BEERENBERG

BEERENBERG AS

ANNUAL REPORT

19

Contents

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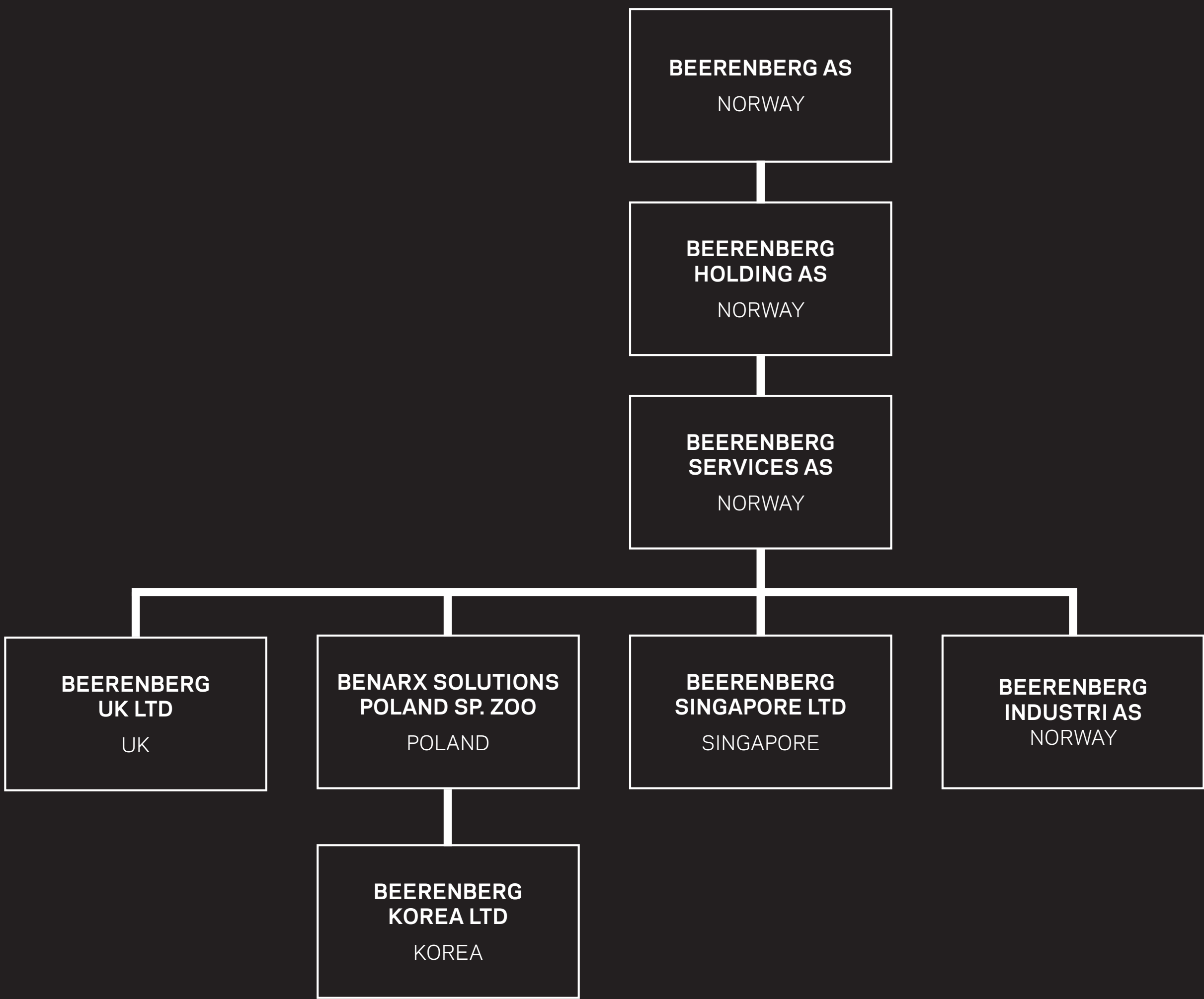
The Beerenberg Group consists of several entities. Unless otherwise stated the reference to company and group refers to the total operation of these entities.

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, Beerenberg Industri AS, Benarx Solutions Poland Sp. z o.o, Beerenberg Singapore PTE. LTD, Beerenberg Korea LTD and Beerenberg UK 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, Gościcino in Poland, Aberdeen in UK, Busan in South-Korea and in Singapore.



OUR VISION

Beyond Expectations

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

OUR CORE VALUES

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

		2019	2018	2017	2016	2015
ORDERS AND RESULTS						
Estimated order backlog *	MNOK	**9 300**	**9 500**	**10 500**	**10 200**	**7 700**
Revenue	MNOK	**2 209.6**	**1 519.6**	**1 851.9**	**2 081.5**	**2 363.2**
Growth in revenue	Percent	45.4%	-17.9%	-11.0%	-11.9%	2.5%
EBITDA	MNOK	**216.1**	**97.0**	**252.8**	**219.2**	**275.7**
Ebitda margin	Percent	9.8%	6.4%	13.7%	10.5%	11.7%
EBIT	MNOK	**142.0**	**47.7**	**206.9**	**5.7**	**194.0**
Net Profit	MNOK	**45.7**	**-31.4**	**77.6**	**-73.6**	**88.4**
Net margin	Percent	2.1%	-2.1%	4.2%	-3.5%	3.7%
CASHFLOW AND CAPEX						
Cash flow from operating activities	MNOK	**126.0**	**51.7**	**86.8**	**110.1**	**203.2**
Capex	MNOK	**51.9**	**38.6**	**13.1**	**16.0**	**27.8**
BALANCE SHEET						
Equity	MNOK	**440.1**	**394.0**	**422.2**	**345.0**	**414.7**
Equity ratio	Percent	23.7%	24.2%	24.6%	18.4%	20.2%
Net working capital	MNOK	**72.8**	**58.8**	**139.7**	**85.7**	**78.8**
Nwc / revenue ratio	Percent	3.3%	3.9%	7.5%	4.1%	3.3%
Total liabilities	MNOK	**1417.5**	**1 234.3**	**1 292.1**	**1 530.3**	**1 642.4**
Total assets	MNOK	**1 857.6**	**1 628.3**	**1 714.2**	**1 875.3**	**2 057.0**
EMPLOYEES						
Employees 31.12	Number	**1 312**	**1 131**	**1 146**	**1 344**	**1 604**
Man years – totally employed	Number	**2 002**	**1 621**	**1 954**	**2 129**	**2 177**
Change in total resources employed	Percent	23.5%	-17.0%	-8.2%	-2.2%	-0.3%
Hours produced	In thousands	**3 431**	**2 476**	**2 873**	**3 111**	**3 185**
Change in hours produced	Percent	38.5%	-13.8%	-7.7%	-2.3%	-7.2%
HSE						
Serious Incident Frequency (SIF)	Per million worked hours	**1.0**	**0.9**	**0**	**0**	**0**
Lost time incidents Frequency (LTIF)	Per million worked hours	**0.3**	**0**	**0**	**0.4**	**0**
Total recordable incidents frequency	Per million worked hours	**3.9**	**5.5**	**4.3**	**2.9**	**2.5**

*) 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.

Harald Haldorsen
CFO

Harald Haldorsen joined Beerenberg as CFO in February 2020. Haldorsen has extensive experience within finance and controlling activities. Prior to joining Beerenberg Mr Haldorsen worked as the CFO at Strømberg Gruppen AS for more than 12 years. Prior to this, he has had leading positions at Arthur Andersen & Co and Centragruppen. He has an economics degree from the Norwegian School of Economics (NHH) in Bergen.

