 398 |
| Cash and cash equivalents | 14/15 | 71 400 | 306 906 |
| **Total current assets** | | **690 996** | **1 006 216** |
| **Total assets** | | **1 064 324** | **1 408 718** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 12 | 65 989 | 65 989 |
| Share premium | 12 | 27 253 | 27 253 |
| Retained earnings and other reserves | 12 | 205 965 | 335 665 |
| **Total equity** | | **299 207** | **428 906** |
| | | | |
| **Non-current liabilities** | | | |
| Pension liabilities | 5 | 16 102 | 22 010 |
| Interest bearing liabilities to financial institutions | 10/13 | 111 625 | 111 665 |
| Other long-term loans | | 100 | 19 636 |
| Provisions and other liabilities | | 16 208 | 16 512 |
| **Total non-current liabilities** | | **144 035** | **169 823** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | 14 | 169 105 | 179 321 |
| Income tax payable | 11 | 9 324 | 26 268 |
| Public duty payable | | 42 882 | 17 115 |
| Dividends | | 124 059 | 95 024 |
| Other current liabilities | 14 | 275 713 | 492 262 |
| **Total current liabilities** | | **621 082** | **809 989** |
| **Total liabilities** | | **765 118** | **979 812** |
| **Total equity and liabilities** | | **1 064 324** | **1 408 718** |

Oslo, 27 April 2018

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 | 2017 | 2016 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax | | 279 479 | 417 767 |
| Taxes paid | | -26 809 | -17 385 |
| Profit/loss on sale and fixed assets | | -5 205 | |
| Depreciation | 7 | 23 024 | 19 445 |
| Writedown of shares and loans to subsidiaries | | | 9 246 |
| Changes in inventory | | -7 722 | 968 |
| Changes in accounts receivables | | -23 250 | 8 748 |
| Changes in account payables | | -10 215 | 4 276 |
| Changes in pension scheme assets/liabilities | | -5 908 | -541 |
| Changes defined benefit plan recognised directly in equity | | 5 787 | -246 |
| Effect of change in exchange rate | | 8 068 | -6 834 |
| Changes in other balance sheet items | | 154 556 | -275 362 |
| **Net cash flow from operating activities** | | **391 805** | **160 082** |
| **Cash flow from investing activities** | | | |
| Proceeds from sale of tangible fixed assets | | 7 287 | |
| Purchase of tangible fixed assets and intangible assets | | -25 843 | -27 621 |
| Purchase of investments in shares and joint ventures | | -731 | -766 |
| Purchase of shares in subsidiary | | | -79 426 |
| Payment of loan to group-companies | | 8 813 | 5 645 |
| **Net cash flow from investing activities** | | **-10 474** | **-102 168** |
| **Cash flow from financing activities** | | | |
| Proceeds from issuance of new long-term debt | | 112 620 | 19 536 |
| Repayment of long-term loans | | -120 737 | -18 583 |
| Payment of dividends to share holders | | -375 024 | -98 983 |
| Change in transfered cash from common cash pool arrangement within the Group | | -233 696 | 113 657 |
| **Net cash flow from financing activities** | | **-616 837** | **15 627** |
| **Net change in cash and cash equivalents** | | **-235 506** | **73 541** |
| **Cash and cash equivalents 01.01** | **1/14/15** | **306 906** | **233 365** |
| **Cash and cash equivalents 31.12** | **1/15** | **71 400** | **306 906** |

# 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 2017.

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** | | **2017** | **2016** |
|---|---|---|---|
| Nordic region | MNOK | 1 018 | 976 |
| Europe, excl. Nordic region | MNOK | 266 | 227 |
| North America | MNOK | 35 | 26 |
| Asia | MNOK | 95 | 136 |
| Other | MNOK | 9 | 13 |
| **Total** | **MNOK** | **1 423** | **1 379** |

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

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  MNOK 15.6 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.

The accounts of 2016 contained non-recurring items of 2.3 MNOK in relation to restructuring and downsizing and are charged labor costs in the accounts.

# Note 4  Inventory

| Inventory | **2017** | **2016** | **Change** |
|---|---|---|---|
| Raw materials | 46 673 | 52 892 | -6 219 |
| Work in progress | 12 022 | 13 228 | -1 206 |
| Manufactured goods | 78 848 | 63 702 | 15 146 |
| **Total inventory** | **137 543** | **129 822** | **7 721** |

Provision for obsolte inventory as of 31.12.2017 NOK 8.0 million (2016: NOK 7.4 million).

