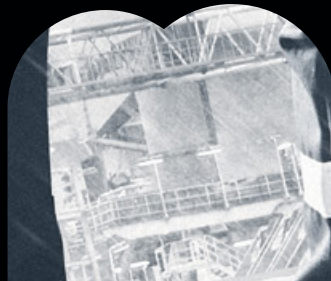
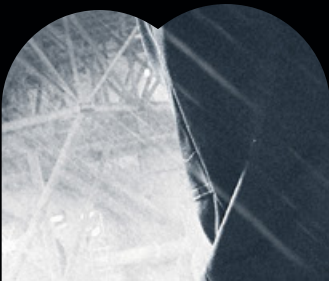
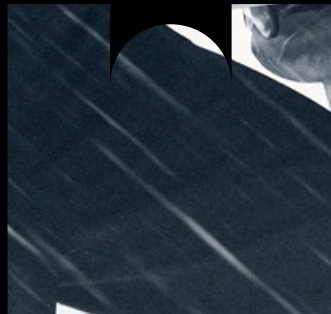


**BEERENBERG**

BEERENBERG AS  
ANNUAL REPORT



**18**

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## Photography

Fredrik Arff

## Prepress & Printing

Bodoni AS

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The Beerenberg Group consists of several entities.  
Unless otherwise stated the reference to company and  
group refers to the total operation of these entities.







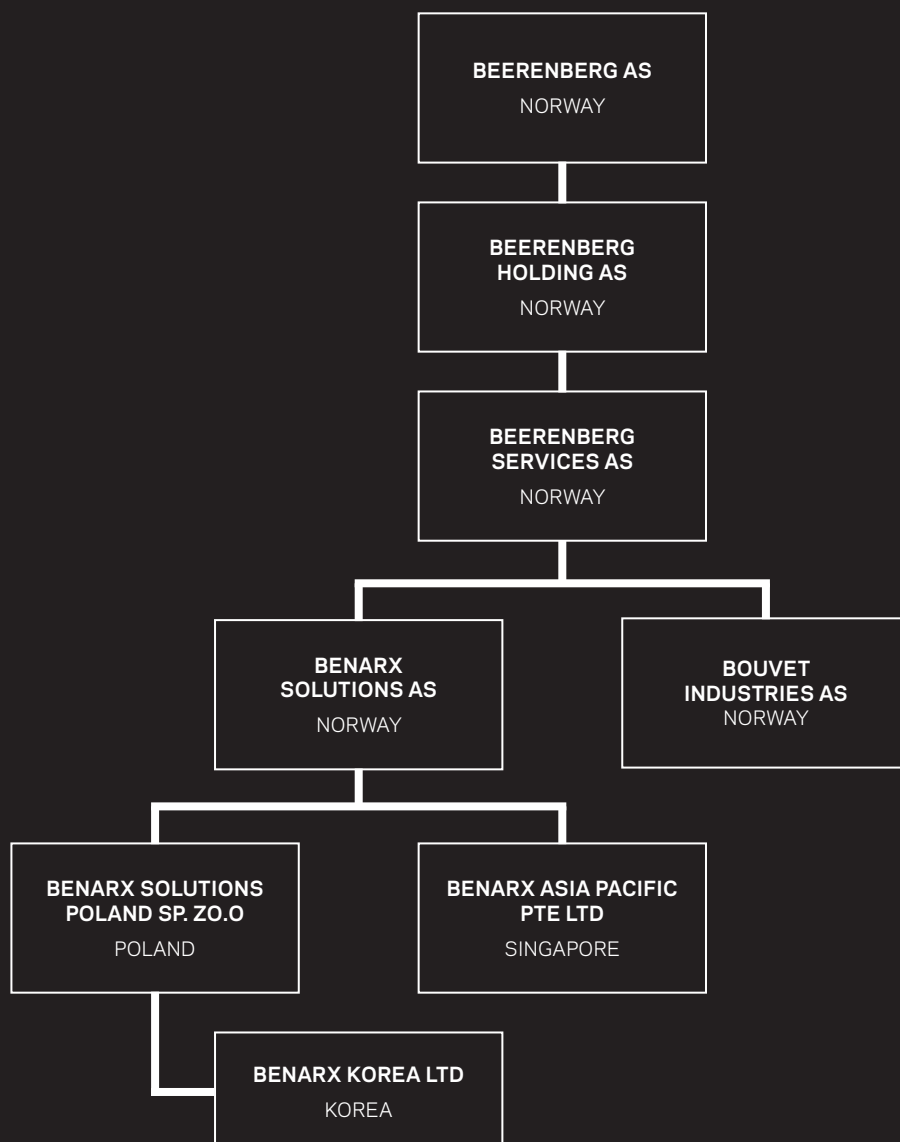
# Beerenberg AS

Beerenberg AS is a limited liability company registered in Bergen, Norway.

The Beerenberg Group comprises the parent company Beerenberg AS and the subsidiaries Beerenberg Holding AS, Beerenberg Services AS, Bouvet Industries AS, Benarx Solutions AS, Benarx Solutions Poland Sp. z o.o, and Benarx Pacific Asia PTE. LTD.

The operational activities are organized in Beerenberg Services AS and its subsidiaries.

The head office is in Bergen and the group has offices in Stavanger and Skien in Norway, and Goscicino in Poland and Busan in South-Korea.



## Beyond Expectations

Our vision commits the corporation and all of its employees to seek solutions that exceed the expectations of the wider world.

## Inclusive – Innovative – Responsible

The company shall be ***inclusive*** towards individuals, other companies and society as a whole. An open and accommodating attitude shall prevail throughout the group. The company's ability to be ***innovative*** will help safeguard our own future, improve conditions for the local environment and generally help create positive social development. A ***responsible*** attitude shall prevail at the company at all levels and in all contexts.











# Key figures

		2018	2017	2016	2015	2014
<b>ORDERS AND RESULTS</b>						
<b>Estimated order backlog *</b>	MNOK	9 500	10 500	10 200	7 700	7 900
<b>Revenue</b>	MNOK	1 519,6	1 851,9	2 081,5	2 363,2	2 306,3
Growth in revenue	Percent	-17,9 %	-11,0 %	-11,9 %	2,5 %	19,7 %
<b>EBITDA</b>	MNOK	97,0	252,8	219,2	275,7	280,4
Ebitda margin	Percent	6,4 %	13,7 %	10,5 %	11,7 %	12,2 %
<b>EBIT</b>	MNOK	47,7	206,9	5,7	194,0	208,3
<b>Net Profit</b>	MNOK	-31,4	77,6	-73,6	88,4	41,0
Net margin	Percent	-2,1 %	4,2 %	-3,5 %	3,7 %	1,8 %
<b>CASHFLOW AND CAPEX</b>						
<b>Cash flow from operating activities</b>	MNOK	51,7	86,8	110,1	203,2	105,2
<b>Capex</b>	MNOK	38,6	13,1	16,0	27,8	74,1
<b>BALANCE SHEET</b>						
<b>Equity</b>	MNOK	394,0	422,2	345,0	414,7	330,2
Equity ratio	Percent	24,2 %	24,6 %	18,4 %	20,2 %	17,6 %
<b>Net working capital</b>	MNOK	58,8	139,7	85,7	78,8	118,4
Nwc / revenue ratio	Percent	3,9 %	7,5 %	4,1 %	3,3 %	5,1 %
<b>Total liabilities</b>	MNOK	1 234,3	1 292,1	1 530,3	1 642,4	1 551,1
<b>Total assets</b>	MNOK	1 628,3	1 714,2	1 875,3	2 057,0	1 881,4
<b>EMPLOYEES</b>						
<b>Employees 31.12.</b>	Number	1 131	1 146	1 344	1 604	1 708
<b>Full time equivalent</b>	Number	1 621	1 954	2 129	2 177	2 184
Change in total resources employed	Percent	-17,0 %	-8,2 %	-2,2 %	-0,3 %	9,6 %
<b>Hours produced</b>	In thousands	2 476	2 873	3 111	3 185	3 431
Change in hours produced	Percent	-13,8 %	-7,7 %	-2,3 %	-7,2 %	11,0 %
<b>HSE</b>						
<b>Serious personell injuries</b>	Number	0	0	0	0	0
<b>Lost time incidents Frequency (LTIF)</b>	Per million worked hours	0	0	0,4	0	0,3
<b>Total recordable incidents frequency</b>	Per million worked hours	5,5	4,3	2,9	2,5	5,2

\*) Estimated order backlog is based on best estimates of frame agreements

## Beerenberg management



**Arild Apelthun**  
CEO

Arild Apelthun has been CEO since June 2018. He joined Beerenberg in 2014 and was previously the CFO of the company. Arild Apelthun has a background as CFO from TTS Group and subsidiaries in Aker Solutions in USA and Europe. He holds a Master of Science in Business (Siviløkonom) from Bodø Graduate School of Business.



**George Oehme**  
CFO

George Oehme has been CFO in Beerenberg since June 2018. He came from the position as Vice President Finance. Oehme joined Beerenberg in 2009 and he has had different roles in the financial department. He has previously worked as Senior Consultant and Project Manager in Columbus. George Oehme holds a Master in Economics and Business administration from Norwegian School of Economics (NHH - Siviløkonom).



**Nils Halvor Berge**  
Executive Vice President – New Build & Modifications Projects

Nils Halvor Berge has been in Beerenbergs Management Team since April 2016. He joined the company in 2009, and has been project manager both at Kårstø and at Nyhamna APCm project. Prior to Beerenberg, Nils Halvor Berge served as sports director and general manager at FK Haugesund for 12 years. He qualified as a teacher at Sogn og Fjordane University College.



**Toni Suomäki**  
Executive Vice President – Maintenance, Modifications & Operations

Toni Suomäki has been EVP MMO since June 2018. Suomäki started in Beerenberg in 2007 and has held a number of key positions in the company, mainly related to operations and project management. Suomäki has long experience in oil service from various companies before joining Beerenberg. He holds a Bachelor in Economics and Management from BI.



**Roger Kjeilen****Executive Vice President – Tender**

Roger Kjeilen has been EVP Tender since 2018, responsible for tender and marketing activities in the Beerenberg Group. Kjeilen joined the company in 1996 and has held several leading positions in Beerenberg. Roger Kjeilen has a Master of Science (Sivilingeniør) from Norwegian University of Science and Technology (NTNU).

**Gro Hatleskog****Executive Vice President Business Support**

Gro Hatleskog has been EVP Business Support since March 2015. She held the same position in the company from 2009-2011. Hatleskog has extensive and wide-ranging experience as an HR and staff director at Vesta Forsikring, Sparebanken Vest and Nera Telecommunications. Gro Hatleskog has a Master's Degree in Administration and Organisation Theory from the University of Bergen.

**Steinar Kobbeltvedt****EVP HSEQ & RISK**

Steinar Kobbeltvedt took up the role of EVP HSE & Risk at Beerenberg in August 2015. He joined the company from the position as Managing Director at Kokstad Bedriftshelsetjeneste. He has previously also worked for Odfjell Drilling. Steinar Kobbeltvedt is a qualified nurse and has postgraduate studies in health, safety and environment, he has also studied Strategic Management at the BI Norwegian Business School.







## Message from the CEO

There is no doubt that the past year has been one of significant change both inside and outside Beerenberg. 2018 was the year when activity levels in the industry began to rise in earnest following a fairly quiet period after the 2014 oil crisis. It was also the year when Beerenberg saw a change of CEO and, not least, a year in which digitalisation really began to pay dividends for the company.

Beerenberg's role is primarily to create value for our customers. We do our bit in Norway and abroad to give people access to energy and other important products made from petroleum. We do this by maintaining installations, thus helping to ensure that they are able to make their contributions to the world's combined energy mix. We also help enable the construction of new oil and gas installations, working continually to make the life cycle of these plants as long as possible. We continue to maintain our focus on improving HSE/Q, productivity and consistency.

Irrespective of market trends, Beerenberg has for many years focused on robust HSE/Q, high productivity and consistency in delivery – the company's main competitive advantages. Investment in technology and skills is crucial if we are to achieve this.

Adopting new technology is just as important as development. Beerenberg wants to use digitalisation to generate concrete benefits in our day-to-day work. Debate and lofty ideas are not enough. We must also be able to turn it into actual results. We in Beerenberg has a long track record of innovation. Being able to adopt technological innovation to tangible benefits are part of our values.

In recent years Beerenberg has been working on digitalising 3-D models of scaffolding and insulation solutions in particular. The latter are already being implemented as part of the work flow, while scaffolding models are still at the pilot stage. The results so far have been very encouraging.



We are always keen to provide development opportunities for our employees, both within their respective disciplines and in terms of leadership and employee relations. We believe this approach will boost productivity in the workplace and improve well-being. Both are necessary if Beerenberg is to realise its ambitions.

2019 looks set to become a year of increasing activity for Beerenberg and for the sector as a whole. We are in the best possible position to deliver good results – for the benefit of ourselves and our customers.

We are well positioned to meet changes in the market, always with the focus on value and flexibility.

A handwritten signature in black ink, consisting of stylized, flowing letters that appear to read 'Arild' followed by a surname.

Arild Apelthun  
CEO

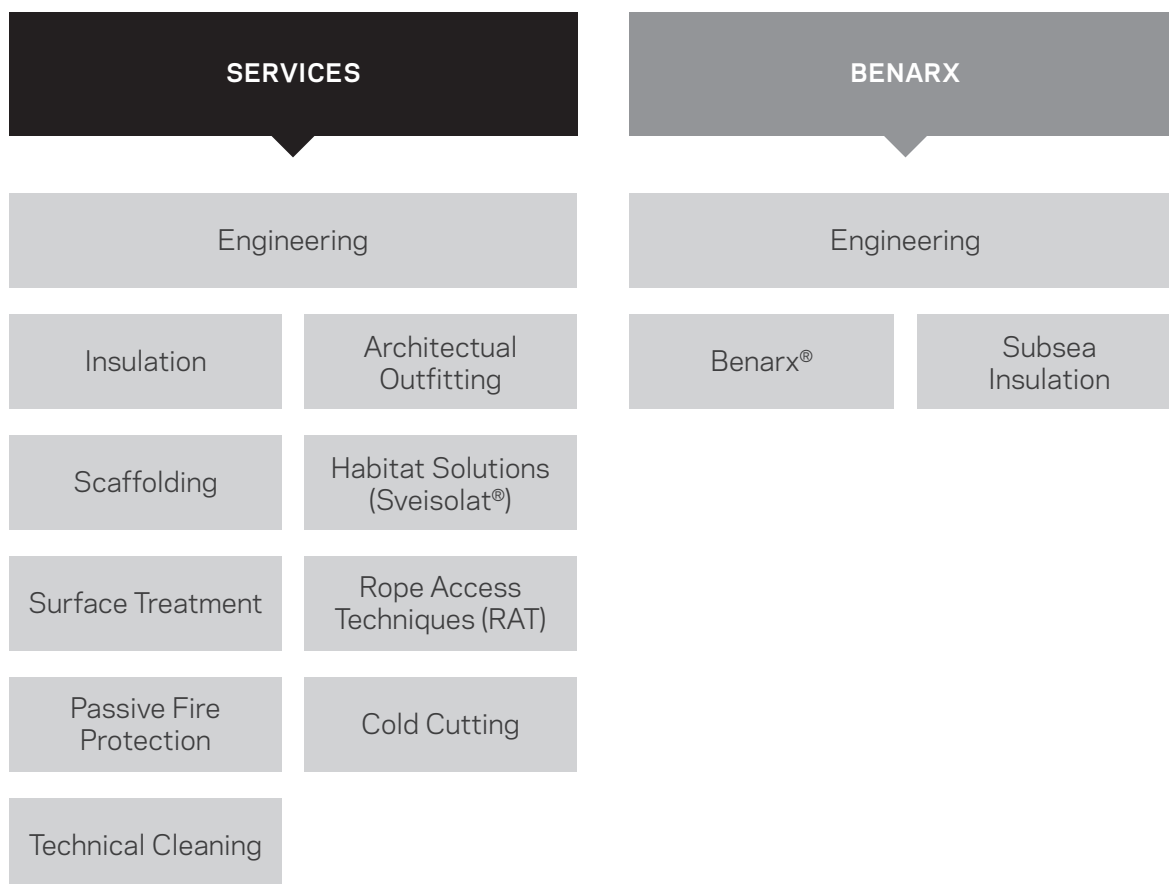


## HSE/Q, productivity and consistency


For more than 40 years Beerenberg has made oil and gas production possible in inhospitable environments by delivering intelligent and innovative service solutions. Our expertise covers the entire life cycle of the petroleum industry from field studies and newbuilds to maintenance, modifications and lifetime extensions.

Beerenberg is a leading supplier of maintenance and modifications services. More than 1,000 Beerenbergers are working as problem solvers for the company's clients both in Norway and abroad. The company sees it as its duty to challenge conventional thinking in the industry through innovation and creative solutions – always focusing on improved HSE/Q, productivity and consistency.

*Beerenberg has organised its activities into the business units Services and Benarx:*







## SOME OF OUR CLIENTS

- Aibel
- Aker BP
- Aker Solutions
- Cameron
- ConocoPhillips
- Daewoo
- Drydocks Dubai
- Equinor
- FMC
- Halliburton
- Hyundai
- Kvaerner
- Norcem
- NOV
- OneSubsea
- Samsung
- Sembcorp
- Shell
- Vard
- Wintershall
- WorleyParsons
- Yara



# Services

Services has the overall responsibility for Beerenberg's newbuild, maintenance and modifications contracts. Alongside the ISS disciplines (insulation, scaffolding and surface treatment), the business unit also covers passive fire protection, technical cleaning, rope access techniques, architectural outfitting services and the cold work concepts Sveisolat (habitats) and cold cutting /mobile machining.

Services' main business areas are:

- Maintenance, Modifications & Operations
- New Build & Modification Projects

The two main business areas are designed to meet future demand on the Norwegian Continental Shelf and in the petrochemical industry. As well as direct maintenance contracts on installations and plants in operation, Beerenberg is also involved in business concepts aimed at modification projects and newbuilds in the oil and gas sector.

As a supplement to the traditional ISS disciplines, Beerenberg also delivers a range of technology-driven additional services whose innovative approach helps to ensure effective, consistent and HSE/Q-friendly operation.

Beerenberg's engineering services are an integrated part of the company's overall service concept. The company has extensive experience of studies, FEED, pre-engineering, fabrication engineering and as-built from a number of developments and installations in Norway and abroad. The company's expertise includes design, specifications and, modelling, technical drawing, working documents, documentation, plans and methods, inspections and other field engineering, and as-built.









# Benarx

Benarx designs, manufactures and delivers a complete range of insulation and fire protection products. This involves deliveries of everything from advanced proprietary products to traditional solutions and bulk insulation products.

The Benarx® product series is Beerenbergs' proprietary range of industrialised insulation solutions for passive fire protection and thermal and acoustic insulation.

The company's ambition is for the products to be cost-effective, space-saving and weight-reducing. Key factors in achieving this are:

- making products that are installation-friendly, thus moving the work from a high-risk plant to a factory specially designed and built for this purpose.
- developing new products by identifying and combining new and existing insulation materials from different industries.
- extensive testing to ensure that our products meet industry standards as a minimum and provide optimal protection of the process (thermal), the plant (fire and CUI) and the people who work there (acoustic etc.) now and in a lifetime perspective (life cycle costs).
- a unique combination of standardised, automated and centralised production of solutions tailor-made for our customers.

The Benarx® insulation products have a documented life span that far exceeds those of conventional insulation solutions. The company cooperate closely with key clients and suppliers as well as institutions such as SINTEF, DNV, GL, the National Institute of Technology, CRM, GexCon and Lloyds. The solutions have been tested and approved according to all relevant specifications/standards.

Over the past decade the Benarx product series has assumed a strong position on the Norwegian Continental Shelf (NCS). In recent years the company has widen the target market for its products, and are experiencing global growth, especially in South Korea and Singapore.

Most of the products for the European market are produced in the factory in Poland. In addition, the company has also established a factory in South Korea in order to stay close to the growing volume of work in the region.

The complexity of fabrication and installation of current insulation solutions is one of the international oil and gas industry's biggest challenges. The fact that the work requires extensive expertise and experience does not harmonise well with the highly volatile demand for capacity. The solution to this is therefore to automate production and to develop products that are easy to install.

Benarx R&D department focuses especially on developing solutions that are installation-friendly and suitable for automated production.