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.

Summary of 2019 as at April 2020

It is strange to look back at 2019 as a good year for Beerenberg while knowing that society and the markets ground to a halt in March 2020 because of the coronavirus and oil market collapse. Fortunately 2019 was a very good year for Beerenberg – both financially and operationally – which has given us a buffer against what is now happening. However, at the time of writing it is not clear how long this situation will last, and flexibility and perseverance will therefore be an important part of Beerenberg's strategies in the times ahead.

Looking back at 2019, activity levels in our main markets remained high throughout the year, particularly in the third quarter when they reached record highs. The major shutdown at Mongstad especially created large volumes of work. That really was a test of strength. For example, Beerenberg has never deployed that much scaffolding before. Thanks to good planning and expert execution, we were able to ensure that the work was carried out both to a high standard and in line with good HSE principles.

In addition to the financial aspects, we take great – if not even greater – pleasure in how we as an organisation and as individuals tackled the sustained pressure during this period. The reason for that is simple: because it has shown us that we are well prepared for big challenges in the future. Now that spring 2020 is upon us we know that the challenges are piling up, albeit in a different way.

In 2019 our subsidiary Benarx Solutions merged with Beerenberg. The other subsidiaries in the group are now following suit and will be changing their names to Beerenberg. This is a step towards streamlining the company structure and unifying the group. Our insulation products will continue to be marketed under the Benarx® brand name. The main objective is to become even better at protecting our clients' assets. We will be doing so by continuing to explore new technology to allow us to render our services and products more sustainably, effectively and safely.

After years of investment and development we are now seeing the value of our in-house technologies in day-to-day operations in earnest. 3-D scanning, or Digital Box Design, is Beerenberg's highly effective tool for performing digital surveys of insulation boxes. During 2019 we continued to note positive effects in terms of quality, HSE and sustainability while cutting the cost compared with traditional surveying. Scaffold modelling is another example of a proprietary technology that is becoming an increasingly integrated part of our operations. New initiatives are being planned for 2020, including robotisation, in order to continue to boost our competitiveness.

Staff training and development is one of the pillars of the company's strategy. We want to develop people and enable them to create a career for themselves at Beerenberg. As an example, in 2019 we revised our management programme

and held seminars for both executive management and foremen. I am confident that we will be seeing the results of this in the years ahead.

Thankfully, rapid advances are being made when it comes to green energy, although all realistic forecasts show that there will still be a need for oil and gas in the future. As well as utilising technology and developing new skills, we are very focused on developing sustainable materials technologies. We continue to work on innovative solutions, especially when it comes to insulation. This includes sustainability, as the newly launched Oryza-Sil product exemplifies.

There is no getting away from the unique situation that has occurred in the first quarter of 2020 and which is impacting the entire world. Like many other companies, Beerenberg and its employees are feeling the uncertainty. We do not know what the next few months will bring other than concluding that activity levels will be severely reduced. How long the situation around the spread and course of Covid-19 will last is not clear.

There is also uncertainty around the impact on activity levels at Beerenberg and in business in general. We are doing our utmost to navigate in this storm to ensure that the company remains robust once the wind has subsided.

Ever since the late 1970s Beerenberg has delivered services that protect the assets of its clients within a wide range of industries. In the beginning the company was more heavily exposed towards the shipping industry. Oil and gas subsequently became its main focus, although the company has diversified its customer base in recent years to also include onshore industries. We are envisaging deploying the expertise we have acquired over many years in oil and gas to other sectors as well.

Arild Apelthun
CEO

HSE/Q, productivity and consistency

For more than 40 years Beerenberg has delivered cost efficient solutions to a wide range of industrial enterprises. Our expertise covers the entire life cycle from field studies and newbuilds to maintenance, modifications and lifetime extensions – always focusing on improved HSE/Q, productivity and consistency.

Beerenberg is a leading supplier of maintenance and modifications services. More than 1,300 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:

SERVICES

- Engineering
- Insulation
- Architectual Outfitting
- Scaffolding
- Habitat Solutions (Sveisolat®)
- Surface Treatment
- Rope Access Techniques (RAT)
- Passive Fire Protection
- Cold Cutting
- Technical Cleaning

BENARX

- Engineering
- Benarx®
- Subsea Insulation

SOME OF OUR CLIENTS

- Aibel
- Aker BP
- Aker Solutions
- Cameron
- ConocoPhillips
- Daewoo
- Drydocks Dubai
- Equinor
- FMC
- Halliburton
- Hyundai
- Kværner
- 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 have been divided into two segments:

- 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

The business segment Benarx is responsible for the design and manufacturing of 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 business segment has also highly skilled professionals to assist in the actual installation process – something which is particularly important in the case of subsea insulation.

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 has a cooperation agreement with Akzo Nobel and cooperate closely with other 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 significant global growth, especially in South Korea and Singapore.

The manufacturing of the company's products in Poland has proved to be a big success. Quality and productivity have continued to improve, while costs have been reduced.

In addition to the factory in Poland, 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.

Beerenberg has been awarded major contracts in the market for thermal subsea insulation over a number of years and has the capacity to deliver products and services worldwide.

The company is working with TechnipFMC, One Subsea and other big operators in the sector. Solutions include the use of market-leading materials and installation methods developed in-house.

Environmental, Social and Governance (ESG)

Beerenberg strives to protect its client's assets through adequate maintenance and safety measures designed to prevent emissions and damage to the natural environment.

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.

Beerenberg has long been focused on many of the issues that the UN's member countries formally placed on the agenda in 2015 with the 15 goals for sustainable development that they committed to achieving by 2030.

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 founded on a zero accidents philosophy and based on the idea that HSE should be an integrated element in all parts of the business. It is Beerenberg's ambition for its employees to safely return home from work without suffering work-related illness and injury and to promote a working environment that is healthy and meaningful for all employees.

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.

Managing our natural resources

Many of our customers are world-leading businesses involved either directly or indirectly in converting natural resources into energy. Beerenberg wishes to make its contribution to giving as many people as possible access to reliable, sustainable and modern energy by responsibly managing its services and products.

Responsible sustainability is part of the company's long-term strategy. Beerenberg's ambition is for its activities to have minimal impact on the natural environment and for the company to continually improve its environmental performance.

By protecting our customers' assets throughout a sustained life cycle we aim to develop installation-friendly products with long life spans – ideally made from sustainable materials. Taken together this helps reduce our carbon footprint, especially as it reduces the need for transport of both people and products.

Social responsibility

Our sponsorship programme invites employees to apply for funding for sports clubs and other activities for children and young people in the local community. This way we are trying to make leisure activities cheaper to allow everyone to participate. Beerenberg also supports other charitable organisations that share the company's core values.

Ethics

The Beerenberg group's ethical guidelines are designed to ensure that everyone acting on behalf of the company do so in an ethical manner and in line with the company's values and principles on business practices and personal conduct. The company's ethical guidelines are revised annually and adopted by the group's executive bodies.

Employees receive training in ethics and the ethical guidelines through the company's training programme, which includes both e-learning and other tailor-made activities such as courses and dilemma training. Ethics are also discussed at the monthly themed meetings of the operational part of the business and promoted by "leading by example", i.e. by the management's attitudes and behaviours at various levels. A whistle-blowing regime for employees has been implemented to help ensure compliance with the ethical guidelines. The system has channels for alerting external and independent third parties. The company also has a dedicated compliance officer.