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

| **Payroll and related costs** | **2017** | **2016** |
|---|---|---|
| Salaries | 283 284 | 274 764 |
| National insurance | 41 568 | 40 544 |
| Pension costs | 15 818 | 14 286 |
| Other remuneration | 8 766 | 6 898 |
| Bonus to all employees * | 14 800 | 0 |
| **Payroll and related costs** | **364 236** | **336 493** |
| | | |
| **Average number of man-years** | **448** | **460** |

* At Glamox AS's board meeting held on 18.12.2017, the Board decided to pay out a one-off bonus to all employees. The parent company covered all costs relating to the bonus, including bonuses that was paid to employees outside the parent company.

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

The CEO is a member of the defined contribution pension schemes for salary up to 12G (approx 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 2017 are charged with 1 413 TNOK related to the performance related bonus agreement. In addition the CEO has received a salary compensation equivalent to 12 months' salary due to extraordinary work related to the in parallel run IPO and sales process of the majority holder's shares. Half of this compensation has been re-charged to Arendals Fossekompani ASA in connection with the sales process.

Upon termination from the company, the CEO is entitle to severence pay, without other remuneration, for 12 months.

The chairman of the board has no agreement for severence pay, bonus or profit-sharing. The CEO, chairman of the board, nor any other person in a similar position have been given a loan, or securities been put at their disposition.

| **Remuneration to CEO in 2017** | **Salary** | **Performance-related bonus** | **Extra compensation** | **Pension vesting** | **Other remuneration** |
|---|---|---|---|---|---|
| Rune Marthinussen - CEO | 2 849 | 1 413 | 2 849 | 48 | 178 |

| **Remuneration to Board members in 2017** | **Directors' fees** |
|---|---|
| Total remuneration | 1 176 |

| **Auditor** | **2017** | **2016** |
|---|---|---|
| Fee for statutory audit | 1 106 | 875 |
| Other attestation services | 3 445 | 106 |
| Tax advisory service | 280 | 213 |
| Other services, beyond audit | | 28 |
| **Total** | **4 831** | **1 222** |

Of statutory audit fee is TNOK 45 in 2017 (TNOK 56 in 2016) further charged to the former parent company, Arendals Fossekompani ASA.
Other attestation services in 2017 includes 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** | **2017** | **2016** |
|---|---|---|
| Current value of this years pension accrual | 0 | 0 |
| Interest cost of pension commitments | 583 | 616 |
| Defined contribution pension scheme | 15 235 | 13 670 |
| **Net pension expenses / (income)** | **15 818** | **14 286** |

| **Reconciliation of pension scheme's financed against sum in balance sheet:** | **31.12.17** | **31.12.16** |
|---|---|---|
| Calculated pension commitments | -21 583 | -27 696 |
| Pension reserves | 5 481 | 5 686 |
| **Net pension liabilities** | **-16 102** | **-22 010** |

| **Financial conditions:** | **2017** | **2016** |
|---|---|---|
| Discount rate | 2.40 % | 2.60 % |
| Anticipated pension increase | 2.25 % | 2.25 % |
| Anticipated change in national insurance base rate | 2.25 % | 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 31.12.2017 is based on the rate of norwegian corporate bonds (Obligasjoner med fortrinnsrett - OMF).

# Note 6 Specification of financial items

| | **2017** | **2016** |
|---|---|---|
| Other financial income | 5 107 | 38 273 |
| Writedown of shares and loans to subsidiaries | | -6 765 |
| Other financial expenses | -45 083 | -6 035 |
| **Total other financial items** | **-39 975** | **25 473** |
| | | |
| Of which: | | |
| Currency effect | -35 958 | 29 812 |