# Corporate social responsibility and ethics

## Social responsibility

Beerenberg assumes social responsibility by taking systematic steps to ensure profitable and sustainable growth in the areas affected by its business. The company's core values – Inclusive, Innovative and Responsible – are key factors in this process. Beerenberg has adopted a "Corporate Social Responsibility Policy" which covers human rights, workers' rights, the environment, anti-corruption and wider society.

Due to the nature of the business, the areas of health, safety and environment are given the highest priority by the Beerenberg Group. Its health, safety and environmental initiatives are embedded in a zero accidents philosophy and based on the idea that HSE should be an integrated element in all parts of the business.

Beerenberg's reputation is formed and sustained by the attitudes, conduct and work of the company's employees at all levels of the organisation. The company's objective is to create value for its owners, customers, employees, partners and society in general. For that reason it is important for Beerenberg to ensure that its employees work and conduct themselves in line with the company's core values and ethical guidelines.

## Social commitment

In 2018 Beerenberg supported the Salvation Army for its social work. The organisation works for better inclusion and work-training in our society, as well as creating meeting places that reduce outsiders and loneliness.

The group's involvement with this organisation is directly linked to its core values. On various occasions the group has also provided funding for children's sports in locations where it operates. In particular emphasis has been placed on the positive role played by sports with regard to multicultural integration.

## Ethics

The core principles of Beerenberg's Ethics and Compliance Program are set out in our ethical guidelines, which describe the company's adopted values and principles for business practice, personal conduct and handling of ethical challenges.

The company's ethical guidelines are revised annually and adopted by the group's executive bodies. Beerenberg focuses on communicating the company's values and providing training to employees to deal with dilemmas they may encounter. In 2018 the company revised the obligatory e-learning course and held campaigns and several tailored training programs for employees. The ethical guidelines are also topic in various fora such as the working environment committee and working council.

Beerenberg has dedicated guidelines in place for the handling and reporting of potentially unacceptable practices (whistle blowing). Employees may use both internal and external reporting channels. Beerenberg has also a dedicated Compliance Officer.







# Review of the principles of corporate governance according The Norwegian Code of Practice for corporate governance (NUES) dated 17th of October 2018

### 1. Review of corporate governance

The purpose of the principles of corporate governance in Beerenberg AS is to clarify the division of roles between shareholders, the board of directors and executive management more comprehensively than is required by legislation. There have been some changes in the Code of practice (NUES) in 2018 because of changes in legislation, international development and experience with the use of the recommendation.

The group's vision is "Beyond Expectations". The vision commits the corporation and all of its employees to seek solutions that exceed the expectation of the wider world.

The group has set out 3 core values:

- **Inclusive** towards individuals, other companies and society as a whole. An open and accommodating attitude shall prevail throughout the group.
- **Innovative** will contribute to create a positive social development, improve the environment and help safeguard a better future.
- **Responsible** attitude shall prevail at the company at all levels and in all contexts.

The group has established ethical guidelines that should form the basis for how Beerenberg conducts business.

Deviation from code of recommendation: None

### 2. Business

The group's operational activity is conducted in its subsidiary, Beerenberg Services AS, and its subsidiaries. In article 3 in Beerenberg Services AS Articles of Association the purpose of the business is defined:

"The objects of the company are to engage in contract work, production, industrial maintenance, trading, agency and commission work, and to take interests in other enterprises engaged in similar activities by way of share subscriptions or other means".

Deviation from code of recommendation: None

### 3. Equity and dividends

The board is responsible for ensuring that the group has a capital structure that is appropriate to the company's objective, strategy and risk profile, and that the capital requirements set forth in laws and regulations are met. The board shall continuously monitor the group's capital situation and shall immediately take adequate steps should it be apparent at any time that the company's equity or liquidity is less than adequate.

Deviation from code of recommendation: Dividend policy and specific capital requirement targets. The group's financing restricts the company's rights to pay dividends. Consequently the board has not found it necessary to develop a dividend policy.

### 4. Equal treatment of shareholders and transactions with close associates

Segulah IV L.P holds 83% of the shares in the company. The shares are not listed. As a consequence, there is no specific policy relating to preferential treatment of existing shareholders nor is there a policy relating to sales of shares.

With regards to transactions with close associates the board of directors has prepared guidelines where the basis for the transaction should be based on an independent, 3rd party valuation. However, if the matter relating to the valuation has been satisfactory handled, the board may decide to forego the independent valuation. Apart from a merger of parent companies with unchanged ownership structure performed in order to simplify the group structure, there have not been significant transactions with close associates in 2018.

Deviation from code of recommendation: Policies relating to preferential treatment of shareholders and sales of own shares have not been established.

### 5. Freely negotiable shares

No form of restriction on negotiability is included in the company's article of association.

Deviation from code of recommendation: None

## 6. Annual general meeting

The company's shares are not listed. As a consequence, the board has not prepared separate procedures regarding annual general meeting.

Deviation from code of recommendation: Based on current ownership structure the board has not seen it as necessary to develop additional guidelines beyond what is described in the legal framework (Aksjeloven).

## 7. Nomination committee

The company's shares are not listed. As a consequence, the board has not prepared procedures regarding nomination committee.

Deviation from recommendation: Based on current ownership structure the board has not seen it as necessary to appoint a nomination committee.

## 8. Corporate assembly and board of directors: Composition and independence

The company does not have a corporate assembly.

On the annual general meeting on the 14th of May 2018, Ketil Lenning, Sebastian Ehrnrooth, Ingelise Arntsen, Hilde Drønen and Svein Eggen were appointed board members in the period 2018 to 2020. On an extraordinary general meeting, Morten Haakon Walde was appointed as board member for two years.

The boards of directors have the following members:

NAME	POSITION	PERIOD
Ketil Lenning	Chairman	2018-2020
Sebastian Ehrnrooth	Member	2018-2020
Ingelise Arntsen	Member	2018-2020
Hilde Drønen	Member	2018-2020
Svein Eggen	Member	2018-2020
Morten Haakon Walde	Member	2018-2020

Beerenberg Invest AS owned 100% of the shares in Beerenberg Holdco II AS as of 31.12.2017. In 2018, in a process to simplify the legal structure of the group it was resolved that Beerenberg Holdco II AS should merge with Beerenberg Invest AS where Beerenberg Holdco II AS remains the continuing legal entity. Beerenberg Holdco II changed its name to Beerenberg AS.

Please see note 17 for shareholder information.

Ketil Lenning, Ingelise Arntsen, Hilde Drønen, Morten Haakon Walde and Svein Eggen are all independent of the company, its management and its major shareholder.

Deviation from code of recommendation: None

## 9. The work of the board of directors

The board has established procedures to clarify areas of responsibility as a group and as individuals.

The board has established an annual plan for the year and has in 2018 had eight meetings. The annual plan includes a two-year strategy plan, budget and target setting and review of the operations with focus on control and risk evaluation.

The board has appointed an audit committee and established guidelines for its work. The members are elected by and amongst the members of the board of directors for a term of up to two years. The committee members have the overall competence required to fulfil their duties based on the organization and operations of the company.

The objectives, responsibilities and functions of the audit committee shall follow rules and standards applicable to the company, as described in the company's "Audit Committee Charter". The members of the audit committee are:

Ingelise Arntsen, leader of the committee  
Hilde Drønen  
Morten Haakon Walde

The company does not have a compensation committee and evaluates the need annually.

The board prepares an annual evaluation of the work in the board.

Deviation from code of recommendation: None



### **10. Risk management and internal control**

The board regularly reviews the performance of the company, among others through a monthly and quarterly report. These reports include financial information regarding the company and specific information relating to the business segments in addition to other important areas like HSE. In addition, the board approves significant tenders and investments.

The board of directors has an annual review of risk areas and internal control systems including ethical guidelines.

Deviation from code of recommendation: None.

### **11. Remuneration of the board of directors**

The remuneration of the board of directors is established by the annual general assembly and is based on an evaluation of the workload. There is no form of incentive arrangement or similar.

Deviation from code of recommendation: None.

### **12. Remuneration of leading employees**

The boards view on the remuneration level for leading employees are that they should be on a competitive level and motivating. Please see note 19 for further information related to remuneration to leading employees.

Deviation from code of recommendation: None

### **13. Information and communication**

The group has established policies relating to financial information. Beerenberg's reporting is aiming to be clear and precise and ensure that the general principle of equal treatment is fulfilled.

Deviation from code of recommendation: None

### **14. Takeover**

There are no provisions or limitation relating to a takeover in the articles of association. There are no other limitations to limit acquisition of the company's shares.

Deviation from code of recommendation: Guidelines relating to takeover has not been established. The board has, considering the current ownership structure, not seen the need to establish guidelines in case of a takeover.

### **15. Auditor**

The auditor has minimum two yearly meetings with the audit committee. In addition, the auditor participates in a board meeting in connection with the approval of the annual accounts where sections of the meeting are without participation from the management.

The auditor presents the plan for the annual audit to the audit committee where priorities and risk evaluations including internal control are presented. The auditor prepares an audit report about the annual accounts based on the annual audit plan.

The total fee paid to the auditor, where a distinction between the auditor fee for annual audit and other services provided are shown in note 7. The extent of other services outside the audit is reviewed by the audit committee. The audit committee evaluates the auditor's independence.

Deviation from code of recommendation: None

## Board of Directors Beerenberg AS



**Ketil Lenning** (1950), Chairman of the Board, has extensive international experience in the oil and gas industry. He was formerly CEO of Odfjell Drilling Ltd., and COO of Smedvig ASA, Norsk Hydro Oil Division etc. Lenning has held a number of board room positions in the oil services industry. Ketil Lenning is an independent board member.



**Ingelise Arntsen** (1966), has more than 20 years of experience in the energy industry in the field of hydropower, solar energy and onshore and offshore wind power, including EVP at Statkraft, REC and Aibel. She holds board room positions at Statkraft, Eksportkreditt and Nammo. Ingelise Arntsen is an independent board member.



**Hilde Drønen** (1961), CFO in DOF ASA, has more than 20 years of experience in the oil and gas industry, including senior positions in the Møgster Group, DOF Group and in Bergen Yards (Bergen Group ASA). She has held a number of board room positions, and is currently a member of the board at Statkraft. Hilde Drønen is an independent board member.



**Svein Eggen** (1950), has more than 30 years experience in the international oil and gas industry, including President and CEO of Technip Offshore Inc. Prior to that he held leading positions in the Aker Group, including President & CEO of Aker Maritime ASA and Aker Maritime inc. in Houston, USA. He holds several board room positions in Norway and abroad: including Frøseth AS, Midt-Norsk Betong AS, Trondheim Havn IKS and Cidra Corporation Inc. Svein Eggen is an independent board member.



**Sebastian Ehrnrooth** (1963), investors representative and partner at Segulah Advisor AB. He was formerly Deputy CEO of CityMail, project manager at Bain & Company and sales manager at Motorola. He holds board room positions at Segulah Advisor AB, Gunnebo Lifting & Blocks, KP Components, Hermes Medical Solutions AB and CCS Healthcare.



**Morten Walde** (1969), was the President & CEO of Beerenberg Services AS from 2008 until 2018. Prior to that Walde has 15 years of experience from several executive management positions in the company. He is today active owner and investor through Mowin AS, board consultant at Global Maritime Group and board member in TS Group. Morten Walde is an independent board member.



# Annual Directors' Report 2018

Some comprehensive and long-lasting new-build activities were completed by Beerenberg in second half of 2017. The revenue and profit level of 2018, also compared to previous years, were clearly impacted by the immediate activity drop those new-build finalizations led to. The Benarx business stream was strongly affected in this regard, while the Services segment managed to replace most of its spare capacity efficiently into the MMO business. The activity level in Beerenberg has, in line with the general market uptick in the oil and gas industry, rebounded markedly towards year-end of 2018. It's worth mentioning that operational contribution last year also was strongly impacted by some genuine, non-recurring costs.

The group operates in two segments, Services and Benarx. Services covers new build, maintenance and modifications mainly related to oil and gas installations both offshore and onshore. In addition to direct maintenance contracts on installations and plants in operation, Beerenberg is also involved in business concepts aimed at modification projects and newbuilds in the oil and gas sector. Alongside the ISS disciplines (insulation, scaffolding and surface treatment), the Services division also covers passive fire protection, technical cleaning, rope access techniques, architectural outfitting services and the cold work concepts Sveisolat (habitats) and cold cutting / mobile machining. As a supplement, Beerenberg also delivers a range of technology-driven additional services whose innovative approach helps to ensure effective, consistent and HSSE/QA-friendly operation. Beerenberg's engineering services are an integrated part of the company's overall service concept.

Benarx designs, manufactures and delivers a complete range of insulation and fire protection products. This involves deliveries of everything from advanced proprietary products to traditional solutions and bulk insulation products. The company's highly skilled professionals also assist in the actual installation process – something which is particularly important in the case of subsea insulation.

The Benarx product series is Beerenberg proprietary range of industrialised insulation solutions for passive fire protection and thermal and acoustic insulation. The company's ambition is for the products to be cost-effective, space-saving and weight-reducing.

Over the past decade the Benarx product series has assumed a strong position on the Norwegian Continental Shelf (NCS). In addition to a factory in Poland, Benarx has also established a factory in South Korea in order to stay close to the growing volume of work in the region.

Benarx has historically been awarded major contracts in the market for thermal subsea insulation and is well positioned to maintain activity levels. Solutions include the use of market-leading materials and installation methods developed in-house. We are working in an international environment with capacity to deliver products and services worldwide.

Long-term framework agreements on maintenance and modifications accounted for the bulk of Beerenberg's operations in 2018, while new-build projects made up a smaller proportion than in previous years. This affected the result in Benarx negatively, which ended with an operating loss of NOK 31 million for Benarx. In addition, the group's non-recurring costs in 2018 were high, partly related to change in management and a possible listing of the company.

The estimated order backlog at year end totalled NOK 9.5 billion including options of NOK 0.5 billion – down from NOK 10.5 billion in 2017. The fall is primarily due to the absence of large long-term contracts in the market in 2018.

Beerenberg has its head office in Bergen/Norway and regional offices in Stavanger/Norway, Skien/Norway, Poland and South Korea.







## SIGNIFICANT EVENTS IN 2018

- In January Beerenberg launched its industrial strategy with the subsidiary Bouvet Industries AS, which was acquired at the end of December 2017.
- In March a framework agreement estimated to be worth NOK 210 million was entered into with Kværner.
- In April offshore work on the Johan Sverdrup hook-up project got underway.
- In June Morten Haakon Walde stepped down as CEO after many years with the company. Former CFO Arild Apelthun was appointed new CEO.
- Q4: Management in place in Singapore to explore and penetrate the market in this region.

## FINANCIAL STATEMENT

Operating revenue in 2018 fell by approx. 18% to NOK 1,520 million compared with NOK 1,852 million in 2017. The fall was largely due to a drop in new-build projects, while activity levels in maintenance and modifications remained high throughout the year.

The operating profit for 2018 was NOK 48 million compared with NOK 207 million in 2017. The operating profit was impacted by weak results in the Benarx segment. The operating margin was reduced from 11% in 2017 to 3% in 2018.

Net finance costs were reduced from NOK 102 million in 2017 to NOK 78 million in 2018. The reduction in net finance costs was largely due to refinancing in the form of a new bond issue in 2017.

Loss before tax was NOK 30 million compared with a profit of NOK 105 million in 2017. The loss for the year was NOK 31 million compared with a net profit of NOK 78 million in 2017.

## CAPITAL, CASH FLOWS AND LIQUIDITY

Total assets at the end of 2018 amounted to NOK 1,628 million, down from NOK 1,714 million the previous year. Equity was NOK 394 million, down from NOK 422 million the year before.

The working capital fluctuates over the course of the year and has been reduced since the end of 2017, driven by lower activity levels and changes in the project portfolio.

Cash flow from operations was NOK 52 million compared with NOK 87 million in 2017. Net investment was NOK 39 million, a reduction of NOK 3 million from last year, although the 2017 figure did include the acquisition of Bouvet Industries.

In February 2017 the company refinanced the existing bond by issuing a new 4-year bond to the value of NOK 850 million. The new bond will secure long-term financing until 2021.

Cash flow from financing activities was NOK -3 million (NOK -81 million). The 2017 figures include reduction of previous outstanding Bond. Amounts in 2018 mainly relate to payment of leasing.

Beerenberg is compliant with the terms of the bond issue as at 31.12.2018.

## PARENT COMPANY FINANCIAL STATEMENT

Beerenberg AS, the group's parent company, owns and manages the subsidiaries in the Beerenberg Group. The parent company's operational activities are limited. Its operating loss totalled NOK 6.7 million compared with a loss of NOK 1.3 million in 2017. Net financial items amounted to NOK -14.6 million compared with NOK 150 million in 2017, the result being driven by group contributions from the subsidiaries. The company's loss for the year was NOK -14 million compared with a profit of NOK 114 million in 2017. Total assets amounted to NOK 1,443 million and equity was 40.1%. The bond agreement includes a covenant that prevents dividends from being paid.

## SHAREHOLDERS

Segulah IV L.P. owns 83% of the shares in Beerenberg AS. The remainder is owned by Alpinvest Partners Co-Investment and the Beerenberg management.

## FINANCIAL RISK

The company board sets out frameworks and guidelines for the group's and the company's risk management by adopting overarching policies and procedures and by carrying out continual controls and supervision of the business. The group's central finance department has overall responsibility for day-to-day management and follow-up of the group's

financial risks and works closely with the operational units to identify, evaluate and implement necessary measures to reduce risk.

Risk management covers credit risk, currency risk, interest rate risk and the use of financial derivatives.

#### *Credit risk*

The group conducts business in an environment dominated by large and strong clients, and historically there have been few losses on receivables. New customers are usually credit-checked before contracts are entered into, and efforts are made during international operations to use letters of credit to safeguard receivables and payment demands wherever possible. The challenging oil and gas market has increased credit risk, and the company has introduced additional measures to monitor credit risk within certain client segments, especially maintenance and modifications.

#### *Currency and interest rate risk*

A key principle for the group is to keep the currency risk as neutral as possible by using the same currency for both income and expenditure. The company and the group are still exposed to fluctuations in exchange rates to some degree through their international operations, as a limited amount of the group's revenues, expenditure and investments are in foreign currencies. In line with the adopted policy, client and supplier contracts involving currency exposure above and beyond the defined limits must be hedged.

The company and the group's interest rate risk in relation to interest-bearing debts is for the most part hedged through a long-term interest rate agreement, whereby a variable NIBOR-based interest rate plus a spread has been swapped so that exposure towards fluctuations in the short-term interest rate is reduced.

#### *Financial and liquidity risk*

The company and the group's debts were refinanced in 2017. The company also retained its agreement with its main bank, which ensures working capital and guarantee limits. As part of this financing arrangement, the company must measure, satisfy and report on a set of financial criteria on a quarterly basis.

The company's financing arrangement requires it to achieve adequate cash flow and revenues over time. The company continues to measure the financial criteria in line with the terms of the agreement.

#### *Market risk*

The group operates in the oil and gas market, which can be volatile. Beerenberg is therefore affected by the oil companies' actions and the prevailing oil and gas prices. For that reason, Beerenberg has diversified into various product segments, new-build and maintenance and modification projects to help reduce fluctuations in activity levels. The company is also expanding internationally, especially in relation to insulation products, and it is looking into related market segments for both products and services.

There is reason to believe that investment growth on the Norwegian Continental Shelf will abate in the long term, which in turn will impact investment. In order to expand its operations and customer base, the group has been working to grow its international presence and areas of operation to help counteract market fluctuations on the NCS.

#### *Technology risk*

The market in which Beerenberg operates will continue to seek improved solutions and products for the future. In order to maintain its competitive edge, the group has adopted a strategy of continued investment in engineering services and R&D along with an ambition to protect its assets through patents and other property rights.

#### **TAX RISK**

The group has a global organization with international production facilities and deliver services in several tax jurisdictions. Income and profit from these operations are subject to income taxes, and judgement may be required when determining the taxable results. Tax authorities in different jurisdictions may challenge calculations of taxes payable from prior periods through tax audits. In general, attention from the tax authorities is increasing, and the trend is that each country has increased focus on protecting their tax base. Our international offices use external expertise to reduce tax risk and comply with local legislation.



### RESEARCH AND DEVELOPMENT

The group's main focus within research and development is product and method development in the field of ISS. The company is working actively with research communities and institutions with a view to developing new technology and in-house expertise within the group's areas of operation.

R&D in the group is conducted in close partnership with the operational part of the business in order to create value for the group's customers.