ESG reporting

One key procedure for converting words into action is to actively measure and report on essential ESG measures such as energy consumption, waste disposal, transport and business travel. Web-based reporting solutions keep the issue high on the agenda.

We are mindful of our social corporate responsibility when making investment decisions. It is our strongly held view that issues surrounding the environment and climate change, anti-corruption, human and workers' rights – along with competitiveness, supplier and customer management and tax matters – have an impact on the company's ability to ensure profitability and shareholder value in the long term.

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 executiv management more comprehensively than is required by legislation. There have been no changes in the Code of practice (NUES) in 2019.

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. 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

Total assets at 31 December 2019 was MNOK 1858 with an equity of MNOK 440, giving an equity ratio of 24%. The Groups solidity is evaluated based on current targets, strategy and risk profile.

The company has a bond that is listed on the Oslo Stock Exchange under the ticker BBERG02 which will lapse in 2021. Last bond transaction registered at Oslo Børs was 21th of November 2019 at 101.75 (i.e. above par).

The company have started a process to evaluate options relating to refinancing of existing bond.

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 practical to develop a dividend policy. Furthermore, the board has not seen it as necessary to establish specific targets for leverage or equity ratio in addition the evaluations that are made continuously and specified in budgets and strategy plans.

4. Equal treatment of shareholders and transactions with close associates

Segulah IV L.P holds 83,9% 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 policy relating to sales of shares. 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).

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. There have not been significant transactions with close associates in 2019.

A procedure relating to reporting of potential conflict of interests to the board has been established.

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.

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

Sebastian Ehrnrooth represent Segulah IV L.P. which holds 83,9% of the shares in Beerenberg AS. In addition, some board members and members of the management hold shares in the company.

Ketil Lenning, Ingelise Arntsen, Hilde Drønen, Morten Haakon Walde and Svein Eggen are all independent of the company, its management and its biggest 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 2019 had nine meetings. The annual plan includes a three-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 of the audit committee are:

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

The company does not have 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. The remuneration is not dependent on the financial performance of the group. There is no form of incentive arrangement or similar. Please see note 19 for additional information.

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. The board has not established guidelines relating to remuneration to leading employees. Please see note 19 for further information.

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 with the audit committee where priorities and risk evaluations including internal control are presented. The auditor prepares an audit report about the annual accounts base 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: The board has not seen it as necessary to establish additional guidelines relating to the use of additional services from the auditor.

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 has held a number of board room positions and is currently serving as chairman of Asplan Viak and on the board of Statkraft and Eksportkreditt. 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 formely 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 Director´s Report 2019

The oil and gas market remain volatile and competitive, but in 2019 the global market for oil & gas did improve. Beerenberg's market position strengthened through steady order intake and a solid order backlog in Services as well as in Benarx. From the middle of March 2020, the Covid-19 pandemic and the decrease in the price of oil had an immediate disruptive effect on the company and the general economy.

Services is built around Beerenberg's core ISS disciplines (Insulation, Scaffolding and Surface treatment) also include passive fire protection, technical cleaning, rope access techniques, architectural/outfitting services and the cold work concepts Sveisolat (habitats) and cold cutting /mobile machining, all primarily offered to clients on the Norwegian Continental Shelf (NCS).

Benarx is built around Beerenberg's proprietary Benarx® product range of high specification insulation products (thermal, acoustic and passive fire protection) as well as insulation solutions for subsea installations.

Beerenberg has a head office in Bergen and regional offices in Skien, Poland, UK, South Korea and Singapore.

From the middle of March 2020, the Covid-19 pandemic had an immediate disruptive effect on the company and the general economy. Beerenberg reacted quickly to the new market conditions and is working to minimize the effects and maximize the ability to offer its products and services when stabilization is restored.

FINANCIAL STATEMENT

The operating revenue in 2019 increased by approx. 45% to NOK 2,210 million compared with NOK 1,520 million in 2018. The increase is mainly related to higher activity in maintenance and modification activities in the Services segment.

Earnings before interest, taxes and amortisation (EBITA) ended at NOK 160 million, up 146% compared to NOK 65 million in 2018. The EBITA margin was 7%, up from 4% in 2018, mainly driven by improved operational performance and increased activity.

Net financial cost for the full year ended at NOK 80 million, up from NOK 78 million last year and the full year net profit of 2019 was NOK 46 million versus a loss of NOK 31 million in 2018.

The estimated order backlog at the year-end, including frame agreements and options, was NOK 9.3 billion, down from NOK 9.5 billion in 2018.

CAPITAL, CASH FLOW AND LIQUIDITY

Total assets at the end of 2019 amounted to NOK 1.858 million, up from NOK 1.628 million in 2018, mainly due to a higher activity level as well as the IFRS 16 impact. The effect of implentation of IFRS 16 is increased total assets but has had no cash effect.

The equity was NOK 440 million, up from NOK 394, corresponding to an equity ratio of 24%.

Cash flow from operating activities depends on a number of factors, including progress on and delivery of projects, changes in working capital and prepayments from customers. Cash flow from operating activities was NOK 126 million, compared to NOK 52 million in 2018.

Beerenberg's net cash outflow for investing activities was NOK 52 million in 2019, up from NOK 39 million.

Net cash outflow related to financing activities was NOK 17 million, up from NOK 3 million in 2018. The reason for the increase is the implementation of IFRS 16, resulting in payment of rent for premises being re-classified as a financing item.

Total non-current assets were NOK 1084 million in 2019, up from NOK 1020 million in 2018. Current assets were NOK 773 million in 2019, up from NOK 608 million.

Total current liabilities were NOK 467 million in 2019, up from NOK 350 million and total non-current liabilities were NOK 950 million compared to NOK 885 million in 2018.

The Net interest-bearing debt was NOK 667 million in 2019 compared to NOK 666 million in 2018, with IFRS 16 implementation offset by an increase in cash.

SHAREHOLDERS

Segulah IV L.P. owns 83,9% of the shares in Beerenberg AS. The remainder is owned by Alpinvest Partners Co-Investment and the Beerenberg management.

FINANCIAL RISK

The board of directors of the Beerenberg group sets out a framework and develops guidelines for risk management in the group and continuously controls and supervises the implementation of these. 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, financial and liquidity risk, market risk and technology risk.

Credit risk

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

The Covid-19 pandemic might increase the credit risk and the Beerenberg group is actively monitoring the clients.

Currency and interest rate risk

A key principle for the Beerenberg group is to keep the currency risk as low as possible by using the same currency for both income and expenditure. In its international operations the group is not always able to follow this principle and as a result client and supplier contracts involving currency exposure above and beyond defined limits must be hedged. A limited amount of the group's revenues, expenditure and investments are denominated in foreign currencies.

The group's interest rate risk in relation to interest-bearing debt 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 Beerenberg group's debt was refinanced in 2017, however the group retained the relationship with its main banks, providing working capital and guarantee limits.

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.

The Beerenberg group's financing is partly a listed bond loan with expiry date early 2021.The risk of refinancing the listed bond is expected to increase due to the disruptive events in 2020 in connection with the Covid-19 and the prevailing low price of oil.

Market risk

The Beerenberg group operates in the oil and gas market, which due to price fluctuations can be volatile. Beerenberg is affected by the oil companies' actions and the prevailing oil and gas prices. To mitigate this, Beerenberg has diversified into various segments of the market, e.g. new-build and maintenance and modification projects. Beerenberg is also expanding internationally, with the proprietary Benarx® product range and it is looking into related market segments, such as infrastructure 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 therefore been working to grow its international presence.