# Note 7 Tangible fixed assets and intangible fixed assets

| | Land / buildings | Machinery | Fixtures and Fittings | Total |
|---|---|---|---|---|
| Acquisition costs 31.12.2016 | 122 348 | 242 995 | 52 886 | 418 230 |
| Additions | | 15 095 | 3 619 | 18 713 |
| Reclassification | | -8 899 | 8 899 | 0 |
| Disposals | -18 471 | -28 | -2 596 | -21 095 |
| **Acquisition costs 31.12.2017** | **103 877** | **249 163** | **62 807** | **415 847** |
| | | | | |
| Accumulated depreciation 31.12.2016 | 67 931 | 194 831 | 39 153 | 301 915 |
| This years depreciation | 5 919 | 10 355 | 6 394 | 22 668 |
| Reversed acc. depreciation and write down due to disposal | -16 593 | 0 | -2 596 | -19 189 |
| **Accumulated depreciation 31.12.2017** | **57 257** | **205 186** | **42 951** | **305 394** |
| | | | | |
| **Balance sheet value at 31.12.2017** | **46 620** | **43 977** | **19 857** | **110 453** |
| | | | | |
| Financial life | Up to 20 yrs. | Up to 8.3 yrs. | Up to 8.3 yrs. | |
| Depreciation plan | Straight-line | Straight-line | Straight-line | |

Further the parent company has lease agreements on operating equipment. These lease agreements are regarded as operational leasing and annual lease payment in 2017 amounted to 4.6 MNOK.

| | Product developement | Other intangible assets | Total |
|---|---|---|---|
| Acquisition costs 31.12.2016 | 3 586 | 89 196 | 92 782 |
| Additions | | 7 130 | 7 130 |
| Disposals | -3 567 | | -3 567 |
| **Acquisition costs 31.12.2017** | **19** | **96 326** | **96 345** |
| | | | |
| Accumulated depreciation 31.12.2016 | 3 586 | 89 196 | 92 782 |
| This years depreciation | | 356 | 356 |
| Reversed acc. depreciation and write down due to disposal | -3 567 | | -3 567 |
| **Accumulated depreciation 31.12.2017** | **19** | **89 553** | **89 571** |
| **Balance sheet value at 31.12.2017** | **0** | **6 773** | **6 773** |
| | | | |
| Financial life | Up to 7 yrs. | 5 to 10 yrs. | |
| Depreciation plan | Straight-line | Straight-line | |

# Note 8 Subsidiaries

| Name of company | | Share capital | Shareholding in Glamox AS | Book value in Glamox AS TNOK | Group's vouting ownership share | |
|---|---|---|---|---|---|---|
| Glamox A/S, Danmark | DKK | 4 900 000 | 100.0% | 8 045 | 100.0% | |
| Glamox AB, Sverige | SEK | 600 000 | 100.0% | 1 681 | 100.0% | |
| Glamox Oy, Finland | EUR | 100 000 | 100.0% | 6 082 | 100.0% | |
| Glamox Ltd., England | GBP | 3 500 | 100.0% | 680 | 100.0% | |
| Glamox Ireland Ltd., Irland | EUR | 168 768 | 100.0% | 1 787 | 100.0% | |
| Glamox GmbH, Tyskland | EUR | 682 667 | 25.0% | 21 570 | 100.0% | |
| AS Glamox HE, Estland | EUR | 166 140 | 20.0% | 2 723 | 100.0% | |
| Glamox Aqua Signal GmbH, Tyskland | EUR | 3 859 690 | 5.1% | 6 344 | 100.0% | |
| Glamox Production GmbH & Co. KG, Tyskland | EUR | 5 844 874 | 0.0% | 0 | 100.0% | |
| GPG Verwaltungsgesellschaft mbH | EUR | 25 | 0.0% | 0 | 100.0% | |
| Glamox B.V., The Netherlands | EUR | 18 | 100.0% | 20 325 | 100.0% | |
| LINKSrechts GmbH, Tyskland | EUR | 27 000 | 100.0% | 58 259 | 100.0% | 2) |
| Glamox Aqua Signal Corporation, USA | USD | 100 000 | 100.0% | 443 | 100.0% | |
| Glamox Canada Inc., Canada | CAD | 2 207 510 | 100.0% | 0 | 100.0% | |
| Glamox Far East Pte Ltd., Singapore | SGD | 6 100 000 | 98.7% | 23 666 | 98.7% | 1) |
| Glamox (Suzhou) Lighting Co. Ltd, Kina | CNY | 20 387 517 | 100.0% | 4 050 | 100.0% | |
| Suzhou Glamox Trade Co. Ltd, Kina | CNY | 500 000 | 0.0% | 0 | 100.0% | |
| Glamox Korea Co. Ltd., Korea | KRW | 775 020 000 | 100.0% | 4 483 | 100.0% | |
| Luxo AS, Norge | NOK | 1 759 250 | 100.0% | 18 290 | 100.0% | 4) |
| Luxo Corporation, USA | USD | 101 | 100.0% | 0 | 100.0% | |
| Glamox Brasil Iluminacao LTDA, Brasil | BRL | 50 000 | 100.0% | 130 | 100.0% | 3) |
| Birger Hatlebakks veg 15 AS, Norge | NOK | 100 000 | 100.0% | 1 373 | 100.0% | |
| **Total book value of shares in subsidiaries** | | | | **179 931** | | |

1) Minority interests in Glamox Far East Pte Ltd is 1.27%.