A key principle for the group is to register patents in order to protect its developed assets. As at 31.12.18 the group had 13 registered patents and three patents pending.

There was considerable R&D activity in 2018. NOK 11 million was capitalized in the period.

### SOCIAL RESPONSIBILITY AND ETHICS

The annual report includes a separate account of the group's approach, conduct and guidelines in relation to social responsibilities and ethics. The group's values and integrity will not be compromised.

The company's ethical guidelines are central to its training programmes because the group's business is reliant on trust and a good reputation. Training in the group's ethical guidelines ensures that employees and others acting on behalf of the group exercise good judgement and behave in a manner that is consistent with the company's ethical rules.

### HR, ORGANISATION AND WORKING ENVIRONMENT

#### *HR and working environment*

The group had 1,131 employees as at 31.12.18, down from 1,146 at the end of 2017. The number of full-time equivalents totaled 1,621, when including hired personnel.

Beerenberg seeks to sustain a good working environment with enthusiastic and motivated staff who feel that they are being well looked after. The group has staff arrangements and fora for co-operation between staff and management, as is common within the sector.

#### *Equality and discrimination*

Beerenberg must always show respect for every individual. The company shall recruit on the basis of qualifications and irrespective of the candidate's gender, age, disability, ethnicity, religion and cultural background. Beerenberg wishes to create an inclusive workplace culture and is working actively to ensure a good working environment. All employees shall be given pay and working conditions that prevent social dumping.

Female employees, most of whom serve in administrative positions, made up 5.5% of the workforce at year end. In 2018 there was 14% women in the group management team and 33% women on the board of directors.

It is Beerenberg's ambition to increase the proportion of women at all levels within the organization by taking a systematic approach to recruitment and enabling development and growth within the organization.

#### *Organization*

In 2018 the company made changes to its corporate structure, leading to changes in the group management team. The company is now organized in two business divisions – Services and Benarx – and has support functions organized into units for HSSE/QA, business support, finance and business development.

### HEALTH, SAFETY AND THE ENVIRONMENT

Beerenberg shall continue to work to prevent injury and to create a working environment that is meaningful and healthy for all our employees. Beerenberg has adopted a zero tolerance philosophy in relation to damage and injury to people, the natural environment and material assets. One of the main focus areas is proactive prevention of injuries, both during the execution of the work and long term effects. By focusing on training, health monitoring, risk management and robust working practices, we are seeking to reduce the risk of health issues and injuries amongst employees exposed to risk. Beerenberg's health monitoring programme also applies to our subcontractors and is managed through contract meetings, reporting and audits.

Good working practices, job planning and barriers alone are not enough to prevent sickness and injury. Adherence, motivation and competence on an individual basis are necessary to prevent incidents. Beerenberg's commitment to HSSE includes but is not limited to obligatory HSSE training for all employees and contractors as well as an extended three-day HSSE course for all managers.

Central to Beerenberg's preventive HSSE programme are various surveys designed to strengthen our knowledge base, identify risk and associated HSSE measures, and assess the effects of the measures we take.

The company is working to reduce sickness absence, both at a collective and an individual level. Sickness absence in 2018 stood at 7.1%, a reduction from 8.8% in 2017. Short-term sickness absence accounted for 2.5% and long-term absence for 4.6%. The corresponding figures for 2017 were 3.1% and 5.7% respectively.

In 2018 the company recorded 12 incidents involving personal injury requiring more than first aid. Two led to alternative work duties, and ten required medical treatment. The number of incidents in 2017 were also 12, three resulting in alternative work duties and nine requiring medical treatment. Beerenberg continues its systematic and preventive approach to reducing the number of incidents.

#### *The external environment*

Beerenberg must conduct its operations in a way that has minimal impact on the external environment, and the company must continually improve its environmental performance.

Beerenberg's impact on the external environment is primarily considered to stem from emissions of volatile organic compounds (VOCs) as a result of the use of paint products and solvents. This is a natural consequence of the group's activities, and the volume of VOC emissions will always reflect the volume of assignments and the type of products being ordered and delivered. Beerenberg endeavours to use alternative products with a lesser impact on the environment

where possible (the substitution requirement). In order to reduce the negative environmental effects of its waste output, Beerenberg has introduced robust procedures for waste disposal and final processing (material and energy harvesting).

The company has also taken environmental measures concerning paper and office waste in its administrative functions.

Beerenberg is certified according to NS-EN ISO 9001: 2015 Quality management, NS-EN ISO 14001: 2015 Environmental management and NS-ISO 45001:2018 Occupational health and safety.

#### **FUTURE PROSPECTS**

The company's strategy plan was revised in the autumn of 2018. It provides a framework for the company's development up until 2021. In a challenging market the focus will continue to be on increasing cost-efficiency in both product development and service delivery.

Prospects for the Services division improved during 2018, and the maintenance and modifications market are expected to continue to grow, albeit depending on external factors such as the price of oil. The company has entered into long-term contracts over 10 and 15 years, which will provide a solid base for the company going forward.

The future prospects of Benarx will be affected by international new-build activity. Contracts are shorter and visibility lower than is the case with Services. Benarx has eventually gained a foothold amongst big international actors, paving the way for further international growth.

Throughout 2018 the company has taken steps to boost its competitiveness. Some of these initiatives will be continued. Together with the company's robust foundations, this means the company expects to increase its revenues and see long-term growth.



### THE BOARD'S STATEMENT ON CORPORATE GOVERNANCE AND EXECUTIVE MANAGEMENT

In its instructions the board has directed the company and the group to develop procedures and systems for compliance with the Norwegian Code of Practice for Corporate Governance. The associated statement is presented as a separate part of the annual report.

### THE BOARD'S ASSESSMENT AND EVENTS AFTER THE BALANCE SHEET DATE

In the board's view the financial statements and statement of financial position with accompanying notes provide a true picture of the activities of Beerenberg AS and of the company's position at year end.

In accordance with Section 3-3a of the Norwegian Accounting Act, the board can confirm that the requirements for the going concern assumption have been satisfied and that the financial statements have been prepared on that basis.

In March 2019, Beerenberg received a letter of intent from Aibel regarding a major project relating to the Johan Sverdrup P2 Topside project. The contract has an estimated value of approx. NOK 250 million. The 30 months project is expected to commence in July 2019.

There were no other significant events after the balance sheet date.

### THANKS TO OUR PARTNERS AND EMPLOYEES

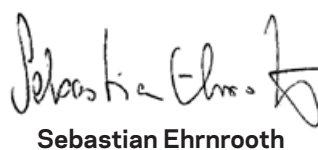
The board wishes to thank all employees and partners for their co-operation and hard work in 2018.

**BERGEN, 11. APRIL 2019**

Board of Directors at Beerenberg AS



**Ketil Lenning**  
Chairman



**Sebastian Ehrnrooth**



**Svein Eggen**



**Ingelise Arntsen**



**Hilde Drønen**



**Morten Walde**



**Arild Apelthun**  
CEO







GROUP ACCOUNTS 2018

# Beerenberg AS Group









# Consolidated Income Statement

Amounts in NOK 1 000	Note	2018	2017
Revenue from contracts with customers		<b>1 519 111</b>	1 851 658
Other revenue		<b>469</b>	220
<b>Total revenue</b>	5, 6	<b>1 519 580</b>	1 851 878
Materials, goods and services		<b>76 902</b>	92 769
Personell costs	8,18,19	<b>1 089 769</b>	1 287 621
Other operating costs	7	<b>255 871</b>	218 648
<b>Operating expenses</b>		<b>1 422 543</b>	1 599 038
<b>Operating result before depreciation, amortisation and impairment losses</b>		<b>97 038</b>	252 841
Depreciation, amortisation and impairment losses	11, 12	<b>49 385</b>	45 892
<b>Operating result</b>		<b>47 653</b>	206 949
Financial revenue	9	<b>1 938</b>	2 182
Financial expenditure	9, 24, 27	<b>79 795</b>	104 552
<b>Result before tax</b>		<b>-30 204</b>	104 579
Tax	10	<b>1 230</b>	27 000
<b>Annual profit/loss</b>		<b>-31 434</b>	77 579
<i>The annual profit/loss is attributable to:</i>			
The owners of the parent company		<b>-31 434</b>	77 579
<b>Annual profit/loss</b>		<b>-31 434</b>	77 579
Basic earnings, and diluted earnings per share for 267.000.000 shares	17	<b>-0,00012</b>	0,00029
Allocated only to 1.000.000 A shares		<b>-0,031</b>	

Diluted earnings per share are identical as there is no dilutive effect.

The accompanying notes 1-29 are an integral part of these financial statements

# Consolidated Statement of Comprehensive Income

Amounts in NOK 1 000	Note	2018	2017
Annual profit/loss		-31 434	77 579
Other revenue and expenses			
Change in value of derivatives	26	3 832	-5 627
Conversion differences		-560	5 819
<b>Total Statement of Comprehensive Income</b>		<b>-28 161</b>	<b>77 771</b>
The statement of performance is attributable to:			
The owners of the parent company		-28 161	77 771
<b>Total Statement of Comprehensive Income</b>		<b>-28 161</b>	<b>77 771</b>

Other revenue and expenses is after tax and will be reversed in the income statement.

The accompanying notes 1–29 are an integral part of these financial statements.



# Consolidated Statement of Financial Position

Amounts in NOK 1 000	Note	31.12.2018	31.12.2017
<b>Assets</b>			
<b>NONCURRENT ASSETS</b>			
Intangible assets	12	65 906	73 015
Goodwill	12	782 762	786 239
Property, plants and equipment	11, 28	171 812	175 193
<b>Total Noncurrent assets</b>		<b>1 020 479</b>	1 034 447
<b>CURRENT ASSETS</b>			
Goods	14, 28	44 811	33 776
Accounts receivable from customers	13, 15, 28	186 361	337 846
Other receivables	13	13 710	16 516
Earned, not invoiced contract revenues	6, 15, 23	163 667	102 290
Cash at bank	13, 16	199 255	189 373
<b>Total current assets</b>		<b>607 804</b>	679 801
<b>Total Assets</b>		<b>1 628 283</b>	1 714 248

**BEERENBERG AS**  
GROUP ACCOUNTS 2018

Amounts in NOK 1 000	Note	31.12.2018	31.12.2017
<b>Equity and Liabilities</b>			
<b>EQUITY</b>			
Share capital		26 700	26 730
Share premium		240 310	240 310
Other equity		126 957	155 118
<b>Total equity</b>	17	<b>393 967</b>	422 158
<b>LIABILITIES</b>			
Pension obligations	18	7 188	10 145
Deferred tax obligations	10	2 696	3 443
Other long-term obligations	20	16 500	14 000
Interest bearing long-term liabilities	27, 28	848 745	847 583
Derivatives	26	9 485	18 923
<b>Total long-term liabilities</b>		<b>884 614</b>	894 094
Liabilities to credit institutions	13, 16, 27, 28	6 751	7 200
Supplier liabilities		147 640	94 589
Tax payable	10	0	40 080
Social security, VAT and other taxes		57 165	72 927
Other short-term liabilities	21, 23	138 147	183 200
<b>Total short-term liabilities</b>		<b>349 703</b>	397 997
<b>Total liabilities</b>		<b>1 234 316</b>	1 292 090
<b>Total equity and liabilities</b>		<b>1 628 283</b>	1 714 248

The accompanying notes 1-29 are an integral part of these financial statements.

**BERGEN 11. APRIL 2019**  
Board of Directors at Beerenberg AS

 <b>Ketil Lenning</b> Chairman	 <b>Sebastian Ehrnrooth</b>	 <b>Svein Eggen</b>	 <b>Ingelise Arntsen</b>
 <b>Hilde Drønen</b>	 <b>Morten Walde</b>	 <b>Arild Apelthun</b> CEO	



# Consolidated Statement of Changes in Equity

Amounts in NOK 1 000	Share capital	Share premium	Conversion reserve	Hedging reserve	Retained earnings	Total
<b>Equity as per 31.12.2016</b>	<b>26 730</b>	<b>240 310</b>	<b>373</b>	<b>-5 962</b>	<b>153 201</b>	<b>414 652</b>
<i>Annual result for the period</i>					77 579	<b>77 579</b>
<i>Other Comprehensive income</i>			5 819	-5 627		<b>191</b>
<i>Transactions with shareholders</i>						
Group contributions to parent companies					-600	<b>-600</b>
<b>Equity as per 31.12.2017</b>	<b>26 730</b>	<b>240 310</b>	<b>5 481</b>	<b>-6 913</b>	<b>156 550</b>	<b>422 158</b>
<i>Annual result for the period</i>					-31 434	<b>-31 434</b>
<i>Other Comprehensive income</i>			-560	3 832		<b>3 272</b>
<i>Transactions with shareholders</i>						
Share capital decrease	-30					<b>-30</b>
<b>Equity as per 31.12.2018</b>	<b>26 700</b>	<b>240 310</b>	<b>4 922</b>	<b>-3 080</b>	<b>125 116</b>	<b>393 967</b>

The accompanying notes 1-29 are an integral part of these financial statements

# Consolidated Statement of Cash Flows

Amounts in NOK 1 000	Note	2018	2017
<b>Cash flows from operating activities</b>			
Result for the period before tax		-30 204	104 579
Tax paid for the period		-42 199	-35 922
Gains/losses from sales of fixed assets		-469	-220
Depreciation, write-down and amortisation	11, 12	49 385	45 892
Changes to inventory		-11 035	1 245
Changes to accounts receivable from customers	14	151 485	95 863
Changes to supplier liabilities		53 051	-88 923
Difference between expensed and paid-in/out pension premium		-2 957	1 551
Changes to other time restricted items		-115 315	-37 267
<b>Net cash flow from operating activities</b>		<b>51 742</b>	<b>86 797</b>
<b>Cash flows from investment activities</b>			
Incoming payments from the sale of tangible and intangible fixed assets	11	949	293
Outgoing payments from acquisition of tangible and intangible fixed assets	11, 12	-39 561	-13 426
Net cash effect acquisition of subsidiary		0	-28 849
<b>Net cash flow from investment activities</b>		<b>-38 612</b>	<b>-41 983</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term liabilities (outgoing)	13	-3 218	-81 174
Repayment from loan to parent companies (incoming)		0	608
Share capital decrease	24	-30	0
Payment of Group contribution		0	-800
<b>Net cash flow from financing activities</b>		<b>-3 248</b>	<b>-81 365</b>
<b>Net changes to cash and cash equivalents</b>		<b>9 882</b>	<b>-36 551</b>
Cash and cash equivalents per 01.01		<b>189 373</b>	225 924
<b>Cash and cash equivalents per 31.12</b>	15	<b>199 255</b>	189 373

The accompanying notes 1-29 are an integral part of these financial statements



## Note 1

## Information about the group

Beerenberg AS is a limited liability company registered in Bergen, Norway. The Beerenberg Group comprises the parent company Beerenberg AS and the subsidiaries Beerenberg Holding AS, Beerenberg Services AS, Bouvet Industries AS, Benarx Solutions AS, Benarx Solutions Poland Sp. z o.o, Benarx Korea Limited and Benarx Pacific Asia PTE. LTD.

The head office is in Bergen and the group has offices in Stavanger and Skien in Norway, and Gościcino in Poland and Busan in South-Korea.

The group delivers expertise and technology as well as engineering and inspection services in the fields of surface

treatment, passive fire protection, insulation, architectural outfitting, scaffolding, rope access techniques, and habitats as well as mobile machining, cutting and decommissioning.

The consolidated financial statements comprise the parent company and subsidiary companies, referred to collectively as “the group” and individually as “group entities”.

Refer to note 17 for ownership structure.

The annual financial statements were authorised for issue by the board of directors on 11 April 2019.

## Note 2

## Basis of preparation

### Confirmation of financial framework

The consolidated financial statements have been prepared in accordance with EU-approved IFRS standards and associated interpretations as required as at 31 December 2018 and in accordance with additional Norwegian disclosure requirements under the provisions of the Norwegian Accounting Act as at 31 December 2018. Apart from new standards described in the section for new standards adopted by the group, there have been no changes in accounting principles from 2017 to 2018.

The financial statements of Beerenberg AS have been prepared in accordance with regulations on simplified application of IFRS.

The proposed consolidated financial statements were authorised by the board and CEO on the date stated in the signed statement of financial position. The consolidated financial statements shall be reviewed by an ordinary general meeting for final approval.

### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

NOK is the group's functional currency and presentation currency.

### BASIS OF CALCULATIONS

The consolidated financial statements have been prepared using historical cost principles, with the exception of

- Derivatives, which are assessed at fair value.

The accounting principles described below have been consistently applied to all companies in the group in all periods.

## Consolidation principles

### SUBSIDIARY COMPANIES

The subsidiary companies include all entities where the group has a deciding influence on the entity's financial and operational strategy, normally through the ownership of more than 50% of the voting capital, and where the entity constitutes an enterprise. Subsidiaries are consolidated from the date when control was transferred to the group. Consolidation ceases on the date when the group no longer has control.

Acquired subsidiaries are accounted for in the consolidated financial statements based on the parent company's acquisition cost. When acquiring a subsidiary company, the purchase price of the acquired undertaking must be distributed so that the opening balance of the group reflects the estimated fair value of the assets and liabilities that have been acquired. In order to establish the fair value of an acquisition, alternative methods must be used for assets for which there is no active market. Excess value beyond that which can be attributed to identifiable assets and liabilities is recognized as Goodwill. If the fair value of the equity in an acquired company exceeds the consideration paid, the excess is immediately recognized as income. The allocation of the purchase price upon consolidation is amended if new information appears about the fair value applicable on the date control was obtained, no later than 12 months after the acquisition took place.

IntraGroup transactions, balances and unrealised gains are eliminated. Unrealised losses are also eliminated but are considered to be an indicator of impairment, which would require an assessment to be made as to whether the transferred asset should be written down.

### TRANSLATION OF FOREIGN CURRENCY

The bulk of the group's activities are conducted in NOK.

The accounts of individual entities within the group are measured in the currency used where the entity predominantly operates (functional currency). The consolidated financial statements are presented in NOK, which are both the functional currency of the parent company and the presentation currency of the group.

### *Transactions and balance sheet items*

Transactions in other currencies are converted to the functional currency using the transaction exchange rate. Foreign currency gains and losses resulting from the settlement of such transactions and from the conversion of monetary items (assets and liabilities) in other currencies at year-end using the exchange rate at the end of the reporting period are recognized in profit or loss.

Foreign currency gains and losses relating to loans, cash and cash equivalents are presented (net) as financial income or financial expenses. The currency effect of non-monetary items (both assets and liabilities) is included in the fair value assessment.

### *Group entities*

The statements of financial position and comprehensive income of group entities with a functional currency that differs from the presentation currency are translated as follows:

The statement of financial position is translated using the exchange rate at the end of the reporting period

The statement of comprehensive income is translated using the average exchange rate (if the average exchange rate does not give a reasonable overall estimate for the transaction exchange rate, then the transaction exchange rate is used)

Translation differences are taken to other revenues and costs and are specified as a separate item.

### *Conversion reserve*

This fund is a part of the statement of equity and includes all foreign exchange differences related to the conversion of financial statements from foreign subsidiaries.

## Financial instruments

The group initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. All rights and liabilities in



transferred financial assets that are created or retained as a result of the transfer are recognized separately as assets or liabilities.

Financial assets and liabilities are offset if the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Offset amounts are presented net in the statement of financial position.

#### CLASSIFICATION

The group classifies its financial assets in the categories (1) financial assets at fair value through profit or loss, (2) loans and receivables, and (3) available-for-sale financial assets. Classification is dependent on the objective.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets that are held for trading. A financial asset is classified in this category if it was acquired primarily with a view to generating a gain from short-term price fluctuations. Attributable transaction costs are initially recognized in profit or loss when they are incurred. The instruments are measured at fair value, and changes in the value are recognized in profit or loss. Derivatives are classed as financial assets at fair value through profit or loss, unless they are part of a hedge relationship.

The fair value of forward exchange contracts is based on their listed market price if available. If the market price is not available, the fair value is determined by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract at a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. The quotes are tested for reasonableness by discounting estimated, future cash flows based on the terms and maturity of each contract, using the market interest rate for an equivalent instrument at the measurement date.

The fair value reflects the instrument's credit risk.