The oil price decrease from early March 2020 may effect the oil companies' ability and willingness to invest in maintenance and modification projects. The long-term effect of the decrease remains to be seen.

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, digitalization and R&D along with an ambition to protect its assets through patents and other proprietary rights.

RESEARCH AND DEVELOPMENT

The Beerenberg group's focus as regards to research and development is product and method development in the field of ISS. Beerenberg 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.

Research and development are conducted in close partnership with clients in order to create value for the group's customers.

The Beerenberg group has a continuous focus on research and development and as at 31.12.19 the group had 15 registered patent families with 28 regional and national patents, 2 Patent Pending cases and 5 PCT/regional applications.

SOCIAL RESPONSIBILITY AND ETHICS

Beerenberg's annual report includes a separate account of the group's approach, conduct and guidelines in relation to social responsibilities and ethics.

Beerenberg's ethical guidelines are a central part of its training programmes as training in the group's ethical guidelines helps ensure 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.

HUMAN RELATIONS, ORGANISATION AND WORKING ENVIRONMENT

Human relations and working environment

The Beerenberg group had 1,312 employees as at 31.12.19, up from 1,146 at the end of 2018. Including contractors, the number of FTEs totalled 2002.

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 has respect for every individual and recruitment is based on qualifications without regard for the candidate's gender, age, disability, ethnicity, religion or 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 are competitive and fair.

It is Beerenberg's ambition to increase the proportion of women at all levels within the organisation by taking a systematic approach to recruitment and enabling development and growth within the organisation. Female employees, most of whom serve in administrative positions, made up 6.8% of the workforce at year end. In 2019 there were one woman in the group management team and two women on the board of directors.

Organization

In 2019 the company made changes to its legal structure, by merging Beerenberg Services AS and Benarx Solution AS and establishment of a subsidiary in UK.

The company is organised as two business divisions – Services and Benarx.

HEALTH, SAFETY AND THE ENVIRONMENT

Beerenberg continuously works to prevent injury and to create a working environment that is meaningful and healthy for all employees. Beerenberg has adopted a zero-tolerance philosophy in relation to injury to people, damage to the natural environment and material assets. The effort to prevent acute damage to health and long-term injuries is a high priority for Beerenberg. By focusing on training, health monitoring, risk management and robust working practices, Beerenberg seeks 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 procedures alone are not enough to prevent sickness and injury. The key issue is compliance, whereby the knowledge and motivation of individual employees are important factors. Beerenberg's commitment to HSE includes (but is not limited to) obligatory HSE training for all employees and contractors as well as a three-day HSE course for all managers.

Central to Beerenberg's preventive HSE programme are also various surveys designed to strengthen our knowledge base, identify risk and associated HSE measures.

The company is working to reduce sickness absence, both at a collective and an individual level. Sickness absence in 2019 stood at 6.3%, a reduction from 7.1% in 2018. Short-term sickness absence accounted for 2.7% and long-term absence for 3.6%. The corresponding figures for 2018 were 2.5% and 4.6%, respectively.

In 2019 the company recorded 12 incidents involving personal injury requiring more than first aid, one lost time injury (LTI) and eleven requiring medical treatment. The number of incidents in 2018 was also 12, two leading to alternative work duties, and ten requiring medical treatment. Beerenberg continues its systematic and preventive approach to reducing the number of incidents.

The natural environment

In conducting its operations, Beerenberg aims to minimize the environmental impact and the company aims to continuously improve its environmental performance.

Beerenberg's impact on the natural 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 and services that help reduce the environment footprint and 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).

Environmental initiatives have also been introduced in administrative functions, and new-builds have helped ensure more energy-efficient solutions and robust systems for waste sorting.

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

Beerenberg's strategy plan was revised in the autumn of 2019. The plan provides a framework for the company's development up until 2022. In a challenging market the focus will still be on increasing cost-efficiency in both product development and service delivery.

Prospects in the Beerenberg group's primary markets improved during 2019, and the maintenance and modifications market is expected to grow. The company's long-term contracts over 10 and 15 years will provide a solid base for the company going forward. Yet it is important to note that the market is shaped by external factors, especially the price of oil.

Throughout 2019 the company has taken steps to boost its competitiveness and these initiatives will continue. Together with the company's robust foundations, this means the company expects to maintain its revenues and see long-term growth.

The board should like to stress that there is always a degree of uncertainty surrounding assessments of the future.

The world-wide Covid-19 outbreak in Q1 2020 resulted in a dramatic reduction of activities across business sectors. The oil and gas industry was in addition affected by a steep decline in the price of oil, which partly caused by the virus and partly by a supply glut.

While difficult to predict, Beerenberg is operating under the assumption that markets will stabilize towards the end of 2020, with oil priced at levels above those seen at the end of the first quarter.

THE BOARD'S STATEMENT ON CORPORATE GOVERNANCE AND EXECUTIVE MANAGEMENT

In its instructions the board of directors 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.

From the middle of March, the covid-19 pandemic has had an immediate disruptive effect on the company, with most projects shifting from high activity to minimum activity as both the Norwegian authorities and customers implemented regulations to reduce the spread of the virus. Beerenberg took immediate action to reduce the number of employees and adapt the organization to the lower activity level.

Beerenberg will not go through this crisis unaffected. In the short term, uncertain conditions will adversely affect the activity. Currently, Beerenberg's ability to deliver products and services is good, but this will be affected by the authorities' future restrictions on the flow of products and services. Beerenberg is working on adapting both production and storage of critical commodities so that deliveries will take place according to plan. Persistent restrictions on travel between countries may present challenges as the activity level increases. As of today, there are restrictions on travel between countries that mean that flexibility is somewhat limited.

Beerenberg may potentially be affected by customers' ability to pay, although this is regarded as a limited risk in the short term but in the event of a persistent uncertain global situation this will become a factor.

The company's financing is partly arranged through a listed bond, with maturity in early 2021. The risk of refinancing the listed bond is expected to increase due to the disruptive events in 2020 in connection with the Covid-19 pandemic and prevailing low price of oil. In order to monitor the company's robustness, the company has visualized scenarios and models that take into account both shorter and longer duration of activity decline.

The company will utilize any government directed packages where the company is qualified in order to soften the implications of the Covid-19 pandemic.

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.

BERGEN 22. APRIL 2020

Board of Directors at Beerenberg AS

Ketil Lenning Chairman	**Sebastian Ehrnrooth**	**Svein Eggen**
Ingelise Arntsen	**Hilde Drønen**	**Morten Walde**
		Arild Apelthun CEO

Beerenberg AS Group

Consolidated Income Statement

Amounts in NOK 1,000	Note	2019	2018
Revenue from contracts with customers		**2 209 300**	1 519 111
Other revenue		**287**	469
Total revenue	5, 6	**2 209 587**	1 519 580
Materials, goods and services		**172 559**	76 902
Personell costs	8, 18, 19	**1 480 124**	1 089 769
Other operating costs	7	**340 756**	255 871
Operating expenses		**1 993 439**	1 422 543
Operating result before depreciation, amortisation and impairment losses		**216 147**	97 038
Depreciation, amortisation and impairment losses	11, 12, 28	**74 099**	49 385
Operating result		**142 048**	47 653
Financial revenue	9	**1 564**	1 938
Financial expenditure	9, 26, 28	**81 586**	79 795
Result before tax		**62 026**	-30 204
Tax	10	**16 667**	1 230
Annual profit/loss		**45 359**	-31 434
The annual profit/loss is attributable to:			
The owners of the parent company		**45 359**	-31 434
Annual profit/loss		**45 359**	-31 434
Basic earnings, and diluted earnings per share for 267.000.000 shares	17	**0.00017**	-0.00012
Allocated only to 1.000.000 A-shares		**0.045**	-0.031