2) In 2016 Glamox AS bought 100% of the shares in LINKSrechts. A part of the cost price included an earn-out element. As of 31.12.2017 Glamox had no obligation related to the earn-out and the remaining liability was reversed against the investment.
3) Minority interests in Glamox Brasil Iluminacao LTDA owns 1 share of totally 50 000 shares, corresponding to 0.002%.

4) Glamox AS has given a group contribution to Luxo AS of TNOK 731 (after tax deduction) in 2017. This is entered as investment in subsidiaries in the financial accoutns of the parent company.

# Note 9 Receivables due for payment later than one year

| Balance sheet value of receivables due for payment later than one year: | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Receivables, Group Companies | 60 294 | 65 088 |
| Other long term receivables | | |
| **Total** | **60 294** | **65 088** |

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

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Liabilities to financial institutions | 0 | 0 |

# Note 11 Tax

| | 2017 | 2016 |
|---|---|---|
| **Tax payable calculated as follows:** | | |
| Ordinary profit before tax | 279 479 | 417 767 |
| Permanent differences | -242 397 | -308 699 |
| Change in temporary differences | -956 | 666 |
| Change defined benefit plan recognised directly against equity | 5 787 | -246 |
| **Basis for tax payable** | **41 913** | **109 488** |
| Tax rate | 24 % | 25 % |
| **Tax payable on profit for the year** | **10 059** | **27 372** |
| | | |
| **Tax for the year is calculated as follows** | | |
| Tax payable on profit for the year | 10 059 | 27 372 |
| Change deferred tax/deferred tax assets in balance sheet | 848 | 462 |
| Change in deferred tax booked directly against equity | -1 389 | 62 |
| Withholding tax | | 615 |
| **Total tax for the year** | **9 518** | **28 511** |
| Effect of changed tax rate | 618 | 628 |
| | | |
| **Current tax liabilities consist of:** | | |
| Tax payable for the year as above | 10 059 | 27 372 |
| - tax on group contribution from subsidiaries | -231 | -255 |
| - payment of withholding tax | -504 | -849 |
| **Current tax liabilities 31.12** | **9 324** | **26 268** |

| **Specification of basis for deferred tax:** | **31.12.2017** | **31.12.2016** |
|---|---|---|
| **Offsetting differences:** | | |
| Fixed assets | -17 310 | -19 705 |
| Other current assets | -8 350 | -774 |
| Liabilities | -20 083 | -20 312 |
| Net pension reserves/commitments | -16 102 | -22 010 |
| **Gross basis for deferred tax** | **-61 845** | **-62 801** |
| **Net deferred tax assets posted in balance** | **14 224** | **15 072** |

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, 14.2 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 31.12.2016** | **65 989** | **27 253** | **335 665** | **428 906** |
| Change in equity for the year: | | | | |
| Profit for the year | | | 269 961 | 269 961 |
| Proposed  dividends | | | -124 059 | -124 059 |
| Distributed additional dividends | | | -280 000 | -280 000 |
| Pension actuarial gain/loss recognized in equity | | | 5 787 | 5 787 |
| Tax on pension actuarial gain/loss recognized in equity | | | -1 389 | -1 389 |
| **Equity 31.12.2017** | **65 989** | **27 253** | **205 965** | **299 207** |

**Share capital and shareholder information:**

| **Share capital in Glamox AS at 31.12.2017 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 31.12.2017 were:** | **Total shares** | **Shareholding/ Voting** |
|---|---|---|
| GLX Holding AS  C/O Triton Advisers | 49 598 116 | 75.16 % |
| Fondsavanse AS | 15 160 083 | 22.97 % |
| 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 | 59 237 | 0.09 % |
| GINKO AS  v/Eline Huitfeldt | 11 353 | 0.02 % |
| **Total 10 largest shareholders** | **65 968 177** | **99.97 %** |
| Others (157 shareholders) | 20 491 | 0.03 % |
| **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

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Secured balance sheet liabilities** | | |
| Liabilities to financial institutions | 115 625 | 111 665 |
| Secured pension liability | 13 820 | 13 820 |
| **Balance sheet value of assets pledged as security for secured liabilities:** | | |
| Land, buildings etc. | 46 621 | 54 417 |
| Machinery and plant | 43 976 | |
| Fixture and fittings | 19 856 | |
| Shares | | 6 344 |
| Inventory | 137 543 | 129 822 |
| Accounts receivable | 224 340 | 201 090 |
| **Total** | **472 336** | **391 673** |

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 2016.