#### FINANCIAL DERIVATIVE INSTRUMENTS

The group holds a limited number of financial derivative instruments to hedge its foreign currency and interest rate risk exposures. The management strategy is, at present, to use hedging instruments in order to mitigate the effect of changes in variable interest rates. The long-term financing of the group is based on variable interest rates (3 mnth Nibor) which is subject to fluctuations. The strategy is to minimize this risk by entering into interest swaps agreements to swap variable interest rates to fixed rates at a proportion of around 70 % of total outstanding loans.

Derivatives are recognized initially at fair value. Changes in fair value are recognized in profit or loss, except for hedging instruments that meet the criteria for hedge accounting.

The group follows IFRS 9 criteria's for classifying a derivative instrument as a hedging instrument. These are as follows:

- a. the hedging relationship consists only of eligible hedging instruments and eligible hedged items.
- b. at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
- c. the hedging relationship meets all of the following hedge effectiveness requirements:
  - i. there is an economic relationship between the hedged item and the hedging instrument
  - ii. the effect of credit risk does not dominate the value changes that result from that economic relationship and
  - iii. the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedging instruments classed as cash flow hedges offset variations in cash flows caused by changes in exchange rates, interest rates and market values. For cash flow hedges that meet the criteria for hedge accounting, all gains and losses on the effective part of the contract are recognized in comprehensive income and as hedging reserve in the statement of equity, while those on the ineffective part are recognized in the income statement under finance.

Derivative financial instruments with positive fair value are classified as current assets if the remaining maturity of the hedged item is less than a year into the future, and as fixed assets when the remaining maturity of the hedged item is more than a year ahead. Financial derivatives with negative fair value are classified as a current liability if the remaining maturity of the hedged item is less than a year into the future, and as a long term liability when the remaining maturity is more than a year ahead.

#### LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classed as current assets unless they expire within 12 months of the end of the reporting period. Loans and receivables are classed as trade receivables, other long-term receivables and other receivables.

## Trade receivables

Trade receivables are initially recognized at fair value. The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period (the reporting date). Due to their short residual maturity, the nominal value of the receivables is deemed to reflect their fair value. Provisions for losses are accounted for when there are objective indicators that the group will not receive payment in accordance with the original terms and conditions. The provision is the difference between the nominal/amortised cost and expected payment (present value of expected future cash flow) from the customer.

## Trade payables and other short-term payables

Trade payables are measured at fair value when initially recognized and at amortised cost in subsequent periods. Due to their short residual maturity, the nominal value of the payables is deemed to reflect their fair value / amortised cost.

## Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits.

## Share capital

Ordinary shares are classed as equity. Costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity (share premium) net of any tax effects.

## Tangible non-current assets

The group's tangible non-current assets comprise production equipment, workshops and improvements to buildings and other operating equipment. Tangible non-current assets are recognized in the statement of financial position at cost less accumulated depreciation and write-downs. The cost price of tangible non-current assets is the purchase price including expenses directly attributable to the purchase of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs, borrowing costs and other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items, and restoring the site on which they are used.

Expenses incurred after the non-current asset has been put into use, such as ongoing daily maintenance, are recognized in profit or loss in the period in which they were incurred, except for other expenses expected to generate future economic benefits that are recognized as a part of the non-current asset.

If substantial, individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate components.

Gains and losses on disposal are included in the operating profit or loss.

## Goodwill

The group measures Goodwill as the fair value of the consideration transferred, less the net amount (normally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Goodwill is distributed to cash-generating units and is not subject to an amortisation schedule but is tested for impairment annually and when there is an indication that a write-down is necessary. Goodwill write-downs are not reversed. For the purpose of testing Goodwill for impairment, Goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition.

## Intangible assets

### RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognized in profit or loss as incurred.

Development activities include designs or plans for the production of new or substantially improved products and processes. Development expenditure is capitalized only if it can be reliably measured, if the product or process is technically or commercially viable, if future economic benefits are probable, and if the group intends to and has sufficient resources to complete the development and to sell or use the asset. The expenditure capitalized includes materials, direct labour, directly attributable overhead costs and borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

The group's intangible assets relate to identified excess value such as technology and customer relationships arising in connection the acquisition of Beerenberg Holding AS by Beerenberg AS in 2013, and the acquisition of Bouvet Industries by Beerenberg Services in 2017, and also relating to in-house insulation technology (Benarx). See also Note 12 concerning intangible assets.



## Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. Depreciation is calculated on the basis of the cost of the asset or other amount substituted for cost, less its residual value.

The economic useful life of scaffolding is assessed, and its period of use has been set at 15 years. The period of use is the period in which the group expects to use the scaffolding and may thus be shorter than its economic useful life. The period of use and the residual value are assessed at the end of each reporting period and adjusted if necessary. Scaffolding is depreciated over a period of 15 years.

Containers and workshops are depreciated over a period of 10 years, while other production equipment and other assets are depreciated over a period of 3–7 years.

Intangible assets are amortised on a straight-line basis over their estimated useful life from the time they are available for use, since this most closely reflects the consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current period and comparative periods are as follows:

■ Customer relationships	3-10 years
■ Technology	5-10 years

Amortisation method, useful life and residual value are reviewed annually and adjusted if necessary.

## Impairment losses

When the carrying amount of a non-current asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount. The recoverable amount is the greatest of fair value less cost to sell and its value in use. The scope for reversing any previous write-downs (except Goodwill) is assessed on each reporting date.

With the exception of inventories (see Inventories) and deferred tax assets (see Income tax), the carrying amount of the group's fixed assets is continually assessed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (refer to Calculating the recoverable amount below).

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually.

An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. Impairment losses are recognized through profit or loss.

Impairments estimated for cash-generating units are allocated so that the carrying amount of any Goodwill in the cash-generating units is reduced first. Next, the remaining impairment losses on the other assets in the unit are allocated pro rata based on the carrying amount.

If an impairment in the fair value of a financial asset available for sale has been taken directly to other income and expenses, and if there is objective evidence that the asset has been the subject of an impairment, the accumulated loss that has been recognized directly in other income and expenses in profit or loss will be recognized. This applies even if the financial asset has not been realised. The loss recognized in profit or loss is the difference between the acquisition cost at the time of acquisition and the current fair value, less any impairment of the financial asset previously recognized in profit or loss.

### CALCULATING THE RECOVERABLE AMOUNT

The recoverable amount of an asset is the greater of the net selling price (less cost to sell) and value in use. The value in use is estimated by discounting expected future cash flows to their present value using a market-based risk-adjusted discount rate. For assets that do not generally generate independent cash flows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs.

### REVERSING IMPAIRMENT LOSSES

Impairment losses on Goodwill are not reversed. In respect of other assets, impairment losses are reversed if there is any change to the estimates used to calculate the recoverable amount.

## Lease agreements (as a lessee)

Leases under which the group assumes substantially all the risks and rewards of ownership are classed as financial leases. Upon initial recognition the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is subject to the same accounting principle as equivalent assets.

Other leases are operating leases and are not recognized in the group's statement of financial position.

## Inventories

Inventories are measured at an amount equal to the lower of acquisition cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The acquisition cost of manufactured inventories includes the direct cost of materials, direct labour and a

share of indirect production overheads, while the acquisition cost of purchased inventories is the cost price based on the first-in-first-out principle and includes the cost incurred in acquiring the inventories, production or conversion overheads and other costs incurred in bringing them to their existing location and condition. In accordance with IAS 2.28, the value of inventories is written down to the net realisable value if the inventories have been damaged or have become wholly or partially obsolete or if the selling price has fallen.

Cost of sales for the year comprises the cost price of goods sold plus any write-down in accordance with IAS 2.28 at the end of the year.

## Pension costs and pension obligations

Pension costs and pension obligations are treated in accordance with IAS 19R. Pensions are described in Note 18. The net pension costs for the period are classed as salary and personnel costs.

The group operates a pension scheme financed by contributions paid into a separate legal entity (insurance company) in the form of a defined contribution plan. A defined contribution plan is a pension scheme under which the group pays fixed contributions to the insurance company. The group has no further payment obligations once the contributions have been paid. The contributions are recognized in profit or loss as salary costs as incurred. Prepaid contributions are recognized as assets to the extent that they can be refunded or reduce future contributions.

The group is also participant in the AFP scheme which is a pension-scheme that pays a lifelong supplement to ordinary pension benefits.

The group has in addition to the ordinary pension scheme also a supplementary pension plan for executive management and key employees.

## Provisions

Provisions are accounted for when the group has an obligation (legal or self-imposed) resulting from a previous event if it is likely (more likely than not) that a financial settlement will take place as a result of this obligation and the size of the amount can be reliably calculated. If the effect is significant, the provision is calculated by discounting expected future cash flows with a discount rate before tax that reflects the market's valuation of the time value of money and, if relevant, risks specifically linked to this obligation.

## WARRANTIES

A provision for warranties is recognized when the underlying products or services are delivered. The warranty period

is normally 2-5 years. At the end of a project, a provision is made to meet any warranty claims and complaints. The provision is based on historical information about warranties weighted by the probability that a warranty expense will be incurred. It is normal for such provisions to be a fixed proportion of the contract value, but a larger or smaller provision may be made depending on the specific assessment of individual projects. Experience from previous projects provides the best basis for making both general and specific warranty provisions. Factors that may affect the size of the provision include the group's quality measures and project implementation model.

## RESTRUCTURING

A provision for restructuring is recognized once the group has approved a detailed and formal restructuring plan and the restructuring has either commenced or been communicated to the affected parties.

## ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the group's expected revenue from a contract is lower than the unavoidable cost of meeting its contractual obligations. The estimated provision is the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. Before a provision is made, all impairment losses on assets associated with the contract are recognized.

## Revenue recognition

Most of the group's revenues are associated with the sale of services, goods and hire of equipment in connection with contracts that the group has entered into. Revenues are recognized in accordance with IFRS 15 Revenue from contracts with customers. This standard is new as from 2018 and introduces a 5-step model for all customer contracts.

The majority of the group's contracts is invoiced and recognized as income on basis of hours incurred multiplied by a defined hourly rate associated with the services provided, unit price contracts are recognized as income in accordance with measured progress and equipment rental is recognized as income in the period the equipment is hired out.

Contract revenues include the initial amount agreed in the contract plus any variations in contract work, disputed amounts and incentive payments will only be included to the extent that it is highly probable that a reversal of revenue will not occur.

Contract expenses are recognized as incurred, unless they generate an asset related to future contract activity. Indirect expenses which are applicable to the group as a whole, or to the project activities, but which cannot be allocated to an individual project, are not included.



Revenue relating to ordinary activities is measured at the fair value of the consideration received or receivable.

Revenue from services rendered is recognized when persuasive evidence exists that the work completed has been, or is highly likely to be, approved by the customer. This will imply that it's highly probable that a significant reversal of revenue will not occur. Revenue in the period is assessed on the basis of a physical inspection of progress, or based on hours worked, both of which is normally approved by the customer at the end of the reporting period.

If the outcome of a contract cannot be measured reliably, the contract revenues are recognized only to the extent that the incurred contract expenses are expected to be met by the customer. An expected loss on a contract is recognized in profit or loss as incurred.

Revenue from the sale of goods is recognized when persuasive evidence exists that control of the goods have been transferred to the buyer. For sales of the group's products, transfer normally occurs once the product is received at the customer's warehouse or installation.

The group does not operate any volume or loyalty discounts. The nature of the business does not imply need for provisions related to refunds for sold goods, however a Guarantee provision is made to cover for possible future guarantee claims, see separate section for Warranties.

#### **MAINTENANCE CONTRACTS**

Most of the group's revenue is associated with long-term maintenance contracts. As a general rule, these contracts are agreed with a fixed price per unit (unit price contracts) or a fixed price per hour, and variations thereof. What constitutes a unit varies from contract to contract, but it as an example may be a square metre of surface treatment.

At the end of each billing period, the group reports to the customer the number of hours and/or number of units completed in the period. The former is based on the recorded and approved number of hours, while the latter is based on physical progress. The customer reviews the supporting documentation and issues a payment certificate to the group. On the basis of the payment certificate, the group recognizes the revenue for the period as income and bills the customer. By having the customer review the documentation of work completed and issue a payment certificate, the revenue has the prior approval of the customer.

#### **DELIVERY OF MATERIALS**

In some contracts, the delivery of materials is incorporated in the fixed hourly price or the fixed unit price. In other cases, the delivery of materials is billed separately. The delivery of materials is recognized as income when the materials

have been put into use on a project or transferred to the customer in some other way.

#### **OTHER REVENUES**

On smaller projects, the work carried out in the period is billed and recognized as income based on work completed or, as a general rule, based on approved timesheets, but without the customer issuing a payment certificate in advance. Some smaller projects are also billed and recognized as income upon completion of the project. These types of projects will rarely stretch over multiple reporting periods. Letting of scaffolding and other equipment is invoiced and recognized as income in the period it has been let.

#### **ACCRUED, NOT INVOICED CONTRACT REVENUES**

Accrued, not invoiced contract revenues represent the value of completed contract work less payment from the customer. The value of completed contract work is measured at cost plus accrued net profit to date. Payment from customers is offset in the statement of financial position against contract work in progress. Received customer advances in excess of value of work performed are classified as current liabilities.

### **Government grants**

The group receives various types of government grants in relation to its research and development activities. These may be funding through the SkatteFUNN scheme or other grants. Such grants, whereby the group is compensated for expenses incurred, are systematically recognized in profit or loss over the period that the expenses are recognized. Grants that compensate the group for the cost of an asset are recognized in profit or loss over the useful life of the asset.

### **Finance income and finance costs**

Finance income comprises interest income on funds invested during the year. Finance costs comprise interest costs incurred during the year.

Foreign currency gains and losses are reported on a net basis.

### **Income tax and deferred tax**

Income tax expenses comprise current and deferred tax. Tax is recognized in profit or loss, except when it relates to items taken to other income and expenses or directly to equity or are linked to business combinations. If this is the case, the tax is also taken to other income and expenses or directly to equity.

Tax payable for the period is calculated in accordance with tax laws and rules that have been enacted, or substantially

enacted, by the tax authorities at the end of the reporting period. Taxable income is calculated on the basis of the legislation in the countries in which the group's subsidiaries operate and generate taxable income.

Using the liability method, deferred tax is calculated on all temporary differences between the tax value and consolidated accounting value of assets and liabilities. The following temporary differences are not taken into account:

- Goodwill that is not tax deductible
- Initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss
- Differences relating to investments in subsidiaries that are not likely to reverse in the near future

Deferred tax is calculated using tax rates and tax legislation that have been enacted, or substantially enacted, at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be generated against which the deductible temporary differences can be realised.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset them.

## Statement of cash flows

The group's consolidated statement of cash flows shows the group's total cash flows spread over operating, investing and financing activities. The statement shows the effect of each activity on the group's liquid assets.

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term highly liquid investments with insignificant risk convertible into known amounts of cash with maturities less than three months from acquisition date.

## Earnings per share

Basic earnings per share and diluted earnings per share are presented for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss for the period attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share are determined by adjusting the profit or loss and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for dilutive potential.

## Determination of fair values

The group's accounting principles and note information require the determination of fair value for both financial and non-financial assets and liabilities. Fair values are determined for measurement and/or disclosure purposes based on the methods described below. If relevant, further information about the assumptions made is disclosed in the notes relating to the respective assets and liabilities.

### TANGIBLE NON-CURRENT ASSETS

The fair value of property, plant and equipment is recognized at fair value if it is part of a business combination. The fair value of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

### INTANGIBLE ASSETS

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method. The value is established residually by deducting a fair return on all other assets that together with customer relationships generate the cash flows used in the calculation.

The fair value of other intangible assets is based on the discounted expected cash flows derived from the use and subsequent sale of the assets.

### INVENTORIES

The fair value of inventories acquired in a business combination is the estimated selling price in the ordinary course of business less the cost of completion and sale, to include a profit margin based on the effort required to complete and sell the inventories.

### TRADE RECEIVABLES AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period (the reporting date).

### ACCOUNTS PAYABLE AND OTHER LIABILITIES

Trade payables are obligations to pay for goods and services from suppliers to the ordinary operations and are measured at fair value (historical cost)

Loans are recognized initially at fair value when the loan is paid, net of transaction costs. In subsequent periods, loans are measured at amortized cost using effective interest rate.

Other liabilities are measured at fair value.



## Estimates and judgements

Preparing the financial accounts in accordance with IFRS requires the management to make assessments, estimates and assumptions that affect the application of the accounting principles. The carrying amounts of assets and liabilities, as well as revenues and costs, are affected by these assessments. Actual results may deviate from estimated amounts. Estimates and their associated assumptions are based on historical data and other factors that are deemed to be relevant and representative. These calculations form the basis for assessing the amounts recognized in respect of assets and liabilities that cannot be determined on the basis of other sources.

Estimates and underlying assumptions are reviewed continually. Changes to accounting estimates are recognized in the period in which they occur if they only apply to that period.

If the changes also pertain to future periods, the effect is distributed over the current and future periods.

Estimates and judgements are reviewed on an ongoing basis and are based on historical information and other factors, including assumptions and future events that are deemed likely under the current circumstances.

### ESTIMATES/ASSUMPTIONS

The group produces estimates and makes judgements/assumptions about the future. The resulting accounting estimates will rarely correspond fully to the final outcome. Estimates and assumptions that entail a significant risk of substantial changes in the carrying amounts of assets and liabilities during the next accounting year are:

- i) **Revenue recognition** - As described in the section revenue recognition, often a measurement of physical progress in the service delivery is applied, which in some cases lead to use of estimates.

The most significant source of uncertainty in respect of revenues from contracts with customers relates to the estimation of supplementary work, additional requirements and bonus payments that are recognized as income to the extent that the group finds it highly probable that a significant reverse of revenue will not occur. For many projects, there may be substantial changes to the agreed scope of work that may lead to a number of variations in contract work. It is normal for contracts to contain provisions for how such changes should be handled. At any given time there will be unapproved variations in contract work and requirements included in the contract revenues. Although the management has extensive experience

in assessing the outcome of such negotiations, there will always be an element of uncertainty.

The cost of completion depends on both productivity factors and salary levels. Factors that may substantially affect cost estimates, requirements and variations in contract work include weather conditions, access to work sites, the price of raw materials and other circumstances that may have an effect on time use.

Revenue recognition of contracts with mobilisation and demobilisation costs requires assumptions to be made about the duration of the contract, including potential extension options, in order to allocate expenses and revenues from the mobilisation/demobilisation period over the delivery period. Changes in the delivery period may result in adjustments being made to the accrued amount.

- ii) **Goodwill** - In accordance with the accounting principles, the group performs tests annually, or more frequently if necessary, to determine whether Goodwill recognized in the statement of financial position should be written down. The estimated recoverable amount is calculated on the basis of the present value of budgeted cash flows for the cash-generating unit. The calculations require the use of estimates and that they are consistent with the market valuation of the group. Specific information about Goodwill and the testing of carrying amounts is provided in Note 12 Intangible assets.

## New and amended standards adopted by the group

### IFRS 9 'FINANCIAL INSTRUMENTS'

IFRS 9 Financial Instruments addresses classification, measurement, and recognition of financial assets, and financial liabilities and hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 simplifies requirements of hedge accounting by tying the hedging effectiveness closer to risk management policies and allows for greater room for assessment. The implementation date for IFRS 9 is for annual accounts starting after 31.12.17 and is implemented in the group with effect from 01.01.18. Implementation of IFRS 9 have affected how the group makes provisions for possible losses on accounts receivables, but has not led to any substantial changes in the financial statements. Overall, the group experiences that implementing IFRS 9 haven't significantly impacted the financial statement.

## IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

For all IFRS reporting entities, IFRS 15 is mandatory from first accounting period starting after 31.12.17. For the consolidated financial statement for Beerenberg AS, implementation is made with effect from 01.01.18. Beerenberg has decided to adopt to IFRS 15 using the modified retrospective method. Summarized Beerenberg experiences no accounting effects of the implementation of IFRS 15. Below follows a short description of changes due to the implementation of the standard and potential areas where a change in revenue recognition could arise.

IFRS 15 regulates revenue recognition from customer contracts. It replaces previous revenue recognition guidance, including IAS 18, IAS 11 and related IFRICs.

Through 2017 and throughout 2018 the entity has done qualitative and quantitative assessments of the IFRS 15 impact on the financial statement.

The assessments are primarily 5-step review of the significant framework agreements. Beerenberg assumes that customer contracts under the framework agreements will have homologues terms. Customer contracts outside of the main framework agreements are expected to have joint non-material effect on the financial statement.