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	2019	2018
Annual profit/loss		**45 359**	-31 434
Other revenue and expenses			
Change in value of derivatives	25	**2 255**	3 832
Conversion differences		**-1 509**	-560
Total Statement of Comprehensive Income		**46 104**	-28 161
The statement of performance is attributable to:			
The owners of the parent company		**46 104**	-28 161
Total Statement of Comprehensive Income		**46 104**	-28 161

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	31.12.2019	31.12.2018
Assets			
NONCURRENT ASSETS			
Intangible assets	12	**47 525**	65 906
Goodwill	12	**782 762**	782 762
Property, plants and equipment	11, 27, 28	**246 169**	171 812
Financial Fixed Assets		**7 792**	
Total Noncurrent assets		**1 084 248**	1 020 479
CURRENT ASSETS			
Goods	14, 27	**61 161**	44 811
Accounts receivable from customers	13, 15, 27	**251 592**	186 361
Other receivables	13	**16 763**	13 710
Earned, not invoiced contract revenues	6, 15, 22	**187 041**	163 667
Cash at bank	13, 16	**256 800**	199 255
Total current assets		**773 355**	607 804
Total Assets		**1 857 603**	1 628 283

Amounts in NOK 1,000	Note	31.12.2019	31.12.2018
Equity and Liabilities			
EQUITY			
Share capital		**26 700**	26 700
Share premium		**240 310**	240 310
Other equity		**173 061**	126 957
Total equity	17	**440 071**	393 967
LIABILITIES			
Pension obligations	18	**10 065**	7 188
Deferred tax obligations	10	**4 994**	2 696
Other long-term obligations	20	**18 990**	16 500
Interest bearing long-term liabilities	26, 27	**913 945**	848 745
Derivatives	25	**2 184**	9 485
Total long-term liabilities		**950 177**	884 614
Liabilities to credit institutions	13, 16, 26, 27	**7 260**	6 751
Supplier liabilities		**161 811**	147 640
Tax payable	10	**16 357**	0
Social security, VAT and other taxes		**91 127**	57 165
Other short-term liabililities	21, 22	**190 800**	138 147
Total short-term liabilities		**467 355**	349 703
Total liabilities		**1 417 532**	1 234 316
Total equity and liabilities		**1 857 603**	1 628 283

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

BERGEN 22. APRIL 2020
Board of Directors at Beerenberg AS

Ketil Lenning
Chairman

Sebastian Ehrnrooth

Svein Eggen

Ingelise Arntsen

Hilde Drønen

Morten Walde

Arild Apelthun
CEO

Consolidated Statement of Changes in Equity

Amounts in NOK 1,000	Share capital	Share premium	Conversion reserve	Hedging reserve	Retained earnings	Total
Equity as per 31.12.2017	**26 730**	**240 310**	**5 481**	**-6 913**	**156 550**	**422 158**
Annual result for the period					-31 434	**-31 434**
Other Comprehensive income			-560	3 832		**3 272**
Transactions with shareholders						
Share capital decrease	-30					**-30**
Equity as per 31.12.2018	**26 700**	**240 310**	**4 922**	**-3 080**	**125 116**	**393 967**
Annual result for the period					45 359	**45 359**
Other Comprehensive income			-1 509	2 255		**746**
Transactions with shareholders						
Equity as per 31.12.2019	**26 700**	**240 310**	**3 413**	**-826**	**170 475**	**440 072**

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

Consolidated Statement of Cash Flows

Amounts in NOK 1,000	Note	2019	2018
Cash flows from operating activities			
Result for the period before tax		**62 026**	-30 204
Tax paid for the period		**-132**	-42 199
Gains/losses from sales of fixed assets		**-287**	-469
Depreciation, write-down and amortisation	11, 12	**74 100**	49 385
Changes to inventory		**-16 350**	-11 035
Changes to accounts receivable from customers	14	**-65 231**	151 485
Changes to supplier liabilities		**14 170**	53 051
Difference between expensed and paid-in/out pension premium		**-4 916**	-2 957
Changes to other time restricted items		**62 936**	-115 315
Net cash flow from operating activities		**126 317**	51 742
Cash flows from investment activities			
Incoming payments from the sale of tangible and intangible fixed assets	11	**1 421**	949
Outgoing payments from acquisition of tangible and intangible fixed assets	11, 12	**-53 310**	-39 561
Net cash flow from investment activities		**-51 890**	-38 612
Cash flows from financing activities			
Repayment of long-term liabilities (outgoing)	13	**-16 883**	-3 218
Share capital decrease		**0**	-30
Net cash flow from financing activities		**-16 883**	-3 248
Net changes to cash and cash equivalents		**57 545**	9 882
Cash and cash equivalents per 01.01		**199 255**	189 373
Cash and cash equivalents per 31.12	15	**256 800**	199 255

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, Beerenberg Industri AS, Benarx Solutions Poland Sp. z o.o, Beerenberg Korea Ltd, Beerenberg Singapore Ltd, and Beerenberg UK Ltd.

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

The group delivers expertise and technology as well as engineering and inspection services in the fields of surface treatment, passive fire protection, insulation, architecture/interiors, 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 22 April 2020.

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 2019 and in accordance with additional Norwegian disclosure requirements under the provisions of the Norwegian Accounting Act as at 31 December 2019. Apart from new standards described in the section for new standards adopted by the group, there have been no changes in accounting principles from 2018 to 2019.

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 assesed at fair value.

Note 3 Accounting principles

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:

a) The statement of financial position is translated using the exchange rate at the end of the reporting period
b) 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)
c) 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.

Refer to note 25 for a specification of the group's current derivative instruments

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 Beerenberg Industri AS by Beerenberg Services AS 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 turnover 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 as an example it 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 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 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 16 LEASES

IFRS 16 was issued in January 2016. It results 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 is not significantly changed.

The impact of IFRS 16 is that implementation of the standard results in significant leases that previously were treated as operating leases, wherein costs were recorded as operating cost, is now be treated as financial lease and a lease obligation and an equivalent asset (right to use) is recognized on the balance sheet. Lease expenses according to IFRS 16 is in the form of depreciation and interest expense instead of as operating expenses as under previous standard. The effect of implementation of the standard is increased assets and increased liabilities, and that operating profit before depreciation, financial items and tax (EBITDA) is 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 was at the implementation date the 1st of January 2019, 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 the following; operating cost decreased by MNOK 15.8, Depreciation increased by MNOK 16.5, Financial cost increased by MNOK 3.5, and thus Earnings before tax decreased by MNOK 4.2.

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 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 uses 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.

The negative development in the exchange rate for NOK after year end has had impact on key financial figures. Sensitivity analyzes related to exchange rate fluctuations is described in note 13. Normally these sensitivities are calculated at +/- 10% change, but due to significant exchange rate changes in 2020, the effects have now been calculated at +/- 30%.

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 have 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. Interest bearing debt as at 31.12.19 is a Bond issue and financial leasing, refer to note 26.

The weighted average effective rate of interest in relation to debt, was 8,6% in 2019 (2018: 8,2%).

The group's interest-bearing assets comprise as of 31.12 of bank deposits of NOK 256.8 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. 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 effective interest rates had been 1% (percentage point) higher/lower on loans in NOK in 2019 and all other variables were constant, this would have resulted in a reduction/increase in profit/loss after tax of NOK 6.6 million in 2019 (2018: 6.2) 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 to 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. The major 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.