# Note 14 Outstanding accounts against Group companies

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Account receivables on Group companies | 94 265 | 79 548 |
| Short term receivables on Group companies | 236 571 | 362 066 |
| Loans to Group companies | 61 833 | 70 646 |
| **Total receivables on Group companies** | **392 670** | **231 971** |
| | | |
| Account payables to Group companies | 66 890 | 67 923 |
| Other short term liabilities to Group companies | 180 566 | 414 273 |
| **Total payables to Group companies** | **247 456** | **482 196** |

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 180.6 mnok (414.3 mnok in 2016) is 179.6 mnok (413.3 mnok in 2016) the subsidiaries share of the parent's cash deposit.

# Note 15 Cash etc.

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Liquidity reserve | 739 030 | 428 923 |

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 16.7 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

| | 2017 | 2016 |
|---|---|---|
| Sales revenue | 429 337 | 398 892 |
| Services | 82 916 | 75 488 |
| Interest income | 2 781 | 2 728 |
| Dividend from subsidiaries | 235 711 | 318 767 |
| | | |
| Cost of Goods | 381 768 | 369 575 |
| | | |
| Group contribution paid | 962 | 1 021 |

Arendal Fossekompani ASA has 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, 2017 and 2016.

# 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 31.12.2017, Glamox had forward contracts for both sale and purchase of currencies. Currency sales amounted to 117 MNOK while the currency purchase amounted to 167 MNOK based on 31.12.2017 exchange rates.

Forward contracts that are not recognized in the balance sheet, had a market value of -2.0 MNOK as of 01.01.2017 and -4.9 MNOK as of 31.12.2017.

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

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

To the General Meeting of Glamox AS

# Independent auditor's report

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Glamox AS. The financial statements comprise:

- The financial statements of the parent company Glamox AS (the Company), which comprise the balance sheet as at 31 December 2017, and 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 balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow 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 2017, 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 2017, 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 the Board of Directors' report, but does not include 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 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 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 proposal for the allocation of the profit 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, 30 April 2018
KPMG AS

Lone B. Frogner

Lone Brith Frogner
*State Authorised Public Accountant*

# Key figures

| | | | 2017 | 2016 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|
| | **Sales / Profit** | | IFRS | IFRS | NGAAP | NGAAP | NGAAP | NGAAP |
| 1. | Total income | MNOK | 2614.5 | 2508.6 | 2508.6 | 2498.4 | 2221.5 | 1997.0 |
| 2. | Operating profit/loss | MNOK | 292.7 | 267,8 | 263.1 | 298.5 | 259.6 | 202.6 |
| 3. | Profit/loss before tax | MNOK | 302.8 | 255.8 | 251.5 | 293.1 | 264.9 | 208.1 |
| 4. | Profit/loss | MNOK | 258.2 | 194.9 | 191.1 | 214.4 | 193.9 | 148.5 |
| 5. | Operating margin | % | 11.2 | 10.7 | 10.5 | 11.9 | 11.7 | 10.1 |
| 6. | Gross profit margin | % | 11.6 | 10.2 | 10.0 | 11.7 | 11.9 | 10.4 |
| 7. | Net profit margin | % | 9.9 | 7.8 | 7.6 | 8.6 | 8.7 | 7.4 |
| 8. | Total profitability | % | 23.6 | 20.4 | 20.1 | 25.9 | 22.2 | 16.6 |
| 9. | Return on equity | % | 39.5 | 31.9 | 34.2 | 47.5 | 38.0 | 24.6 |
| | **Capital / Liquidity** | | | | | | | |
| 10. | Current ratio | | 2.0 | 2.0 | 2.0 | 1.9 | 1.9 | 2.4 |
| 11. | Cash flow | MNOK | 275.5 | 258.5 | 258.1 | 289.7 | 236.5 | 215.1 |
| 12. | Cash flow from activities | MNOK | 173.1 | 235.7 | 199.6 | 188.2 | 172.3 | 168.0 |
| 13. | Equity | MNOK | 605.9 | 702.5 | 599.8 | 518.7 | 384.9 | 635.2 |
| 14. | Equity ratio | % | 45.6 | 48.2 | 41.5 | 39.1 | 34.4 | 45.4 |
| 15. | Investments | MNOK | 46.7 | 54.1 | 50.6 | 44.4 | 36.8 | 23.9 |
| | **Share-related key figures** | | | | | | | |
| 16. | Earnings per share | NOK | 3.91 | 2.95 | 2.90 | 3.25 | 2.94 | 2.25 |
| 17. | Cash flow per share | NOK | 4.18 | 3.92 | 3.91 | 4.39 | 3.58 | 3.26 |
| 18. | Book equity per share | NOK | 9.18 | 10.65 | 9.09 | 7.86 | 5.83 | 9.63 |