Beerenberg's main contracts are servicing and maintenance contracts. According to today's practice, revenue is recognized over time. The reviews of contracts have concluded that Beerenberg will continue to qualify for recognizing revenue over time also after implementation of IFRS 15. Beerenberg's deliveries are primarily maintenance or installation of insulation products of the customer's fixed assets. Therefore, the performance of the company enhances an asset that the customer controls while the asset is enhanced. This will particular be the case when Beerenberg perform enhancement on the customer's installations offshore or on site. This means that Beerenberg's customer contracts qualifies for the second criteria under IFRS 15 for revenue recognition over time (IFRS 15.35(b)). To fulfil the second criteria, the entity must create or enhance an asset that the customer controls as the asset is created or enhanced.

According to the company's practice, each promised services in the contract is considered as solely performance obligations. Under IFRS 15, if promised services is not distinct from other promised services, then it is combined to one performance obligation that is distinct. This change in accounting practice haven't given any impact on the financial statement. The substantiate arguments for this are that each customer contract, as defined by IFRS 15, last over a short period and each part of the delivery in the contract

have approximately the same expected margin. The sum of each stand-alone selling price on the deliveries are also equal the transaction price – there are no variable consideration. Hence, there are no accounting effect following the lack of bundle of performance obligations.

Furthermore, the performed assessment concludes that there are no contract cost that should be capitalized under IFRS 15.

Implementation of IFRS 15 could lead to a delay of revenue recognition done by best estimate (typically related to variation orders) since IFRS 15 only permit recognition of revenue to the extent that it's highly probable that a significant reverse will not occur. Beerenberg's review shows that this change in wording have no practical effect on the financial statement. This is due to the entity's traditional practice where revenue haven't been recognized if risk of reversal have existed.

## INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.



## ANNUAL IMPROVEMENTS TO IFRS STANDARDS

### 2015-2017 CYCLE

The following improvements were finalised in December 2017:

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

## New standards and interpretations adopted as of 01.01.2019

### IFRS 16 LEASES

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The accounting for lessors will not significantly change.

The impact of IFRS 16 is that implementation of the standard will result in significant leases that currently are treated as operating leases, wherein costs are recorded as operating

cost, would have to be treated as financial lease and a lease obligation and an equivalent asset (right to use) would have to be recognized on the balance sheet. Lease expenses according to IFRS 16 will be in the form of depreciation and interest expense instead of as operating expenses as under current standard. The effect of implementation of the standard will be increased assets and increased liabilities, and that operating profit before depreciation, financial items and tax (EBITDA) will be improved.

The new standard must be applied from financial year 2019. The group has adopted the standard from 01.01.2019 using the Simplified approach. The group has implemented the standard by applying the exceptions in the standard to exclude short-term and low-value leases. When considering the relevant rental period in the lease contracts, options to extend the contracts are included to the extent that they are very likely to be exercised. When calculating the present value of the lease contracts alternative borrowing rates for similar assets in similar economic environments are applied as discount rate.

The implementation effect of IFRS 16 as at 1st of January 2019 is increased assets "right of use" of the amount MNOK 70, corresponding to an increased liability, lease obligation, of the amount MNOK 70. The effect on Profit and Loss in 2019 compared to what would have been the case before implementing IFRS 16, is estimated to the following; operating cost decreases by MNOK 17, Depreciation increases by MNOK 16, Financial cost increases by MNOK 3, and thus Earnings before tax decreases by MNOK 2.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

## Note 4

## Financial risk management

As a global supplier of oil services, the group is exposed to market risks (exchange rate risk and interest rate risk), credit risk, inflation risk and liquidity risk.

The group has established procedures and guidelines for setting appropriate risk levels for its main risks and for monitoring its risk exposure. The group's objectives for capital management are to sustain the group's position as a going concern in order to generate a return for shareholders, to be of benefit to other interested parties, and to maintain an optimal capital structure in order to reduce the cost of capital.

Risk management for the group is undertaken centrally in accordance with guidelines approved by the board of directors. The group identifies, measures, manages and reports financial risks in collaboration with the various operating units.

Managing the capital structure involves actively monitoring and adjusting the composition in accordance with changes in financial and economic circumstances and in the risk linked to underlying assets. In order to maintain the desired capital structure, the group may refinance debts, buy or issue new shares or debt instruments, or it may sell assets.

The group continuously monitors counterparties in order to reduce risk relating to financing, investing excess liquidity, bank balances from operations and derivatives. The group's guidelines impose limitations on exposure to individual counterparties and contain procedures for identifying risk factors when they occur.

The board produces principles for the overarching risk management policy and issues guidelines for specific areas such as exchange rate risk, interest rate risk, credit risk, the use of financial derivatives and other financial instruments and for investing excess liquidity.

## Exchange rate risk

The group predominantly operates in Norway, but some of its activities are international and thus exposed to exchange rate risks in several currencies. Exchange rate risks emerge from current and future assignments and from recognized assets. The group is exposed to exchange rate fluctuations because a limited portion of the group's revenue and cost is in other currencies. According to group policy, customer- and supplier contracts with exchange rate risk exceeding defined limits shall be hedged.

The parent Company used NOK as its functional currency. An assessment is made annually as to what is the actual functional currency of each entity in the group.

The group has relatively insignificant investments in overseas subsidiaries where net assets are exposed to exchange rate risks upon translation.

Sensitivity analyzes related to exchange rate fluctuations is described in note 13

## Market risk

The group operates in the oil and gas market, which may have fluctuating market development, and Beerenberg will thus be affected by the oil companies behaviour and the prevailing oil and gas prices. The recent fall in oil prices shows that the level of activity is an important factor that influences behaviour. To meet this development Beerenberg made a diversification towards different product areas and activity in new construction projects and maintenance and modification projects that mitigate fluctuations in activity to some extent.

On the Norwegian shelf, there is reason to believe that investment growth will slow down in the long term, which will affect the level of investment. To extend the activity and customer base, the group has worked to expand its international presence, to accommodate market cycles on the Norwegian shelf.

## Cash flows and fair value interest rate risk

Variable rate loans pose an interest rate risk to the group's cash flows. The group is exposed to interest rate risks relating to debts, including financial leasing. The weighted average effective rate of interest in relation to debt, including financial leasing, was 8,2 % in 2018 (2017: 9,2 %). The main reason for the decrease compared to last year is expensing of the remainder of refinancing fee on the Bond Issue from 2014 in 2017, refer to note 13 for further details.

The group's interest-bearing assets comprise as of 31.12 of bank deposits of NOK 199.3 million. Changes in market interest rates would affect operating cash flows related to these interest-bearing assets, but to a relatively modest degree.

Interest rate risks are continually reviewed by looking at potential refinancing, renewal of existing contracts, alternative financing and hedging. Please see the note on loans. The groups calculation of interest on contracts is entirely linked to liabilities.

The company and the group's interest rate risk related to interest-bearing debt is essentially hedged by a long-term interest rate swap agreement whereby floating NIBOR based rate plus margin is swapped with a fixed interest rate so that the exposure to changes in short-term floating interest rates are reduced.

If interest rates had been 1% (percentage point) higher/lower on loans in NOK in 2018 and all other variables were constant, this would have resulted in a reduction/increase in profit/loss after tax of NOK 6.2 million in 2018 (2017: 6.4) Equity would have been similarly affected.

This is due to higher/lower interest costs on variable rate loans.

## Credit risk

Credit risks are assessed at group level. The group's financial assets that are exposed to credit risks are predominantly trade receivables related work performed not yet invoiced. These receivables mostly concern multinational oil companies and independent oil and gas companies, including companies that are wholly or partially owned by foreign governments. The group handles its exposure to credit risk by carrying out continual credit checks of customers, and it makes provisions for losses on doubtful accounts.

Routines are incorporated to ensure that sales are only made to customers with satisfactory credit worthiness. The provisions made for losses on doubtful accounts are based on the management's best estimate of probable losses on outstanding balances from customers and take into account



a number of factors, primarily receivables aging reports, past experience, customer concentration, the customer's financial strength and reputation.

If an independent credit rating of a customer is available, it will be used when determining a credit limit. If no independent assessment of the customer's credit worthiness is available, an assessment is carried out on the basis of the customer's financial position, history and other factors as appropriate. Individual limits for risk exposure are set on the basis of internal and external assessments of credit worthiness and of guidelines provided by the board of directors. Our customers are predominantly large international oil companies or government-owned oil companies. Such companies generally have very good credit ratings.

The group have not provided any warranties that pose a significant risk.

### Liquidity risk

The group is exposed to liquidity risks relating to the repayment of debts and payments to suppliers. Cash flow forecasts are created for each operating unit within the group and aggregated at Group level. Rolling forecasts for the group's liquidity requirements are monitored centrally to ensure that the group has sufficient cash equivalents to meet operating-related liabilities at all times. Such forecasts take into account the group's planned loans, compliance with borrowing terms and compliance with internal targets for reporting figures.

On the reporting date, the group had bank deposits of NOK 199.3 million plus an unused overdraft of NOK 150 million, designed to meet the liquidity risk.

Note 13 shows the group's interest-bearing financial liabilities classed according to maturity structure. Classification is carried out according to the due date stated in the contract. The amounts in the table are undiscounted contractual cash flows.

### Risk relating to capital management

The group's objectives for capital management are to sustain the group's position as a going concern in order to generate a return for its owners and other interested parties and to maintain an optimal capital structure in order to reduce the cost of capital.

The gearing in the group for 31.12.18 and for 31.12.17 is shown in table below.

	2018	2017
Total interest bearing debt	855 496	854 783
Less cash and cash equivalents	-199 255	-189 373
Net interest bearing debt	656 241	665 411
Total Equity	393 967	422 158
Total Capital (adjusted)	1 050 208	1 087 569
Debt Ratio	62 %	61 %
Gearing	1,7	1,6

### Technology risk

The market in which Beerenberg operates will continue to seek improved solutions and products for the future. In order to refine its competitive edge, the group has adopted a strategy of continuing to invest in engineering services and R&D along with an ambition to protect its assets through patents and other property rights.

## Note 5

## Segment

(Amounts in NOK 1000)

Operating segments are reported consistent with internal reporting provided to Chief Operating decision maker. Chief Operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is defined as the Board of Directors. As at 31.12 there are two reporting segments in the group, "Services"

and "Benarx". Services includes business related to the traditional ISS activity of the company which is mainly related to major framework contracts. Benarx includes business involving production of insulation materials and related subsea insulation business.

	Services		Benarx		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Operating revenue external	1 362 851	1 563 474	156 729	288 404			1 519 580	1 851 878
Operating revenue internal	10 964	4 869	62 860	78 735	-73 824	-83 604	0	0
<b>Total Operating revenue</b>	<b>1 373 815</b>	<b>1 568 343</b>	<b>219 589</b>	<b>367 140</b>	<b>-73 824</b>	<b>-83 604</b>	<b>1 519 580</b>	<b>1 851 878</b>
Direct cost	1 121 892	1 261 386	183 489	260 850	-73 824	-83 604	1 231 556	1 438 631
<b>Gross profit</b>	<b>251 923</b>	<b>306 957</b>	<b>36 101</b>	<b>106 290</b>			<b>288 024</b>	<b>413 247</b>
Admin & overhead	132 807	116 400	58 179	44 007			190 986	160 407
<b>EBITDA *</b>	<b>119 116</b>	<b>190 557</b>	<b>-22 079</b>	<b>62 283</b>			<b>97 038</b>	<b>252 840</b>
Depreciation, and impairment losses of tangible assets	26 589	25 932	5 489	4 447			32 078	30 379
<b>EBITA **</b>	<b>92 528</b>	<b>164 626</b>	<b>-27 568</b>	<b>57 836</b>			<b>64 960</b>	<b>222 462</b>
Amortisation and impairment losses of intangible assets	14 787	13 457	2 520	2 056			17 307	15 513
<b>EBIT ***</b>	<b>77 740</b>	<b>151 168</b>	<b>-30 088</b>	<b>55 780</b>			<b>47 653</b>	<b>206 949</b>

\*) Operating result before depreciation, amortisation and impairment losses

\*\*) Operating result before amortisation and impairment losses of intangible assets

\*\*\*) Operating result

ASSETS	Services		Benarx		Not Allocated		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Intangible assets	57 819	66 577	8 087	6 438					65 906	73 015
Goodwill	582 762	586 239	200 000	200 000					782 762	786 239
Property, plants and equipment	142 689	148 957	29 123	26 236					171 812	175 193
Loans to Parent Companies									-	-
<b>Total Noncurrent assets</b>	<b>783 269</b>	<b>801 773</b>	<b>237 210</b>	<b>232 674</b>					<b>1 020 479</b>	<b>1 034 447</b>
Goods	12 490	6 961	32 320	26 815					44 811	33 776
Accounts receivable from customers	149 219	210 878	44 375	156 753			-7 233	-29 785	186 361	337 846
Other receivables	8 556	11 587	5 155	4 929					13 710	16 516
Earned, not invoiced contract revenues	143 122	94 721	20 899	9 858			-354	-2 289	163 667	102 290
Cash at bank, cash in hand and similar					199 255	189 373			199 255	189 373
<b>Total current assets</b>	<b>313 387</b>	<b>324 147</b>	<b>102 750</b>	<b>198 355</b>	<b>199 255</b>	<b>189 373</b>	<b>-7 588</b>	<b>-32 074</b>	<b>607 804</b>	<b>679 801</b>
<b>Total Assets</b>	<b>1 096 656</b>	<b>1 125 919</b>	<b>339 959</b>	<b>431 029</b>	<b>199 255</b>	<b>189 373</b>	<b>-7 588</b>	<b>-32 074</b>	<b>1 628 283</b>	<b>1 714 248</b>

## GEOGRAPHIC

Revenue is also measured according to whether it is earned in Norway/on the Norwegian Continental Shelf (NCS) or internationally (ICS)

	NCS		ICS		Consolidated	
	2018	2017	2018	2017	2018	2017
<b>Total Operating revenue</b>	<b>1 425 667</b>	<b>1 624 903</b>	<b>93 913</b>	<b>226 976</b>	<b>1 519 580</b>	<b>1 851 878</b>

<b>Reconciliation of EBITDA to profit/loss before tax:</b>	<b>2018</b>	<b>2017</b>
EBITDA	97 038	252 841
Depreciation, amortisation and impairment losses	49 385	45 892
Net finance costs	77 856	102 370
<b>Result before tax</b>	<b>-30 204</b>	<b>104 579</b>

## Revenue from customers who make up more than 10 % of total revenue

Revenue from 3 customers make up more than 10 % of total revenue in 2018 or 2017.  
Revenues from customer 1 amounted to 868 747 (2017: 603 718)

Revenues from customer 2 amounted to 70 618 (2017: 554 692)  
Revenues from customer 3 amounted to 200 853 (2017: 357 120)



(Amounts in NOK 1000)

Beerenberg's main contracts with customers are servicing and maintenance contracts. Main deliveries in these contracts involves enhancing assets that the customer controls while the asset is enhanced. This means that Beerenberg's customer contracts involving sales of services are recognized over time when services are delivered.

Revenue from Beerenberg's contracts with customers involving sale of goods are recognized at a point in time which the company transfers control of the goods to the customer. The company's revenue also arises from hiring out different types of equipment. Revenues from these types of contracts are recognized over time as the customer has control of the equipment which is hired.

	2018	2017
Revenues from contracts with customers		
Revenues from sale of services	1 214 037	1 508 853
Revenues from sale of goods	186 833	213 369
Revenues from hiring of equipment	118 241	129 436
<b>Total revenue from contracts with customers</b>	<b>1 519 111</b>	<b>1 851 658</b>
Other revenue		
Gains from sale of assets	469	220
<b>Total other revenue</b>	<b>469</b>	<b>220</b>
<b>Total revenue</b>	<b>1 519 580</b>	<b>1 851 878</b>
<b>Contract balances</b>		
Accounts receivables from customers	186 361	337 846
Customer contract assets / earned not invoiced contract revenues	163 667	102 290
Customer contract liabilities / deferred revenue	0	22 723

Contract assets relates to consideration for work performed, but not yet invoiced at the reporting date. The contract assets are transferred to customer receivables when the Company has an unconditional right to receive payment. This usually occurs when an invoice is issued to the customer. Contract liabilities relates to advances from customers for work not yet performed

## Note 7

## Other operating costs

(Amounts in NOK 1000)

Beerenberg's other operating costs totals 255 871. (218 648 for 2017) 70-80 % of these costs are project costs. Other costs are costs relating to consultancy fees, premises and

associated costs, IT, insurance premiums, contingents, marketing and patent costs. Of costs related to Facilities 21 168 relates to rental of premises.

	2018	2017
Travel expenses	84 498	73 619
Rental of equipment	17 641	19 465
Other project costs	62 049	38 307
Consultancy fees	29 390	22 063
Facilities	35 414	35 198
IT	16 387	18 379
Other	10 492	11 618
<b>Total other operating costs</b>	<b>255 871</b>	<b>218 648</b>
<b>Auditor's fee</b>	<b>2018</b>	<b>2017</b>
Statutory audit (incl. technical assistance with financial statements)	1 500	1 537
Other assurance services	0	0
Tax advisory fee (incl. technical assistance with tax return)	204	415
Other assistance	357	450
<b>Total</b>	<b>2 062</b>	<b>2 402</b>

The sums stated are exclusive of VAT.

## Note 8

## Personnel costs

(Amounts in NOK 1000)

Personnel costs	2018	2017
Salaries incl. holiday pay	606 463	639 653
National Insurance contributions	91 588	89 709
Pensions	21 058	24 714
Contract personnel	354 947	522 386
Other employee benefits	15 713	11 159
<b>Total Personnel costs*</b>	<b>1 089 769</b>	<b>1 287 621</b>
Number of Full-time equivalent (FTE)**	<b>1 621</b>	<b>1 954</b>

\* Both salaries and FTEs includes hired in personell.