The group continuously seeks new opportunities for example in new build projects and increased presence in projects abroad. To enter new market segments, could imply changes to credit risk. This is a factor that the group has high focus on evaluating when considering such opportunities. Refer also to note 29, events after the reporting date regarding possible change in credit 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 256.8 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.

Interest-bearing long term debt consists of a Bond with the principal amount of NOK 850 million. This Bond matures in

February 2021, and the group started the refinancing process in the 1st Quarter of 2020. Due to the Coroana virus pandemic, this process will be more challenging, depending on effects and duration of the pandemic and government measures. Refer to note 29 events after the reporting date, for further description.

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 to maintain an optimal capital structure in order to reduce the cost of capital.

In order to improve its capital structure, the group can adjust the level of dividends paid to shareholders, issue new shares, or sell assets to repay loans. The gearing in the group for 31.12.19 and for 31.12.18 is shown in table to the right.

	2019	2018
Total interest bearing debt	923 389	864 980
Less cash and cash equivalents	-256 800	-199 255
Net interest bearing debt	666 590	665 725
Total Equity	440 072	393 967
Total Capital (adjusted)	1 106 661	1 059 692
Debt Ratio	60%	63%
Gearing	1.5	1.7

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 1,000)

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 Solutions		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating revenue external	1 953 916	1 362 851	255 671	156 729			2 209 587	1 519 580
Operating revenue internal	5 029	10 964	92 086	62 860	-97 115	-73 824	0.000	0
Total Operating revenue	**1 958 945**	**1 373 815**	**347 757**	**219 589**	**-97 115**	**-73 824**	**2 209 587**	**1 519 580**
Direct cost	1 625 709	1 121 892	283 333	183 489	-92 086	-73 824	1 816 956	1 231 556
Gross profit	**333 236**	**251 923**	**64 424**	**36 101**	**-5 029**	**0**	**392 631**	**288 024**
Admin & overhead	146 800	132 807	34 713	58 179	-5 029		176 484	190 986
EBITDA *	**186 436**	**119 116**	**29 711**	**-22 079**	**0**	**0**	**216 147**	**97 038**
Depreciation, and impairment losses of tangible assets	39 465	26 589	16 600	5 489			56 065	32 078
EBITA **	**146 971**	**92 528**	**13 111**	**-27 568**	**0**	**0**	**160 082**	**64 960**
Amortisation and impairment losses of intangible assets	17 421	14 787	613	2 520			18 034	17 307
EBIT ***	**129 550**	**77 740**	**12 498**	**-30 088**	**0**	**0**	**142 048**	**47 653**

*) 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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Intangible assets	41 650	57 819	5 875	8 087					47 525	65 906
Goodwill	582 762	582 762	200 000	200 000					782 762	782 762
Property, plants and equipment	199 523	142 689	46 647	29 123					246 169	171 812
Financial fixed assets	7 792								7 792	-
Total Noncurrent assets	**831 727**	**783 269**	**252 521**	**237 210**	**-**	**-**	**-**	**-**	**1 084 248**	**1 020 479**
Goods	23 417	12 490	37 744	32 320					61 161	44 811
Accounts receivable from customers	182 819	149 219	68 772	44 375				-7 233	251 592	186 361
Other receivables	12 475	8 556	4 288	5 155					16 763	13 710
Earned, not invoiced contract revenues	144 074	143 122	42 966	20 899				-354	187 041	163 667
Cash at bank, cash in hand and similar					256 800	199 255			256 800	199 255
Total current assets	**362 785**	**313 387**	**153 770**	**102 750**	**256 800**	**199 255**	**-**	**-7 588**	**773 355**	**607 804**
Total Assets	**1 194 512**	**1 096 656**	**406 292**	**339 959**	**256 800**	**199 255**	**-**	**-7 588**	**1 857 603**	**1 628 283**

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	
	2019	2018	2019	2018	2019	2018
Total Operating revenue	2 050 249	1 425 667	159 338	93 913	2 209 587	1 519 580

Reconciliation of EBITDA to profit/loss before tax:	**2019**	**2018**
EBITDA	216 147	97 038
Depreciation, amortisation and impairment losses	74 099	49 385
Net finance costs	80 022	77 856
Result before tax	**62 026**	**-30 204**

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

Revenue from 2 customers make up more than 10% of total revenue in 2019 or 2018. Revenues from customer 1 amounted to 1.219.869 (2018: 868 747)

Revenues from customer 2 amounted to 482 017 (2018: 200 853)

Note 6 Revenues

(Amounts in NOK 1,000)

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.

	2019	**2018**
Revenues from contracts with customers		
Revenues from sale of services	1 746 588	1 214 037
Revenues from sale of goods	306 655	186 833
Revenues from hiring of equipment	156 056	118 241
Total revenue from contracts with customers	**2 209 300**	**1 519 111**
Other revenue		
Gains from sale of assets	287	469
Total other revenue	**287**	**469**
Total revenue	**2 209 587**	**1 519 580**
Contract balances		
Accounts receivables from customers	**251 592**	**186 361**
Customer contract assets / earned not invoiced contract revenues	**187 041**	**163 667**
Customer contract liabilities / deferred revenue	**0**	**0**

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 1,000)

Beerenberg's other operating costs totals 340 756. (255 871 for 2018) 70–80% of these costs are project costs. Other costs are costs relating to consulancy fees, premises and associated costs, IT, insurance premiums, contingents, marketing and patent costs.

	2019	2018
Travel expenses	122 362	84 498
Rental of equipment	34 432	17 641
Other project costs	116 621	62 049
Consultancy fees	22 768	29 390
Facilities	17 658	35 414
IT	17 830	16 387
Other	9 085	10 492
Total other operating costs	**340 756**	**255 871**

Auditor's fee	**2019**	**2018**
Statutory audit (incl. technical assistance with financial statements)	1 424	1 500
Tax advisory fee (incl. technical assistance with tax return)	271	204
Other assistance	306	357
Total	**2 001**	**2 062**

The sums stated are exclusive of VAT.

Note 8 Personnel costs

(Amounts in NOK 1,000)

Personnel costs	**2019**	**2018**
Salaries incl. holiday pay	797 108	606 463
National Insurance contributions	115 067	91 588
Pensions	25 817	21 058
Contract personnel	527 042	354 947
Other employee benefits	15 091	15 713
Total Personnel costs*	**1 480 124**	**1 089 769**
Number of Full-time equivalent (FTE)*	**2 002**	**1 621**

* Both salaries and FTEs includes hired in personell.