## Definition of key figures

5) **Operating margin:** 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 minus tax payable, plus depreciation, amortization and impairment.
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
Fax +47 22 02 11 02
post@glamox.com

**Sweden**
Glamox AB
BU Sverige
Göteborg
Tel +46 31 746 51 00
Fax +46 31 87 15 25
info.se@glamox.com

**Denmark**
Glamox A/S
Taastrup
Tel +45 701 00 304
Fax +45 44 200 730
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
Fax + 372 671 2305
info.es@glamox.com

**Germany**
Glamox GmbH
Bremen
Tel +49 421 4857 05
FAX +49 421 4857 022
info.de@glamox.com

**United Kingdom**
Glamox Ltd
Borehamwood
Tel +0208 953 0540
Fax +0208 953 9580
ukoffice@glamox.com

**Ireland**
Glamox Ireland Ltd
Dublin
Tel +353 1 4500 755
Fax +353 1 4500 688
info.ie@glamox.com

**The Netherlands**
Glamox B.V.
Numansdorp
Tel +31 186 653 111
Fax +31 186 654 315
info.nl@glamox.com

**USA**
Luxo Corporation
Albany, New York
Tel +1 914 345 0067
Fax +1 914 345 0068
office@luxous.com

# Global Marine & Offshore

**Norway**
Glamox AS
BU Glamox International
Molde
Tel +47 71 25 04 00
Fax +47 71 21 85 40
info.gi@glamox.com

**Germany**
Glamox Aqua Signal GmbH
Bremen
Tel +49 421 36 93 52-0
Fax +49 421 36 93 52-210
sales.aquasignal@glamox.com

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

**The Netherlands**
Glamox B.V.
Numansdorp
Tel +31 186 653 111
Fax +31 186 654 315
info.nl@glamox.com

**USA**
Glamox, Aqua Signal Corporation
Houston, Texas
Tel +1 (281) 944-4100
Fax +1 (847) 639-7047
glamoxUS@glamox.com

**Canada**
Glamox Inc.
St.John's,
Newfoundland
Tel +1 709 753 2373
Fax +1 709 753 2180
sales@glamox.ca

**China**
Glamox Trading Co.Ltd.
Shanghai
Tel +86 21 6039 3310
Fax +86 21 6039 3304
info@glamoxfe.com.sg

**Singapore**
Glamox PTE. Ltd
Tel +65 6748 1977
Fax +65 6742 9711
sales@glamoxfe.com.sg

**South-Korea**
Glamox Co. Ltd.
Busan
Tel +82 51 971 7200
Fax + 82 51 971 9273
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
Fax +47 71 24 60 01

Glamox AS
BU Production Kirkenær
Tel +47 62 94 92 00
Fax +47 62 94 92 01

**Sweden**
Glamox AB
BU Production Sweden
Målilla
Tel + 46 49 524 99 00
Fax +46 49 524 99 24

**Estonia**
AS Glamox
BU Production Estonia
Keila
Tel +372 671 2300
Fax + 372 671 2305

**Germany**
Glamox Production GmbH & Co KG
Bremen / Teterow
Tel +49 399 6142 0
Fax +49 399 6142 10

**China**
Glamox (Suzhou) Lighting Co. Ltd.
Suzhou
Tel +86 512 62 52 59 77
Fax +86 512 62 52 59 97

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

Tel. +47 22 02 11 00
Fax. +47 22 02 11 02

info@glamox.com
www.glamox.com

AR2017101E