## Note 9

## Finance income and finance costs

(Amounts in NOK 1000)

Finance income and finance costs	2018	2017
Other finance income	0	76
Interest income from bank and other sources	1 938	2 106
<b>Finance income</b>	<b>1 938</b>	<b>2 182</b>
Interest cost bank	5 703	5 401
Interest cost bond	64 266	67 446
Accrued refinancing fee	4 380	12 719
Loss from purchase of own bonds and other finance costs	456	17 603
Interests from vendors and other interest costs	1 141	1 160
Net foreign exchange losses, realised	2 686	3 296
Net foreign exchange losses, unrealised	1 163	-3 074
<b>Finance costs</b>	<b>79 795</b>	<b>104 552</b>
<b>Net finance costs recognised in income statement</b>	<b>-77 856</b>	<b>-102 370</b>

## Note 10

## Tax

(Amounts in NOK 1000)

	2018	2017
<b>Tax payable has been calculated as follows</b>		
Ordinary result before tax	-30 204	104 579
Loss in foreign subsidiaries, not included in basis for tax payable	17 223	6 300
Permanent differences	1 517	1 683
Change in differences included in the basis for deferred tax assets/liabilities	-10 123	50 446
<b>Basis for tax payable</b>	<b>-21 586</b>	<b>163 008</b>
<b>Tax payable on the result for the year</b>	<b>-4 965</b>	<b>39 122</b>
<b>Tax cost is calculated as follows:</b>		
Tax payable on the result of the year	-4 965	39 122
Corrections to previous years	4 029	46
Gross changes deferred tax	2 004	-12 229
Change deferred tax due to change of tax rate	162	61
<b>Total tax cost for the year</b>	<b>1 230</b>	<b>27 000</b>

	31.12.2018	31.12.2017
<b>Tax payable on the balance sheet has been calculated as follows</b>		
Tax payable on the result of the year	0	39 122
Tax effect Group Contribution	0	-43
Tax payable Korea	0	-137
Tax payable acquired business	0	1 137
<b>Total tax payable</b>	<b>0</b>	<b>40 080</b>
<b>Specification of the basis for deferred tax/deferred tax concessions changes over profit and loss</b>		
Additions through business combinations	50 405	61 924
Fixed assets	34 240	34 973
Current assets	3 682	7 841
Liabilities	-46 937	-84 258
Derivatives	9 485	3 410
Precluded interest deduction to be carried forward	-22 089	-17 807
<b>Net temporary differences</b>	<b>28 785</b>	<b>6 082</b>
Tax losses carried forward	-12 580	0
<b>Basis for deferred tax</b>	<b>16 205</b>	<b>6 082</b>
<b>Deferred tax changes over profit and loss</b>	<b>3 565</b>	<b>1 399</b>
Deferred tax changes not over profit and loss	0	4 066
<b>Deferred tax before OCI</b>	<b>3 565</b>	<b>5 465</b>
<b>Specification of the basis for deferred tax/deferred tax concessions changes over OCI</b>		
Temporary differences		
Derivatives	-3 949	-8 977
<b>Basis for deferred tax/deferred tax concessions changes over OCI</b>	<b>-3 949</b>	<b>-8 977</b>
<b>Deferred tax changes over OCI</b>	<b>-869</b>	<b>-2 065</b>
<b>Tax effect Group Contribution</b>	<b>0</b>	<b>43</b>
<b>Deferred tax obligations</b>	<b>2 696</b>	<b>3 443</b>
<b>Explanation as to why the tax for the year does not amount to 23 % of the result before tax</b>		
23 % of the result before tax	-6 947	25 099
Permanent differences (23 %)	349	404
Corrections to previous years	4 029	46
Loss in foreign subsidiaries, not included in basis for tax payable	3 961	1 512
Change deferred tax due to change of tax rate	-162	-61
<b>Calculated tax</b>	<b>1 230</b>	<b>27 000</b>



## Note 11

## Property, plant and equipment

(Amounts in NOK 1000)

	Vehicles	Production equipment	Telecoms & IT	Buildings, barracks and halls	Total 31.12.2018
Acquisition cost 01.01	22 193	414 762	15 899	46 303	499 158
Acquisitions of non-current assets	5 091	19 416	219	4 637	29 364
Disposals	-795	-25			-820
Exchange rate effects		-159		-28	-187
<b>Acquisition cost 31.12</b>	<b>26 489</b>	<b>433 995</b>	<b>16 118</b>	<b>50 912</b>	<b>527 514</b>
Accumulated depreciation 01.01	18 163	252 642	15 281	37 879	323 965
Depreciation for the year	2 112	26 370	480	2 305	31 267
Write-downs for the year		408		403	811
Disposals – accumulated depreciation	(341)	-			-341
<b>Accumulated depreciation 31.12</b>	<b>19 934</b>	<b>279 421</b>	<b>15 761</b>	<b>40 586</b>	<b>355 702</b>
<b>Capitalized value 31.12</b>	<b>6 555</b>	<b>154 574</b>	<b>357</b>	<b>10 326</b>	<b>171 812</b>
Economic useful life	5-7 years	5-10-15 years	3 years	10 years	
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line	

The group has entered into leasing agreements on a number of non-current assets. Leasing agreements last for 3 - 5 years and are treated as financial leasing. Leasing agreements are generally entered into at a variable interest rate at 1 month NIBOR + a margin of 1 - 3,5 %. No leasing agreements includes buyout-options at the end of the leasing periods. However, at the end of the leasing periods the group can ask for an offer to buy the equipment. This is generally given at a price varying around 2 months leasing amounts. The group will normally utilize such offers.

The book value of leased material as of 31.12.2018 is 14 673 and relates mainly to scaffolding in the subsidiary Bouvet Industries AS. For reference the book value of leased material as of 31.12.17 was 19.682.

The group rents generators and other equipment, as well as office and production buildings and residential properties. These have not been capitalized as the associated leasing agreements are not considered financial leasing according to current IFRS.

	Vehicles	Production equipment	Telecoms & IT	Buildings, barracks and halls	Total 31.12.2017
Acquisition cost 01.01	20 882	380 029	15 752	45 953	462 616
Acquisitions of non-current assets	1 312	7 149	146	351	8 958
Acquisition cost through acquisition of subsidiary		25 764			25 764
Disposals		-113			-113
Exchange rate effects		1 933			1 933
<b>Acquisition cost 31.12</b>	<b>22 193</b>	<b>414 762</b>	<b>15 899</b>	<b>46 303</b>	<b>499 158</b>
Accumulated depreciation 01.01	16 802	227 167	13 901	35 756	293 626
Depreciation for the year	1 360	25 367	1 380	2 123	30 230
Write-downs for the year		148			148
Disposals – accumulated depreciation		(40)			-40
<b>Accumulated depreciation 31.12</b>	<b>18 163</b>	<b>252 642</b>	<b>15 281</b>	<b>37 879</b>	<b>323 965</b>
<b>Capitalized value 31.12</b>	<b>4 030</b>	<b>162 120</b>	<b>618</b>	<b>8 425</b>	<b>175 193</b>
Economic useful life	5-7 years	5-10-15 years	3 years	10 years	
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line	

## Note 12

## Intangible assets and Goodwill

(Amounts in NOK 1000)

INTANGIBLE ASSETS	Cutting technology	Benarx	Benarx certification	Patents and development projects	Software	3GS New Operating Model	Customer relationships	Goodwill	Total 31.12.2018
Acquisition cost 01.01	7 216	57 834	2 153	15 557	29 661	6 705	267 324	891 349	1 277 799
Acquisitions in-house R&D				10 012					10 012
Acquisitions of non-current assets					185			-3 477	-3 292
Acquisition cost through acquisition of subsidiary*									-
<b>Acquisition cost 31.12</b>	<b>7 216</b>	<b>57 834</b>	<b>2 153</b>	<b>25 570</b>	<b>29 846</b>	<b>6 705</b>	<b>267 324</b>	<b>887 872</b>	<b>1 284 520</b>
Accumulated amortisation 01.01	4 521	56 343	1 486	6 566	29 321	6 278	160 213		264 727
Accumulated write-downs 01.01	-	-	-	3 520	-	-	45 187	105 110	153 817
Amortisation for the year	600	974	431	1 735	220	427	12 921		17 307
<b>Accumulated amortisation 31.12</b>	<b>5 121</b>	<b>57 316</b>	<b>1 916</b>	<b>8 301</b>	<b>29 542</b>	<b>6 705</b>	<b>173 133</b>	<b>-</b>	<b>282 035</b>
<b>Accumulated write-downs 31.12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 520</b>	<b>-</b>	<b>-</b>	<b>45 187</b>	<b>105 110</b>	<b>153 817</b>
<b>Capitalized value 31.12</b>	<b>2 095</b>	<b>518</b>	<b>237</b>	<b>13 749</b>	<b>305</b>	<b>0</b>	<b>49 003</b>	<b>782 762</b>	<b>848 668</b>
Economic useful life	10 years	10 years	5 years	5 years	5 years	5 years	3-10 years		
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

At the start of 2018 the Beerenberg AS Group had recorded Goodwill to the amount of 786 239. This goodwill is primarily allocated to the employees, corporate culture, know-how and synergies that can be realised in connection with the acquisition of subsidiaries. Stable operative management is achieved through the active ownership of key personnel in acquired companies. In 2013 Beerenberg Holding AS was acquired by Beerenberg AS, generating a Goodwill of 883 860. Following a non renewal of a large contract and subsequent impairment testing, this Goodwill was written down by the amount of 105 110 in 2016. In 2017 Bouvet Industries was acquired by Beerenberg Services AS generating a Goodwill of 7 489. The Goodwill generated from the purchase of Bouvet Industries has in 2018 been adjusted downwards by the amount of 3 477 following an update of the Purchase Price Allocation analysis. This was the only change to Goodwill in 2018, leaving the Goodwill as at 31.12.2018 to 782 762.

Intangible assets are measured on the basis that the asset will give future economic benefits, that the acquisition cost is identifiable, and that it has a lasting useful life. A test for impairment has been performed in accordance with IAS 36. According to IAS 36 the company shall estimate recoverable amount, and compare this to book values including Goodwill. In 2018 the group has two cash-generating units (CGU), "Benarx" which consists of business related to the production of insulation materials and subsea related

insulation business, and "Services", which consists of the traditional ISS activity of the company mainly related to larger framework contracts. Goodwill is allocated with 200 000 to CGU Benarx, and 582 762 to CGU Services. Goodwill was therefore tested for impairment by comparing capital employed in the two CGUs against the present value of expected cash flows of the CGUs

Budget and forecasts approved by the Board of Directors for the next 3 years was the basis for the test of impairment. During this period, the EBIT margin is estimated to 7-10 %. Key assumptions for estimated future cash flows are:

- A stabilization of oil-price on current level, with a corresponding high activity level on the Norwegian Continental Shelf. Especially, this is important related to maintenance and modification.
- The group maintaining a reasonable market share in the insulation material business, through amongst other deliveries to new build projects, initiated on Norwegian Continental Shelf and that the activity level in the group returns to approximately the same level as it was in 2016. A Comparable activity as in 2017 is expected in 2019 and the activity level from 2016 is expected recovered approximately from 2020.

- External sources are utilized when considering the total market expectations for the next 5 years.

Furthermore, a required rate of return is of 9.5 % is applied. The required rate of return is built up using the WACC method (weighted average cost of capital).

The result of the impairment test was higher recoverable amount than book values in both CGU's.

Sensitivity analyses has been performed, and the table below set out changes in assumptions that results in an impairment situation:

Change in assumption	CGU	
	BENARX CGU	SERVICES CGU
Required rate of return	+ 7,1 %	+ 6,1 %
Revenue *	-38 %	-40 %
Operating Result	-50 %	-46 %

\* margins as before change of assumption

The group believes that no reasonable changes in the assumptions that have been used for testing impairment, could result in a lower value of future cash flows than the net capital employed. Furthermore, the group has a good order portfolio that will help the company develop vertically and horizontally throughout the value chain. By exploiting existing synergies, the company will be able to make use of the market opportunities they offer through improved access to expert personnel. On that basis and on the basis of estimated future revenues, the group can justify that acquired goodwill will have a value in excess of the book value based on budgets and strategy plans for the cash-generating units to which the Goodwill has been allocated.

INTANGIBLE ASSETS	Cutting technology	Benarx	Benarx certification	Patents and development projects	Software	3GS New Operating Model	Customer relationships	Goodwill	Total 31.12.2017
Acquisition cost 01.01	7 216	57 834	2 153	11 346	29 405	6 705	259 260	883 860	1 257 778
Acquisitions in-house R&D				4 212					4 212
Acquisitions of non-current assets					257				257
Acquisition cost through acquisition of subsidiary *							8 064	7 489	15 553
<b>Acquisition cost 31.12</b>	<b>7 216</b>	<b>57 834</b>	<b>2 153</b>	<b>15 557</b>	<b>29 661</b>	<b>6 705</b>	<b>267 324</b>	<b>891 349</b>	<b>1 277 799</b>
Accumulated amortisation 01.01	3 921	55 369	1 055	5 488	29 012	4 937	149 432		249 214
Accumulated write-downs 01.01				3 520			45 187	105 110	153 817
Amortisation for the year	600	974	431	1 078	310	1 341	10 781		15 513
<b>Accumulated amortisation 31.12</b>	<b>4 521</b>	<b>56 343</b>	<b>1 486</b>	<b>6 566</b>	<b>29 321</b>	<b>6 278</b>	<b>160 213</b>		<b>264 727</b>
<b>Accumulated write-downs 31.12</b>				<b>3 520</b>			<b>45 187</b>	<b>105 110</b>	<b>153 817</b>
<b>Capitalized value 31.12</b>	<b>2 695</b>	<b>1 491</b>	<b>667</b>	<b>5 471</b>	<b>340</b>	<b>427</b>	<b>61 924</b>	<b>786 239</b>	<b>859 255</b>
Economic useful life	10 years	10 years	5 years	5 years	5 years	5 years	3-10 years		
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		



(Amounts in NOK 1000)

## Exposure to credit risk

As at 31.12.18

Maximum exposure to credit risks on the reporting date was:

	Capitalized value	
	2018	2017
Trade receivables	186 361	337 846
Other receivables	13 710	16 516
Earned, not invoiced	163 667	102 290
Cash and cash equivalents	199 255	189 373
<b>Total</b>	<b>562 993</b>	<b>646 025</b>

## Impairment losses

The age distribution of trade receivables as at 31.12 was as follows:

	2018		2017	
	Gross Trade receivables	Allowance for bad debt	Gross Trade receivables	Allowance for bad debt
Not overdue	169 506	1 600	161 803	
0-30 days overdue	15 503	900	117 329	
31-90 days overdue	2 992	100	59 382	2 991
More than 90 days overdue	4 185	2 925	4 931	2 609
<b>Total</b>	<b>191 886</b>	<b>5 525</b>	<b>343 446</b>	<b>5 600</b>

Change in provision account for impairment of trade receivables:

	2018	2017
Opening balance	5 600	4 300
Change in allowance for impairment	-75	1 300
Closing balance	5 525	5 600

The group utilizes a model for considering potential loss of accounts receivables where a proportion of total outstanding amounts is treated as uncertain even if no objective evidence of uncertainty exists. This proportion increases with days the receivables are overdue. On top of the mathematical

approach for considering provision for potential loss, items in the accounts receivables where objective evidence of increased risk of potential loss exists is also considered when setting the total provision for bad debt.

## Liquidity risk

Contractual payments due in relation to financial commitments, including rent payments, are:

As at 31.12.18	Capitalized value	Contractual cash flows	6 months or earlier	6-12 months	1-2 years	2-5 years	More than 5 years
Interest-bearing leasingdebts *	8 190	8 189,6	1 710	1 620	2 873	1 987	
Interest-bearing long term debt **	840 555	992 042	33 023	33 023	66 045	859 952	
Accrued interests	6 751	6 751	6 751				
Trade payables	147 640	147 640	147 640				
Other current liabilities	138 147	138 147	138 147				
Total	1 141 282	1 292 769	327 270	34 643	68 918	861 939	0

\* Current interest rates on leasing debt is 3 month NIBOR plus margin of about 1% - 3.5%

\*\* Interest-bearing long-term debt consists of a bond with the principal amount 850 000. Capitalized value includes transaction costs that are expensed as interest during the course of the loan (9 445). Current interest rate on the loan is 3 month NIBOR plus margin of 6.5%. There are no installments on this loan and it matures 24. February 2021. It is not expected that the cash flows in the maturity analysis will occur at earlier dates, or with substantially different amounts.

As at 31.12.17	Capitalized value	Contractual cash flows	6 months or earlier	6-12 months	1-2 years	2-5 years	More than 5 years
Interest-bearing leasingdebts *	11 408	11 408	1 918	1 918	1 537	6 036	
Interest-bearing long term debt **	836 175	1 047 299	31 153	31 153	62 305	922 689	
Accrued interests	7 200	7 200	7 200				
Trade payables	94 589	94 589	94 589				
Other current liabilities	183 200	183 200	183 200				
Total	1 132 573	1 343 697	318 060	33 070	63 842	928 725	0

\* Current interest rates on leasing debt is 3 month NIBOR plus margin of about 1% - 3.5%

\*\* Interest-bearing long-term debt consists of a bond with the principal amount 850 000. Capitalized value includes transaction costs that are expensed as interest during the course of the loan (13 825). Current interest rate on the loan is 3 month NIBOR plus margin of 6.5%. There are no installments on this loan and it matures 24. February 2021. It is not expected that the cash flows in the maturity analysis will occur at earlier dates, or with substantially different amounts.

## Exchange rate risk

All amounts are in the currency stated in table

	31.12.18					31.12.17				
	Euro	USD	PLN	SGD	KRW	Euro	USD	PLN	SGD	KRW
Cash and cash equivalents	139	1 303	4 945	11	1 280 479	77	3 920	886	3	121 369
Trade receivables	999	847	104	-	573 884	189	11 795	47	-	4 110 973
Trade payables	-660	-13	-2 413	-	13 575	-338	-121	-627	-	-13 083
<b>Net exposure</b>	<b>477</b>	<b>2 137</b>	<b>2 636</b>	<b>11</b>	<b>1 867 938</b>	<b>-72</b>	<b>15 595</b>	<b>306</b>	<b>3</b>	<b>4 219 258</b>

Significant exchange rates during the year:

	Average exchange rate		Spot exchange rate	
	2018	2017	31.12.2018	31.12.2017
Euro	9,596	9,327	9,948	9,840
USD	8,134	8,263	8,689	8,205
PLN	2,253	2,191	2,313	2,356
SGD	6,026	5,983	6,381	6,141
KRW	0,007	0,007	0,008	0,008

A decrease in NOK against the following currencies at the end of the year would have increased/(reduced) equity and profit by the amounts given below. The analysis is based on changes in the exchange rate within a reasonably possible range. The possible range is defined by the management at the end of the accounting year. The analysis assumes that other variables, particularly interest rates, remain constant. The analysis was carried out on the same basis as in 2017.

Currency	Change	Effect for 2018		Effect for 2017	
		Equity	Profit/loss	Equity	Profit/loss
EURO	10 %	365	365	-54	-54
USD	10 %	1 429	1 429	9 724	9 724
PLN	10 %	469	469	55	55
SGD	10 %	5	5	1	1
KRW	10 %	1 120	1 120	2 466	2 466
		<b>3 389</b>	<b>3 389</b>	<b>12 193</b>	<b>12 193</b>

An increase in NOK against the above-mentioned currencies as at 31 December would have given the same figures, but with the opposite effect, once again assuming that other variables remain constant.

Of the cash in foreign currency the majority of USD is placed in Standard Chartered Bank in Korea, and the majority of PLN is placed in Danske Bank in Poland.



**FAIR VALUE AND CAPITALIZED VALUE**

The fair value and capitalized value of financial assets and liabilities:

	31.12.2018		31.12.2017	
	Capitalized value	Fair value	Capitalized value	Fair value
<i>Assets carried at amortised cost</i>				
Trade receivables	186 361	186 361	337 846	337 846
Cash and cash equivalents	199 255	199 255	189 373	189 373
<b>Total</b>	<b>385 616</b>	<b>385 616</b>	<b>527 219</b>	<b>527 219</b>
<i>Liabilities carried at amortised cost</i>				
Loan	840 555	850 000	836 175	850 000
Leasing and accrued interests	14 941	14 941	18 608	18 608
Trade payables	138 147	138 147	183 200	183 200
<b>Total</b>	<b>993 642</b>	<b>1 003 087</b>	<b>1 037 984</b>	<b>1 051 809</b>

The methods used to measure the fair value of financial instruments are described in the note on the group's accounting principles.

**Net debt reconciliation**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

<b>Net debt</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	199 255	189 373
Borrowings – repayable within one year (including overdraft)	-10 081	-10 210
Borrowings – repayable after one year	-854 899	-863 497
<b>Net debt</b>	<b>-665 725</b>	<b>-684 333</b>
Cash	199 255	189 373
Gross debt – fixed interest rates	-855 496	-854 783
Gross debt – variable interest rates	-9 485	-18 923
<b>Net debt</b>	<b>-665 725</b>	<b>-684 333</b>

	OTHER ASSETS		LIABILITIES FROM FINANCING ACTIVITIES			Total
	Cash/ bank overdraft	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	
<b>Net debt as at 31.12.2017</b>	189 373	-3 010	-8 399	-7 200	-855 098	-684 333
Cash flows	9 882	3 010	209		0	13 100
Acquisitions financial leases		-3 330	3 330			0
Other non-cash movements				449	5 058	5 508
<b>Net debt as at 31.12.2018</b>	<b>199 255</b>	<b>-3 330</b>	<b>-4 859</b>	<b>-6 751</b>	<b>-850 040</b>	<b>-665 725</b>

## Note 14

## Goods

(Amounts in NOK 1000)

	2018	2017
Raw materials	46 875	34 518
Work in progress	361	23
Finished goods	29	1 458
Provision for obsolete goods	-2 454	-2 223
<b>Total Goods</b>	<b>44 811</b>	<b>33 776</b>

As of 31.12.2018 a provision for obsolete goods of 2 454 is booked.

As of 31.12.2017, the corresponding provision was 2 223.

## Note 15

## Trade receivables and other receivables

(Amounts in NOK 1000)

TRADE RECEIVABLES	2018	2017
Trade receivables at face value	191 886	343 446
Provision for losses on claims	-5 525	-5 600
<b>Total trade receivables</b>	<b>186 361</b>	<b>337 846</b>
 Earned, not invoiced contract revenues	 163 667	 102 290
<b>Total accounts receivables and earned not invoiced contract revenues</b>	<b>350 028</b>	<b>440 136</b>

Earned, not invoiced contract revenues mainly pertains to work performed in December 2018, invoiced in January 2019.

## Note 16

## Bank deposits and cash equivalents

(Amounts in NOK 1000)

Bank deposits and cash equivalents	2018	2017
Bank deposits	199 255	189 373
<b>Total deposits</b>	<b>199 255</b>	<b>189 373</b>

### OVERDRAFT LIMIT

The group has an overdraft limit of 150 000. Deductions as at 31.12.2018 amounted to 0.