Note 9 Finance income and finance costs

(Amounts in NOK 1,000)

Finance income and finance costs	2019	2018
Interest income from bank and other sources	1 564	1 938
Finance income	**1 564**	**1 938**
Interest cost bank	3 317	5 703
Interest cost bond	68 312	64 266
Accrued refinancing fee	4 380	4 380
Interest cost leasing	3 804	456
Interests from vendors and other interest costs	1 430	1 141
Net foreign exchange losses, realised	-627	2 686
Net foreign exchange losses, unrealised	971	1 163
Finance costs	**81 586**	**79 795**
Net finance costs recognised in income statement	**-80 022**	**-77 856**

Note 10 Tax

(Amounts in NOK 1,000)

	2019	2018
Tax payable has been calculated as follows		
Ordinary result before tax	62 026	-30 204
Loss in foreign subsidiaries, not included in basis for tax payable	6 654	17 223
Permanent differences	2 532	1 517
Change in differences included in the basis for deferred tax assets/liabilitites	-3 602	0
Change in carried losses to be carried forward - correction to prevoius year	6 740	-10 123
Basis for tax payable	**74 349**	**-21 586**
Tax payable on the result for the year	**16 357**	**-4 965**
Tax cost is calculated as follows:		
Tax payable on the result of the year	16 357	-4 965
Corrections to previous years	1 001	4 029
Gross changes deferred tax	-690	2 004
Change deferred tax due to change of tax rate	0	162
Total tax cost for the year	**16 667**	**1 230**

	31.12.2019	31.12.2018
Tax payable on the balance sheet has been calculated as follows		
Tax payable on the result of the year	16 357	0
Total tax payable	**16 357**	**0**
Specification of the basis for deferred tax/deferred tax concessions changes over profit and loss		
Additions through business combinations	36 350	50 405
Fixed assets	30 482	34 240
Current assets	-884	3 682
Liabilities	-24 051	-46 937
Derivatives	0	9 485
Precluded interest deduction to be carried forward	-22 089	-22 089
Net temporary differences	**19 807**	**28 785**
Tax losses carried forward	0	-12 580
Basis for deferred tax	**19 807**	**16 205**
Deferred tax changes over profit and loss	**4 358**	**3 565**
Deferred tax changes not over profit and loss	0	0
Deferred tax before OCI	**4 358**	**3 565**
Specification of the basis for deferred tax/deferred tax concessions changes over OCI	**2019**	**2018**
Temporary differences		
Derivatives	2 891	-3 949
Basis for deferred tax/deferred tax concessions changes over OCI	2 891	-3 949
Deferred tax changes over OCI	**636**	**-869**
Deferred tax obligations	**4 994**	**2 696**

Explanation as to why the tax for the year does not amount to 22 % of the result before tax

22 % of the result before tax	13 646	-6 947
Permanent differences (22 %)	557	349
Corrections to previous years	1 001	4 029
Loss in foreign subsidiaries, not included in basis for tax payable	1 464	3 961
Change deferred tax due to change of tax rate	0	-162
Calculated tax	**16 667**	**1 230**

Note 11 Property, plant and equipment

(Amounts in NOK 1,000)

31.12.2019	Vehicles	Production equipment	Telecoms & IT	Buildings, barracks and halls	Right of use assets	Total 31.12.2019
Acquisition cost 01.01	26 489	433 995	16 118	50 912	0	**527 514**
Acquisitions of non-current assets	4 666	43 502	155	5 348	77 703	**131 374**
Disposals	-421	-328		-384		**-1 134**
Exchange rate effects		183				**183**
Acquisition cost 31.12	**30 734**	**477 352**	**16 272**	**55 876**	**77 703**	**657 937**
Accumulated depreciation 01.01	19 934	279 421	15 761	40 586	-	**355 702**
Depreciation for the year	2 945	28 441	180	3 526	16 464	**51 556**
Write-downs for the year		4 107		403		**4 509**
Disposals – accumulated depreciation						**-**
Accumulated depreciation 31.12	**22 879**	**311 968**	**15 941**	**44 514**	**16 464**	**411 767**
Capitalized value 31.12	**7 854**	**165 384**	**331**	**11 362**	**61 239**	**246 169**
Economic useful life	5–7 years	5–10–15 years	3 years	10 years	2–10 years	
Depreciation schedule	Straight-line	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 31.12.2019 is 12 835 and relates mainly to scaffolding in the subsidiary Beerenberg Industri AS. For reference the book value of leased material as of 31.12.18 was 14 673.

Following implementation of IFRS 16 from January 1st 2019 long term rental agreements of property is now treated as financial leasing. The book value of such right of use assets is as of 31.12.19 61 239 and represents the value of rental agreements for office buildings, factories or similar premises. The value of right of use is calculated by the sum off all future rent obligations discounted to the implementation date by applying a discount rate of 5%. The right of use assets are depreciated by straight line over the period for the rent.

The group also rents generators and other equipment on short term basis, as well as residental properties. These have not been capitalized as the associated leasing agreements are not considered financial leasing according to IFRS.

31.12.2018	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**
Acquisition cost 31.12	**26 489**	**433 995**	**16 118**	**50 912**	**527 514**
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**
Accumulated depreciation 31.12	**19 934**	**279 421**	**15 761**	**40 586**	**355 702**
Capitalized value 31.12	**6 555**	**154 574**	**357**	**10 326**	**171 812**
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 1,000)

31.12.2019	Cutting technology	Benarx	Benarx certification	Patents and development projects	Software	3GS New Operating Model	Customer relation-ships	Goodwill	Total 31.12.2019
Acquisition cost 01.01	7 216	57 834	2 153	25 570	29 846	6 705	267 324	887 872	**1 284 520**
Acquisitions in-house R&D				-805					**-805**
Acquisitions of non-current assets					445				**445**
Exchange rate effects					13				**13**
Acquisition cost 31.12	**7 216**	**57 834**	**2 153**	**24 764**	**30 304**	**6 705**	**267 324**	**887 872**	**1 284 172**
Accumulated amortisation 01.01	5 121	57 316	1 916	8 301	29 542	6 705	173 133		**282 035**
Accumulated write-downs 01.01	-	-	-	3 520	-	-	45 187	105 110	**153 817**
Amortisation for the year	1 056	518	237	3 116	187		12 921		**18 034**
Accumulated amortisation 31.12	**6 177**	**57 834**	**2 153**	**11 417**	**29 728**	**6 705**	**186 054**	**-**	**300 068**
Accumulated write-downs 31.12	**-**	**-**	**-**	**3 520**	**-**	**-**	**45 187**	**105 110**	**153 817**
Capitalized value 31.12	**1 039**	**-0**	**-0**	**9 827**	**576**	**0**	**36 082**	**782 762**	**830 287**
Economic useful life	10 years	10 years	5 years	5 years	5 years	5 years	10 years		
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

At the start of 2019 the Beerenberg AS Group had recorded Goodwill to the amount of 782 762. 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 aquired 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 Beerenberg Industri AS was acquired by Beerenberg Services AS generating a Goodwill of 7 489. The Goodwill generated from the purchase of Beerenberg Industri was in 2018 adjusted downwards by the amount of 3 477 following an update of the Purchase Price Allocation analyzis. There were no changes to Goodwill in 2019, 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 2019 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 regaining of oil-price to levels around average for the last two to three years, with a corresponding activity level on the Norwegian Continental Shelf. Especially, this is important related to maintenance and modification in the Services CGU.
- 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.
- External sources are utilized when considering the total market expectations for the next 5 years.
- While difficult to predict, Beerenberg is operating under the assumption that markets will stabilize towards the end of 2020, with oil priced at levels above those seen at the end of the first quarter.

Furthermore, a required rate of return is of 8.9% is applied. The required rate of return is built up using the WACC method (weighted average cost of capital).

The result of the impairmenttest was higher value of present value of expected cash flows than net caital employed 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	+ 11.3%	+ 5.6%
Revenue *	-46%	-39%
Operating Result	-53%	-52%

* margins as before change of assumption

The model for testing of impairment applies assumptions based on the market situation at the end of 2019. Following events after the reporting date, described in note 29, it is obvious that it will be difficult for the company to reach its forecasts for 2020. In the event of prevailing low oil price and Covid-19 implications beyond 2020, this could impact the model for impairmenttesting. As the sensitivity analysis shows, there are room for a quite substantial permanent decrease in activity and results before a potential impairment situation arises. The group therefore 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 and described sensitivities, the group can justify that 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.