## Note 17

## Share capital and shareholder information

(Amounts in NOK 1000)

### SHARE CAPITAL AND SHAREHOLDER INFORMATION:

The company's share capital is 26 700 distributed on 267.000.000 shares, whereof 1.000.000 A-shares, and 266.000.000 B-shares. Nominal value per share is 0,0001. The A-shares have all rights. The B-shares have no voting rights nor rights to dividends.

The company's main shareholder, Segulah IV L.P. owns 82,9 % of the A-shares and 83,5 % of the B-shares. AlpInvest Partners 2012 I B.V./ AlpInvest Partners 2012 II B.V. owns 11,5 % of the A-shares and 11,7 % of the B-shares. Remaining shares are owned, direct or indirect, by the management and members of the board.

List of the major shareholders at 31.12.18:

Shareholder	Ownership	Controlled by
Segulah IV L.P.	83,4 %	
AlpInvest Partners 2012 I B.V.	9,4 %	
AlpInvest Partners 2012 II B.V.	2,4 %	
K. Lenning Management AS	1,3 %	Board leader
Svein Eggen Holding AS	0,5 %	Board member
Mowin AS	1,0 %	Board member
Other	2,1 %	
<b>Total</b>	<b>100,0 %</b>	

Earnings per share is - 0,00012 for 2018 compared to 0,00029 for 2017.

Basic earnings per share are based on the profit/loss attributable to ordinary shares and on the weighted average number of ordinary shares outstanding. Diluted earnings per share are identical as there is no dilutive effect.

## Note 18

## Employee benefits - pensions

(Amounts in NOK 1000)

### MANDATORY OCCUPATIONAL PENSION

The company is obliged to operate an occupational pension scheme in accordance with the Norwegian act on mandatory occupational pensions. The company's pension schemes satisfy the provisions of this act.

### EXTENDED PENSION SCHEME

CEO and other defined other key personell have an additional pension scheme agreement which amounts to 10 % of salary for CEO, 6% of salary for Group Executive management, and 3 % for other members of this pension scheme.

Pension obligations has the following composition	2 018	2 017
Obligations related to extended pension scheme	7 188	10 145
<b>Total pension obligations</b>	<b>7 188</b>	<b>10 145</b>
Pension cost in consolidated income statement has the following composition	2 018	2 017
Pension cost extended pension scheme	-2 166	2 040
Pension cost mandatory occupational pension	11 127	11 300
Pension cost AFP scheme	7 854	11 374
<b>Total pension cost in consolidated pension cost</b>	<b>16 815</b>	<b>24 714</b>



## Note 19

## Remuneration of key employees

(Amounts in NOK 1000)

<b>Directors' fees</b>	<b>2018</b>
Chairman Ketil Lenning	419
Ingelise Arntsen	76
Hilde Drønen	76
Morten Walde	-
Svein Eggen	195
Sebastian Ehnrooth	195
<b>Total for board members elected by shareholders</b>	<b>961</b>
Finn Kydland	56
Andre Simonsen	56
Tore Kjell Jørgensen (deputy member)	8
Christian Jørgensen (deputy member)	4
Rune Kårbø (observer)	6
Ståle Andreas Hovdekleiv (observer)	5
<b>Total for board members elected by employees *</b>	<b>135</b>

\* This applies to directors' fees for board positions in subs subsidiary Beerenberg Services AS.

### GROUP EXECUTIVE MANAGEMENT

<b>2018</b>	<b>Position</b>	<b>Salary</b>	<b>Other Compensations</b>
Arild Apelthun	CEO	2 397	46
Morten Walde*	CEO	1 477	8 397
George Oehme	CFO	1 308	25

\* CEO until June 2018. Other Compensations includes paid earned management pension, and severance payment for 2 years.

Pensions are not included in the table above. Group Executive management and CEO have an additional pension scheme agreement which amounts to 10 % of salary for CEO, and 6 % of salary for Group Executive management. The CEO has an agreement that guarantees salary payments for up to 18 months if the employer were to terminate his employment. A non-compete clause also apply to the CEO in the same period. The CEO has a performance-based bonus agreement, identical for all employees in the group Executive management. Bonus may not exceed 40% of the annual salary for CEO and 30 % for Group Executive management. No other bonuses, severance or options than described here are given to the board of directors or management.

In addition to ordinary salaries, key employees benefit from free telephones, broadband and mandatory contribution-based pensions. Everyone is paid a fixed salary, and no overtime payments are made. The key principles for setting management salaries at Beerenberg are that the company should be able to offer competitive terms. This relates to the combination of salaries, benefits in kind and pension schemes. The company operates in an international environment, a fact that is emphasised and reflected when setting the level of remuneration. When setting remuneration for 2019, the company will apply the same policy as in 2018. This entails being a competitive employer who attracts necessary expertise and capacity. The company also wishes to retain expertise and encourage long-term employment relationships. In respect of salary levels, the company aims to be in the high to average range in relation to comparable companies in order to attract competent personnel.

## Note 20

## Warranty liabilities and provisions

(Amounts in NOK 1000)

The group has provided a joint bank guarantee for all the companies in the group. In some cases, the group will provide bank guarantees to customers when entering into large fixed price contracts. As at 31.12.18, the guarantees totalled 46 688, compared to 65 296 as at 31.12.17.

A tax withholding guarantee of 42 200 has also been provided to the Bergen tax office as at 31.12.18, compared to 42 200 as at 31.12.17.

The group has warranty liabilities relating to maintenance contracts. Warranty periods may last for three to five years after an annual programme has been completed. New-build and modifications contracts are generally subject to a two to three year warranty after the completion certificate has been issued.

Guarantee liabilities are assessed continuously per individual project that has guarantees provided. However, as it is difficult to estimate the probability that a warranty claim will arise per project and how much cost this would entail, there are also made an assessment of the overall uncertainty on group level (IAS 37.24)

A provision for for warranty liabilities has been made of 16 500 as at 31.12.2018. Corresponding liability for 31.12.2017 was 14 000.

## Note 21

## Other short-term liabilities

(Amounts in NOK 1000)

Other Short term liabilities	2018	2017
Accrued holiday pay	62 256	67 539
Deferred revenue	-	22 723
Project provisions and provisions for accrued salaries	75 890	92 937
<b>Total other short term liabilities</b>	<b>138 147</b>	<b>183 200</b>

## Note 22

## Operational leasing

(Amounts in NOK 1000)

<b>Total leasing liabilities for irrevocable operating leases</b>	<b>2018</b>	<b>2017</b>
Leases falling due within one year	16 158	14 840
Leases lasting from one to five years	55 082	41 756
Leases lasting more than five years	9 911	22 564
<b>Total</b>	<b>81 150</b>	<b>79 160</b>

<b>Lease and sublease agreements recognised in income statement</b>	<b>2018</b>	<b>2017</b>
Minimum rent		
Variable rent		
Subleases	-	38
<b>Total</b>	<b>-</b>	<b>38</b>

The Irrevocable operational leases stated above relates to the leasing of premises.

Other lease expenses, that are revocable, mostly comprise leasing of miscellaneous production equipment. There are no purchase options on property or equipment, and equipment may not be subleased. Variable rent does not form a substantial part of the lease expenses.

## Note 23

## Contingent outcomes

(Amounts in NOK 1000)

### PROJECT RISKS AND UNCERTAINTIES

The group's projects are largely long-term Frame Agreements awarded as the result of a tender. According to IFRS 15 revenue is recognized based on evaluation of work performed in the period. The value of work performed during the period are based on a measurement of physical progress recorded after a detailed inspection of actual progress, or based on the number of hours of work performed, normally also approved by the customer. Therefore, in each reporting period there will be a limited degree of use of estimates related to revenue in projects involving services rendered. Similar, in projects involving delivery of goods income is recognized upon delivery to customer, so a very limited need for estimates exists.

However, circumstances and information may change in subsequent periods, and final outcomes may be better or worse than assessments made at the time the financial statements were prepared. In the group's opinion, there are no projects as at 31.12.18 with uncertainties relating to estimates of revenue or cost that may be of significant importance to the consolidated figures.

### LEGAL DISPUTES

From time to time, the group becomes involved in various disputes in its course of business. Provisions have been made to cover expected losses resulting from such disputes to the extent that negative outcomes are probable and reliable estimates can be produced. The final outcome of such cases will always contain elements of uncertainty, and may result in liabilities exceeding the recognised provisions.



## Note 24

## Related parties

(Amounts in NOK 1000)

In order to simplify the group structure, the parent companies Beerenberg Holdco I AS and Beerenberg Invest AS, was merged with Beerenberg AS in February 2018 with tax effect from 01.01.2018. This was conducted as a reversed merger with Beerenberg AS as the acquiring company. Beerenberg Holdco I AS, and Beerenberg Invest AS have been holding companies where only assets of significance

were shares in subsidiary. Furthermore, there were no liabilities in these two holding companies. Therefore, this merger does not materially impact the Consolidated Statement of Financial Position for the group. In order to execute this merger with unchanged ownership structure and distribution of shares, a share capital decrease of 30 was performed in Beerenberg AS prior to the merger.

## Note 25

## Group entities

(Amounts in NOK 1000)

As at 31.12.18 the group consist of the following 8 companies; Beerenberg AS, Beerenberg Holding AS, Beerenberg Services AS, Bouvet Industries AS, Benarx Solutions AS, Benarx Solutions Poland Sp. z o.o, Benarx Asia Pacific PTE. LTD and Benarx Korea Ltd.

Company	Parent Company	Ownership interest
Beerenberg Holding AS	Beerenberg AS	100 %
Beerenberg Services AS	Beerenberg Holding AS	100 %
Bouvet Industries AS	Beerenberg Services AS	100 %
Benarx Solutions AS	Beerenberg Services AS	100 %
Benarx Solutions Poland Sp. z o.o	Benarx Solutions AS	100 %
Benarx Asia Pacific PTE. LTD	Benarx Solutions AS	100 %
Benarx Korea Ltd	Benarx Solutions Poland Sp. z o.o	100 %

Bouvet Industries AS registered office is at Bedriftsvegen 10, Skien.

Benarx Pacific Asia's registered office is in Singapore. Benarx Solutions Poland Sp. Z o.o's registered office is in Poland, Benarx Korea Ltd's registered office is in Korea.

The other companies has registered office at Kokstaddalen 33, Bergen. The voting share in the subsidiary companies is identical to the ownership share.

The group entered in 2014 into an interest rate swap agreement to secure the cash flows related to long-term loans, where the loan terms are 3 months Nibor margin. The contract involve an exchange of 3-month Nibor to the fixed rates set forth below for current principal in the maturity of the agreement. The fair value of interest rate swap is classified as non-current liability since the remaining maturity of the hedged item (loan) is more than 12 months. Change in value of contracts are recognized in other comprehensive income. Interest rate swaps are valued according to level 2 of the valuation hierarchy (IFRS 13), ie the value derived from observable factors such as market interest rates.

The interest rate swap agreement were agreed by settling previously entered into agreements from 2014, and incorporating market value of these agreements into the conditions for the new agreement entered into 15.03.2017. The interest rate swap agreements entered into in 2014 had at this point a negative market value of 15 340. As the interest swap was entered into with a negative market value, this effect is spread over the maturity of the interest swap. The change in market value in 2018 that is as a result of "repayment" of negative opening value is 4 410. The remaining change in market value is accounted for in statement of other comprehensive income.

There is no ineffectiveness related to cash-flow hedging recorded in the profit and loss statement.

**2018**

Bank	Agreement	Date of agreement	Maturity	Principal amount	Fixed interest	Variable interest	Classification	Market value as of 31.12.18	Fair Value 31.12.18
Danske Bank	47234512FO-BF7GV	15.03.2017	15.03.2017-24.02.2021	600 000	2,14 %	3 mnth Nibor	Long term	-9 485	-9 485

**2017**

Bank	Agreement	Date of agreement	Maturity	Principal amount	Fixed interest	Variable interest	Classification	Market value as of 31.12.17	Fair Value 31.12.17
Danske Bank	47234512FO-BF7GV	15.03.2017	15.03.2017-24.02.2021	600 000	2,14 %	3 mnth Nibor	Long term	-18 923	-18 923

(Amounts in NOK 1000)

The tables provide information about the contractual terms relating to the group's interest-bearing loans measured at amortised cost. For more information about the group's interest rates, currencies and liquidity risk, please see the section on financial risk management and exposure in the chapter on accounting principles.

## SUMMARY OF INTEREST-BEARING DEBTS AS AT 31.12.2018

Loans:	Book value	Spread over NIBOR	Due	Terms of interest
Multicurrency overdraft limit 150 000 *	-	3,0 %	24.02.2021	NIBOR+Margin*
Financial leases	8 190	1,0 - 3,5 %	2017-2018	NIBOR+Margin

\* In addition it is a commitment fee of 0.40 % of margin.

## The group have the following loans:

Loans:	Book value	Spread over NIBOR	Fair Value	Due	Terms of interest
Bond (Senior Secured Callable Bond Issue 2017/2021) *	840 555	6,50 %	850 000	24.02.2021	3 mnd NIBOR+Margin

\* Fair value is calculated from trading price for bonds as at 26.06.2018, the last day of transactions of these bonds in 2018, however limited to face value of the Bond (trading price was 1,04).

The Bond was issued at 24 February 2017, at the same time the old Bond Issue which was placed 27.06.2014 was redeemed.

## COVENANTS

The group has adhered to current covenants in 2018.

Current covenants relates to:

Leverage (Net Debt / EBITDA)

This ratio can at most be 9.



## Note 28

## Secured Liabilities

(Amounts in NOK 1000)

The group has provided security for its arrangement with Danske Bank. The tables below provide an overview of the arrangement and the book value of the assets set up as security.

The group has produced joint bank guarantee for all the companies in the group. The group's guarantee liability pertains to contract guarantees for such guarantees and to guarantees to the authorities. As at 31.12.18, the guarantees totalled 88 888.

<b>Security has been provided for the following debts:</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Guarantees, incl. tax withholding guarantee	<b>88 888</b>	107 496
Current liabilities to credit institutions	<b>6 751</b>	7 200
Long-term liabilities to credit institutions	<b>848 745</b>	847 583
<b>Total for the group</b>	<b>944 384</b>	962 280
Capitalized value of assets provided as security for secured debts:		
Fixed assets	<b>171 812</b>	175 193
Inventories	<b>44 811</b>	33 776
Trade receivables	<b>186 361</b>	337 846
<b>Total</b>	<b>402 983</b>	546 814

## Note 29

## Events after the reporting date

In March 2019, Beerenberg received a letter of intent from Aibel regarding a major project relating to the Johan Sverdrup P2 Topside project. The contract has an estimated value of approx. NOK 250 million. The 30 months project is expected to commence in July 2019.

No other events have occurred after the reporting date, that are of significant impact when considering the financial position or the result in the group as at 31.12.2018.



ANNUAL ACCOUNTS 2018

# Beerenberg AS









# Income Statement

Amounts in NOK 1 000	Note	2018	2017
<b>Operating expenses</b>			
Other operating expenses	7	6 656	1 318
<b>Total operating expenses</b>		<b>6 656</b>	<b>1 318</b>
<b>Operating result</b>		<b>-6 656</b>	<b>-1 318</b>
Intragroup interest income		812	141
Other interest income		1	58
Other finance income		61 137	255 797
Intragroup interest costs		5 094	5 765
Other interest costs		67 046	69 490
Other finance costs		4 410	30 322
<b>Net financial items</b>	8, 9	<b>-14 600</b>	<b>150 419</b>
<b>Ordinary result before tax</b>		<b>-21 255</b>	<b>149 101</b>
Tax	6	-7 476	35 295
<b>Annual profit</b>		<b>-13 779</b>	<b>113 806</b>
<i>The annual profit/loss is attributable to:</i>			
Other equity	4	-13 779	113 806
<b>Annual profit</b>		<b>-13 779</b>	<b>113 806</b>
Basic earnings per share and diluted earnings per share for 267.000.000 shares	3	-0,00005	0,00043
Allocated only to 1.000.000 A shares		-0,014	

Diluted earnings per share are identical as there is no dilutive effect.

The accompanying notes 1-10 are an integral part of these financial statements

# Statement of Comprehensive Income

Amounts in NOK 1,000	Note	2018	2017
Annual profit		-13 779	113 806
<i>Other revenue and expenses</i>			
Change in value of derivatives	9	3 832	-5 627
<b>Total Statement of Comprehensive income</b>		<b>-9 947</b>	108 179
<i>The statement of Comprehensive income is attributable to:</i>			
Shareholders		-9 947	108 179
<b>Total Statement of Comprehensive income</b>		<b>-9 947</b>	108 179

Other revenue and expenses is after tax and will be reversed in the income statement.

The accompanying notes 1-10 are an integral part of these financial statements

# Statement of Financial Position

Amounts in NOK 1,000	Note	31.12.2018	31.12.2017
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Deferred tax asset	6	6 418	6 549
<b>Total intangible assets</b>		<b>6 418</b>	6 549
<b>Financial non-current assets</b>			
Investments in subsidiaries	1	1 257 646	1 257 646
<b>Total financial non-current assets</b>		<b>1 257 646</b>	1 257 646
<b>Total non-current assets</b>		<b>1 264 064</b>	1 264 195
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
Other current receivables	1	61 137	255 797
<b>Total receivables</b>		<b>61 137</b>	255 797
<b>Total current assets</b>		<b>61 137</b>	255 797
Cash at bank, cash in hand and similar	2	118 283	0
<b>Total assets</b>		<b>1 443 484</b>	1 519 992



**BEERENBERG AS**  
ANNUAL ACCOUNTS 2018

Amounts in NOK 1 000	Note	31.12.2018	31.12.2017
<b>Equity and liabilities</b>			
<b>EQUITY</b>			
<b>Paid-in capital</b>			
Share capital		26 700	26 730
Share premium		240 310	240 310
<b>Total paid-in capital</b>		<b>267 010</b>	<b>267 040</b>
<b>Retained earnings</b>			
Other equity		322 859	332 806
<b>Total retained earnings</b>		<b>322 859</b>	<b>332 806</b>
<b>Total equity</b>	3, 4	<b>589 869</b>	<b>599 846</b>
<b>LIABILITIES</b>			
<b>Other non-current liabilities</b>			
Bond	5	840 555	836 175
Derivatives	9	9 485	18 923
<b>Total other non-current liabilities</b>		<b>850 040</b>	<b>855 098</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	1	0	16 045
Tax payable	6	0	41 887
Other current liabilities		3 575	7 115
<b>Total current liabilities</b>		<b>3 575</b>	<b>65 047</b>
<b>Total liabilities</b>		<b>853 615</b>	<b>920 145</b>
<b>Total equity and liabilities</b>		<b>1 443 484</b>	<b>1 519 992</b>

The accompanying notes 1-10 are an integral part of these financial statements.

**BERGEN 11. APRIL 2019**  
Board of Directors at Beerenberg AS

 <b>Ketil Lenning</b> Chairman	 <b>Sebastian Ehrnrooth</b>	 <b>Svein Eggen</b>	 <b>Ingelise Arntsen</b>
 <b>Hilde Drønen</b>	 <b>Morten Walde</b>	 <b>Arild Apelthun</b> CEO	

# Statement of Cash Flows

Amounts in NOK 1 000	Note	2018	2017
<b>Cash flows from operating activities</b>			
Result for the period before tax		-21 255	149 101
Tax paid for the period	6	-38 994	-35 352
Change in other accruals		-411	16 141
<b>Net cash flow from operating activities</b>		<b>-60 660</b>	<b>129 890</b>
<b>Cash flows from financing activities</b>			
Payments related to merger activities		328	0
Incoming payment of new long-term debt	1	0	-5 120
Repayments of long term loans	5	0	-80 531
Payment of Group contribution	8	255 797	208 880
Group contribution booked as finance income	8	-61 137	-255 797
<b>Net cash flow from financing activities</b>		<b>194 988</b>	<b>-132 568</b>
<b>Net change in cash and cash equivalents</b>		<b>134 328</b>	<b>-2 679</b>
Cash and cash equivalents per 01.01.		-16 045	-13 367
<b>Cash and cash equivalents 31.12.</b>		<b>118 283</b>	<b>-16 045</b>

The accompanying notes 1–10 are an integral part of these financial statements

# Accounting principles

## ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the regulation on simplified adoption of IFRS (International Financial Reporting Standards). The annual financial statements were authorised for issue by the board of directors on 11 April 2019.

## CLASSIFICATION OF ITEMS IN THE STATEMENT OF FINANCIAL POSITION

Assets intended for long-term ownership or use are classified as non-current assets. Assets associated with the circulation of goods are classified as current assets. Receivables are classified as current assets if they fall due within one year. Analogue criteria are applied to liabilities. However, repayments of non-current receivables and non-current liabilities made in the first year are not classed as current assets or current liabilities.

## TAX

The tax liability in the income statement comprises both tax payable and changes in deferred tax for the period. Deferred tax is calculated at the prevailing tax rate on the basis of the temporary differences between book value and taxable value and on any tax loss carryforward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that are reversed or may be reversed in the same period have been offset.

## INVESTMENTS IN SUBSIDIARIES

Subsidiaries are measured using the cost method in the separate financial statements. Investments are valued at the historical cost of the shares unless depreciation has become necessary. They are depreciated to fair value when the fall in value is due to circumstances that cannot be assumed to be temporary and it is deemed necessary in accordance with generally accepted accounting practices. Write-downs are reversed when the basis for a write-down is no longer present.

Any dividends received are in principle recognized as income, however. Dividends that exceed retained earnings after purchase are recognized as a reduction in the original cost. Dividends/group contributions from subsidiaries are recognized in the same year that the subsidiary makes the provision.

## LIABILITIES

Liabilities are recognized at their fair value when the loan is paid out, less transaction costs. In subsequent periods the loan is recognized at amortised cost using the effective rate of interest.

## FINANCIAL INSTRUMENTS

The company initially recognizes loans, receivables and deposits on the date of acquisition. All other financial assets are recognized initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the company transfers the contractual rights in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred. All rights and liabilities in transferred financial assets that are created or retained as a result of the transfer are recognized separately as assets or liabilities.

Financial assets and liabilities are offset if the company is legally entitled to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Offset amounts are presented net in the statement of financial position.

### *Financial derivative instruments*

The group holds a limited number of financial derivative instruments to hedge its foreign currency and interest rate risk exposures. The management strategy is, at present, to use hedging instruments in order to mitigate the effect of changes in variable interest rates. The long-term financing of the group is based on variable interest rates (3 mnth Nibor) which is subject to fluctuations. The strategy is to minimize this risk by entering into interest swaps agreements to swap variable interest rates to fixed rates at a proportion of around 70 % of total outstanding loans.

Derivatives are recognized initially at fair value. Changes in fair value are recognized in profit or loss, except for hedging instruments that meet the criteria for hedge accounting.



The group follows IFRS 9 criteria's for classifying a derivative instrument as a hedging instrument. These are as follows:

- a. the hedging relationship consists only of eligible hedging instruments and eligible hedged items.
- b. at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
- c. the hedging relationship meets all of the following hedge effectiveness requirements:
  - i. there is an economic relationship between the hedged item and the hedging instrument
  - ii. the effect of credit risk does not dominate the value changes that result from that economic relationship and
  - iii. the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedging instruments classed as cash flow hedges offset variations in cash flows caused by changes in exchange rates, interest rates and market values. For cash flow hedges that meet the criteria for hedge accounting, all gains and losses on the effective part of the contract are recognized in comprehensive income, while those on the ineffective part are recognized in the income statement under finance income or finance cost.

Financial derivatives with a positive market value are classed as current assets if the remaining life of the hedged item is shorter than one year and as non-current assets if the remaining life of the hedged item is longer than one year. Financial derivatives with a negative market value are classed as current liabilities if the remaining life of the hedged item is shorter than one year and as non-current liabilities if the remaining life is longer than one year.

## FINANCIAL RISK MANAGEMENT

Variable rate loans pose an interest rate risk to the group's cash flows. The group is exposed to interest rate risks relating to debts. Interest rate risks are continually reviewed by looking at potential refinancing, alternative financing and hedging. The company has entered into an interest swap, see also Notes 5 and 9.

## Note 1

## Long-term investments in other companies

(Amounts in NOK 1000)

SUBSIDIARY:	Registered office	Ownership interest / Voting share	Equity last year 100 %	Profit/loss last year 100 %
Beerenberg Holding AS	Bergen	100 %	740 910	0

### INTRAGROUP BALANCES ETC.:

Other current receivables	2018	2017
Benarx Solutions AS	0	60 735
Beerenberg Corp. AS	61 137	190 323
Bouvet Industries AS	0	4 739
<b>Total</b>	<b>61 137</b>	<b>255 797</b>

Other current liabilities	2018	2017
Beerenberg Services AS	0	16 045
<b>Total</b>	<b>0</b>	<b>16 045</b>

## Note 2

## Restricted funds

The company has no restricted funds as of 31.12.2018.

## Note 3

## Share capital and shareholder information

(Amounts in NOK 1000)

In order to simplify the group structure, the parent companies Beerenberg Holdco I AS and Beerenberg AS, was merged with Beerenberg AS in February 2018 with tax effect from 01.01.2018. This was conducted as a reversed merger with Beerenberg AS as the acquiring company. Beerenberg Holdco I AS, and Beerenberg Invest AS have been holding companies where only assets of significance were shares in subsidiaries. Furthermore, there were no liabilities in these two holding companies.

At the Annual General Meeting at the 14th May it was proposed to change the name of the company from Beerenberg Holdco II AS to Beerenberg AS. The change of name was registered and effective as of 11th of June 2018.

The share capital of NOK 26 700 consists of 267 000 000 shares with nominal value of NOK 0,1 each. The share capital consists of 1 000 000 A-shares and 266 000 000 B-shares. The A-shares have all rights. The B-shares have no voting rights nor rights to dividends.

The company's main shareholder, Segulah IV L.P. owns 82,9 % of the A-shares and 83,5 % of the B-shares. AlpInvest Partners 2012 I B.V./ AlpInvest Partners 2012 II B.V. owns 11,5 % of the A-shares and 11,7 % of the B-shares. Remaining shares are owned, direct or indirect, by the management and members of the board.

List of the major shareholders at 31.12.18:

Shareholder	Ownership	Controlled by
Segulah IV L.P.	83,4 %	
AlpInvest Partners 2012 I B.V.	9,4 %	
AlpInvest Partners 2012 II B.V.	2,4 %	
L. Lenning Management AS	1,3 %	Board leader
Svein Eggen Holding AS	0,5 %	Board member
Mowin AS	1,0 %	Board member
Other	2,1 %	
<b>Total</b>	<b>100,0 %</b>	

Earnings per share were -0.00005 in 2018 compared to 0.00043 in 2017.

Earnings per share are based on the profit/loss attributed to ordinary shares and on the weighted average number of ordinary shares outstanding. Earnings per share and diluted earnings per share are identical, as there are no shares that may give rise to dilution.

## Note 4

## Equity

(Amounts in NOK 1000)

	Share capital	Share premium	Other equity	Total
<b>Equity as of 31.12.2017</b>	<b>26 730</b>	<b>240 310</b>	<b>332 806</b>	<b>599 846</b>
Share capital decrease	-30	0	0	-30
Profit/loss for the year	0	0	-13 779	-13 779
Other comprehensive income for the year	0	0	3 832	3 832
<b>Equity as of 31.12.2018</b>	<b>26 700</b>	<b>240 310</b>	<b>322 859</b>	<b>589 869</b>

## Note 5

## Non-current liabilities, collateral and guarantees etc.

(Amounts in NOK 1000)

Liabilities secured by collateral etc.	2018	2017
Bond (Senior Secured Callable Bond Issue 2017/2021)	840 555	836 175
<b>Total</b>	<b>840 555</b>	<b>836 175</b>

Nominal bond issue is 850 000. The bond issue is recorded at amortised cost of 840 555.

The subsidiaries Beerenberg Services AS and Beerenberg Holding AS are jointly and severally liable together with the parent Company Beerenberg AS for bonds acquired by Beerenberg AS.



## MATURITY STRUCTURE OF FINANCIAL LIABILITIES

The figures in the table show the maturity structure in nominal increments for the company's interest-bearing debts, including interest payments on recognized liabilities as at 31.12:

	Book value	Fair value	Under 6 months	6-12 months	1-2 years	2-5 years
Bond	840 555	850 000*	33 023	33 023	66 045	859 952

\* Fair value is calculated from trading price for bonds as at 26.06.2018, the last day of transactions of these bonds in 2018, however limited to face value of the Bond (trading price was 1,04).

The interest rate is 3 months' NIBOR plus a 6.5 percentage point spread.

## COVENANTS

The company complied with existing covenants in 2018.

Current covenants relate to:

Leverage (Net Debt / EBITDA)

This ratio must be under 9.

## NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2018	2017
Cash and cash equivalents	118 283	58
Borrowings – repayable within one year (including overdraft)	0	-16 103
Borrowings – repayable after one year	-850 040	-855 098
<b>Net debt</b>	<b>-731 757</b>	<b>-871 143</b>
Cash	118 283	58
Gross debt – fixed interest rates	-840 555	-852 278
Gross debt – variable interest rates	-9 485	-18 923
<b>Net debt</b>	<b>-731 757</b>	<b>-871 143</b>

	OTHER ASSETS	LIABILITIES FROM FINANCING ACTIVITIES				Total
	Cash/bank overdraft	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	
<b>Net debt as of 31.12.2017</b>	<b>-16 045</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-855 098</b>	<b>-871 143</b>
Cash flows	134 328	0	0	0	0	134 328
Foreign exchange adjustments	0	0	0	0	0	0
Other non-cash movements	0	0	0	0	5 058	5 058
<b>Net debt as of 31.12.2018</b>	<b>118 283</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-850 040</b>	<b>-731 757</b>

(Amounts in NOK 1000)

Calculation of deferred tax / deferred tax assets	2018	2017
<b>Temporary differences through profit/loss</b>		
Accrued borrowing costs	9 445	13 825
Liabilities	9 485	-18 923
Derivatives	-9 485	3 410
Precluded interest deduction to be carried forward	-22 089	-17 807
Net temporary differences	-12 644	-19 495
Tax losses carried forward	-12 580	0
<b>Basis for deferred tax / tax assets</b>	<b>-25 224</b>	<b>-19 495</b>
22%/23% deferred tax through profit/loss	-5 549	-4 484
<b>Temporary differences through Other Comprehensive Income (OCI)</b>	<b>2018</b>	<b>2017</b>
Derivatives	-3 949	-8 977
Net temporary differences	-3 949	-8 977
<b>Basis for deferred tax / tax assets</b>	<b>-3 949</b>	<b>-8 977</b>
22%/23% deferred tax assets through OCI	-869	-2 065
<b>Deferred tax in the statement of financial position</b>	<b>-6 418</b>	<b>-6 549</b>
<b>Distribution of tax expense</b>	<b>2018</b>	<b>2017</b>
Tax payable in the statement of financial position	0	41 887
Corrections to previous years	-2 924	-439
Total tax payable in tax expense	-2 924	41 448
Change in deferred tax through profit/loss	-4 886	-6 348
Change in deferred tax as a result of change in tax rate	334	195
<b>Tax expense through profit/loss</b>	<b>-7 476</b>	<b>35 295</b>
Change in deferred tax/deferred tax assets through OCI	2 934	-1 659
Change in deferred tax through OCI as a result of change in tax rate	-39	90
<b>Tax expense through OCI</b>	<b>2 894</b>	<b>-1 569</b>
<b>Payable tax in the balance sheet</b>	<b>0</b>	<b>41 887</b>

## Note 7

## Payroll costs, number of employees, remuneration, loans to employees etc.

(Amounts in NOK 1000)

The company had no employees in 2018 and is not obliged to operate an occupational pension scheme under the Act on Obligatory Occupational Pensions.

No remuneration was paid to the CEO or members of the board of directors in 2018.

Expensed auditor's remuneration	2018	2017
Statutory auditing (Including technical preparation of financial statements)	130	127
Other certification services	0	0
Tax advice	59	45
Other services	214	15
<b>Total</b>	<b>403</b>	<b>187</b>

The sums stated are exclusive of VAT.

## Note 8

## Specification of finance income and finance costs

(Amounts in NOK 1000)

Finance income	2018	2017
Group contribution from Beerenberg Services AS	61 137	190 323
Group contribution from Benarx Solutions AS	0	60 735
Group contribution from Bouvet Industries AS	0	4 739
Intragroup interest income	812	141
Other finance income	1	58
<b>Total finance income</b>	<b>61 949</b>	<b>255 996</b>
<b>Finance costs</b>	<b>2018</b>	<b>2017</b>
Intragroup interest costs	5 094	5 765
Interest costs Bond and other interest costs	67 076	69 490
Loss from purchase of own bonds	0	17 603
Accrued refinancing fee	4 380	12 719
<b>Total finance costs</b>	<b>76 550</b>	<b>105 577</b>



## Note 9

## Financial instruments

(Amounts in NOK 1000)

	2018	2017
Cash flow hedge (interest rate swap)	-9 485	-18 923
<b>Total fair value</b>	<b>-9 485</b>	<b>-18 923</b>

The company has an interest rate swap with a nominal value of 600 000. The company is swapping variable interest for fixed interest at 2.135 %. The fair value of the interest swap has been calculated by the group's bank. The interest rate swap runs until February 2021. The interest rate swap still qualifies for hedge accounting following the repayment of the old bond issue, and replacement by a new bond issue in first quarter of 2017.

The interest swap is deemed to effectively reduce interest rate risk, thus satisfying the criteria for hedge accounting.

The interest swap is valued in accordance with Level 2 of the valuation hierarchy (IFRS 13), i.e. the value is derived from observable factors such as market interest rates.

Change in fair value of the cash flow hedge net after tax is recorded in Other Comprehensive Income.

	2018	2017
Change in fair value through other comprehensive income	-6 726	7 197
Tax effect	2 894	-1 569
<b>Net change in fair value through other comprehensive income</b>	<b>-3 832</b>	<b>5 627</b>

### FINANCIAL INSTRUMENTS BY CATEGORY

As at 31.12. - Assets	Deposits, receivables and cash	Assets at fair value through profit/loss	Derivatives used for hedging	Financial assets available for sale	Total
Receivables	61 137				61 137
Cash and cash equivalents	118 283				118 283
<b>Total</b>	<b>179 420</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>179 420</b>
As at 31.12. - Liabilities	Financial liabilities carried at amortised cost	Liabilities at fair value through profit/loss	Derivatives used for hedging	Other financial liabilities	Total
Derivatives used for cash flow hedging			9 485		9 485
Loans excl. statutory liabilities	844 130				844 130
<b>Total</b>	<b>844 130</b>	<b>0</b>	<b>9 485</b>	<b>0</b>	<b>853 615</b>

## Note 10

## Events after the reporting date

No events have occurred after the reporting date, that are of significant impact when considering the financial position or the result in the company at 31.12.2018.

## Declaration by the Board of Directors and CEO

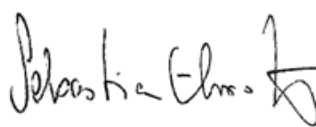
We confirm, to our best knowledge, that the financial statements for the period January to 31 December 2018 for the parent company Beerenberg AS and for the group has been prepared in accordance with all applicable accounting standards. We confirm that the financial statements gives a true and fair view of the group's consolidated assets, liabilities, financial position and result of the operations. The Board also confirm that the Director's Report provides a true and fair view of the development and performance of the business and the position of the group and the company, including a description of the key risks and uncertainty factors that the Beerenberg AS group is facing.

**BERGEN, 11. APRIL 2019**

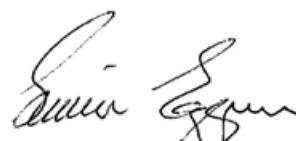
Board of Directors at Beerenberg AS



**Ketil Lenning**  
Chairman



**Sebastian Ehrnrooth**



**Svein Eggen**



**Ingelise Arntsen**



**Hilde Drønen**



**Morten Walde**



**Arild Apelthun**  
CEO



To the General Meeting of Beerenberg AS

### *Independent Auditor's Report*

#### *Report on the Audit of the Financial Statements*

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##### *Opinion*

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

- The financial statements of the parent company Beerenberg AS (the Company), which comprise the statement of financial position as at 31 December 2018, the income statement, statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Beerenberg AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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##### *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.

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PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen

T: 02316, org. no.: 987 009 713 VAT, [www.pwc.no](http://www.pwc.no)

State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



### Key Audit Matters

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

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2018 financial statements. In this light, our areas of focus have been the same in 2018 as the previous year.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Valuation of goodwill and intangible assets</i></p> <p>Per 31.12.2018 the Group's goodwill had a carrying value of TNOK 782,762, and the intangible assets a carrying value of TNOK 65,906. We refer to note 12 in the consolidated financial statements for further information.</p> <p>We focused on this area due to the size of the amounts and because management's value assessment is based on judgemental assumptions, mainly related to future cash flows and the discount rate.</p>	<p>We have reviewed management's model and impairment assessments for the cash generating units where goodwill and intangible assets were allocated. We found that the model calculated mathematically correct and was based on recognized principles.</p> <p>We assessed that the discount rate was reasonable by comparing the individual elements in the discount rate to our own expectations and the expectations of the market.</p> <p>Further, we challenged management's assumptions related to future cash flows by comparing them to the budgets adopted by the Board of Directors and the strategy plan for the group's various cash generating units. Long-term growth in the model has been compared to the market's expectation of long-term inflation. We found the assumptions were aligned with the budget, the strategy plans and the market's expectation of long-term inflation.</p> <p>We have challenged management's historical accuracy by comparing previous years assumptions related to actual results in the related years. We found no material deviations between the assumptions used in previous years and the actual results accumulated for the related years.</p> <p>We have read note 12 and assessed the information there to be in line with the requirements.</p>
<p><i>Earned, not invoiced income</i></p> <p>Earned, not invoiced income constitutes TNOK 163,667. We refer to note 6, 15 and</p>	<p>We understood and evaluated the company's controls related to earned, not invoiced income. The assumptions</p>



## Independent Auditor's Report - Beerenberg AS

23 in the consolidated financial statements for more information.

We focused on earned, not invoiced income due to the size of the amounts and the fact that management's estimates are based on judgemental assumptions.

included in the calculations of earned, not invoiced income are the terms from and understanding of the customer contracts.

We read a sample of customer contracts and agreed that the assumptions from the contracts were appropriately reflected in the calculations.

To challenge the assumptions which form the basis for the estimates we interviewed management. We assessed management's explanations to underlying customer contracts and documentation. Among other procedures, we assessed management's historical accuracy by comparing prior year's assumptions related to earned, not invoice income to what was actually invoiced in the subsequent year. We found that previous years earned, not invoiced income, in all material respects was invoiced in the subsequent years.

We have read note 6, 12 and 15, and assessed the information there to be in line with the requirements.

### *Other information*

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

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

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*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.

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### Independent Auditor's Report - Beerenberg AS

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

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

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

### *Report on Other Legal and Regulatory Requirements*

#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements and the going concern assumption 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.

Bergen, 11. april 2019

**PricewaterhouseCoopers AS**

A blue ink signature, appearing to read 'Sture Døsen', written over the printed name and title.

Sture Døsen  
State Authorised Public Accountant

## Definition of Alternative Performance Measures

In this report some terms are used that are not defined in IFRS, but are terms commonly used by analysts, investors and others in the business sector. Below these terms are defined.

### **ORDER BACKLOG**

The order backlog consists of sales value of contracts signed. As a significant part of Beerenberg's revenue is related to framework agreements it also includes the estimated value of expected future sales value on framework agreements.

### **EBITDA**

Operating profit (EBIT) + Depreciation and Impairment

### **EBITDA MARGIN (%)**

EBITDA / Revenue

### **EBIT**

Operating profit (before financial items and taxes)

### **OPERATING MARGIN**

Operating result / Operating Revenue

### **NET MARGIN (%)**

Net Profit / Operating Revenue

### **NET WORKING CAPITAL**

Total current assets – Cash at bank / Total short-term liabilities less tax payable

### **LOST TIME INJURY FREQUENCY (LTIF)**

The number of fatalities and lost time injuries occurred per 1 million man-hours worked

### **TOTAL RECORDABLE INJURY FREQUENCY (TRIF)**

Is the number of fatalities, lost time injuries, injuries with alternative work and injuries requiring medical treatment by a medical professional per million man-hours worked







**BEEREN  
BERG**

**BEERENBERG**

**T** +47 55 52 66 00

**E** [post@beerenberg.com](mailto:post@beerenberg.com) | **Visitors address** Kokstaddalen 33

**P.O.Box** 273 Slåtthaug, N-5851 Bergen, Norway

**[beerenberg.com](http://beerenberg.com)**