31.12.2018	Cutting technology	Benarx	Benarx certification	Patents and development projects	Software	3GS New Operating Model	Customer relation-ships	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 *									**-**
Acquisition cost 31.12	**7 216**	**57 834**	**2 153**	**25 570**	**29 846**	**6 705**	**267 324**	**887 872**	**1 284 520**
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**
Accumulated amortisation 31.12	**5 121**	**57 316**	**1 916**	**8 301**	**29 542**	**6 705**	**173 133**	**-**	**282 035**
Accumulated write-downs 31.12	**-**	**-**	**-**	**3 520**	**-**	**-**	**45 187**	**105 110**	**153 817**
Capitalized value 31.12	**2 095**	**518**	**237**	**13 749**	**305**	**0**	**49 003**	**782 762**	**848 668**
Economic useful life	10 years	10 years	5 years	5 years	5 years	5 years	10 years		
Depreciation schedule	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line		

Note 13 Financial instruments

(Amounts in NOK 1,000)

Exposure to credit risk

As at 31.12.19

Maximum exposure to credit risks on the reporting date was:

	Capitalized value	
	2019	**2018**
Trade receivables	251 592	186 361
Other receivables	16 763	13 710
Earned, not invoiced	187 041	163 667
Cash and cash equivalents	256 800	199 255
Total	**712 194**	**562 993**

Impairment losses

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

		2019		**2018**
	Gross Trade receivables	**Allowance for bad debt**	**Gross Trade receivables**	**Allowance for bad debt**
Not overdue	214 018	2 099	169 506	1 600
0–30 days overdue	21 365	618	15 503	900
31–90 days overdue	12 250	928	2 692	100
More than 90 days overdue	9 627	2 024	4 185	2 925
Total	257 260	5 669	191 886	5 525

Change in provision account for impairment of trade receivables:

	2019	**2018**
Opening balance	5 525	5 600
Change in provision for bad debt	144	-75
Closing balance	5 669	5 525

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 31.12.19	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 *	5 154	5 154	1 688	1 424	1 584	459	
Lease obligations rental of premises **	63 855	73 294	8 703	8 057	4 663	48 086	
Interest-bearing long term debt ***	844 935	931 572	35 445	35 445	860 682		
Accrued interests	7 260	7 260	7 260				
Trade payables	161 811	161 811	161 811				
Other current liabilities	190 800	190 800	190 800				
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 %

** Lease obligations of rental of premises of 63 855 according to IFRS 16. These obligations are discounted by applying a rate of 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 (5 065). 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 31.12.18	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	8 190	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). 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	31.12.19					31.12.18				
	Euro	USD	PLN	SGD	KRW	Euro	USD	PLN	SGD	KRW
Cash and cash equivalents	35	4 006	358	85	1 201 584	139	1 303	4 945	11	1 280 479
Trade receivables	377	3 596	331	778	168 188	999	847	104	-	573 884
Trade payables	-843	-267	-1 880	153	-410 329	-660	-13	-2 413	-	13 575
Net exposure	**-431**	**7 334**	**-1 192**	**1 016**	**959 444**	**477**	**2 137**	**2 636**	**11**	**1 867 938**

Significant exchange rates during the year:	Average exchange rate		Spot exchange rate	
	2019	2018	31.12.2019	31.12.2018
Euro	9.854	9.596	9.858	9.948
USD	8.805	8.134	8.791	8.689
PLN	2.293	2.253	2.315	2.313
SGD	6.453	6.026	6.533	6.381
KRW	0.008	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 2018.

		Effect for 2019		Effect for 2018	
Currency	**Change**	**Equity**	**Profit/loss**	**Equity**	**Profit/loss**
EURO	30%	-993	-993	1 096	1 096
USD	30%	15 112	15 112	4 288	4 288
PLN	30%	-639	-639	1 408	1 408
SGD	30%	1 534	1 534	16	16
KRW	30%	1 706	1 706	3 359	3 359
		16 720	**16 720**	**10 168**	**10 168**

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 KEB Hana 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:

	31.12.2019		31.12.2018	
	Capitalized value	**Fair value**	**Capitalized value**	**Fair value**
Assets carried at amortised cost				
Trade receivables	251 592	251 592	186 361	186 361
Cash and cash equivalents	256 800	256 800	199 255	199 255
Total	**508 391**	**508 391**	**385 616**	**385 616**
Liabilities carried at amortised cost				
Loan	844 935	850 000	840 555	850 000
Leasing and accrued interests	76 270	76 270	14 941	14 941
Trade payables	161 811	161 811	138 147	138 147
Total	**1 083 016**	**1 088 081**	**993 642**	**1 003 087**

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.

Net debt	**2019**	**2018**
Cash and cash equivalents	256 800	199 255
Borrowings – repayable within one year (including overdraft)	-27 132	-10 081
Borrowings – repayable after one year	-896 257	-854 899
Net debt	**-666 590**	**-665 725**
Cash	256 800	199 255
Gross debt – fixed interest rates	-921 205	-855 496
Gross debt – variable interest rates	-2 184	-9 485
Net debt	**-666 590**	**-665 725**

	OTHER ASSETS		LIABILITIES FROM FINANCING ACTIVITIES			
	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**	**Total**
Net debt as at 31.12.2018	199 255	-3 330	-4 859	-6 751	-850 040	-665 725
Cash flows	57 545	16 883				74 427
Foreign exchange adjustments						0
Acquistions financial leases		-33 424	-44 278			-77 703
Other non-cash movements				-510	2 921	2 411
Net debt as at 31.12.2019	**256 800**	**-19 872**	**-49 138**	**-7 260**	**-847 119**	**-666 590**

Note 14 Goods

(Amounts in NOK 1,000)

	2019	2018
Raw materials	58 485	46 875
Work in progress	1 783	361
Finished goods	3 474	29
Provision for obselete goods	(2 582)	(2 454)
Total Goods	**61 161**	**44 811**

As of 31.12.2019 a provision for obselete goods of 2 582 is booked.

As of 31.12.2018, the corresponding provision was 2 454.

Note 15 Trade receivables and other receivables

(Amounts in NOK 1,000)

TRADE RECEIVABLES	2019	2018
Trade receivables at face value	257 260	191 886
Provision for losses on claims	(5 669)	(5 525)
Total trade receivables	**251 592**	**186 361**
Earned, not invoiced contract revenues	187 041	163 667
Total accounts receivables and earned not invoiced contract revenues	**438 632**	**350 028**

Earned, not invoiced contract revenues mainly pertains to work performed in December 2019, invoiced in January 2020.

Note 16 Bank deposits and cash equivalents

(Amounts in NOK 1,000)

Bank deposits and cash equivalents	2019	2018
Bank deposits	256 800	199 255
Total deposits	**256 800**	**199 255**

OVERDRAFT LIMIT

The group has an overdraft limit of 150 000. Deductions as at 31.12.2019 amounted to 0.

Note 17 Share capital and shareholder information

(Amounts in NOK 1,000)

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 83.4% of the A-shares and 83.9% of the B-shares. AlpInvest Partners 2012 I B.V./ AlpInvest Partners 2012 II B.V. owns 11.5% of the A-shares and 11.8% 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 31.12.19:

Shareholder	Ownership	Controlled by
Segulah IV L.P.	83.9%	
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	0.5%	Board member
Other	2.1%	
Total	**100.0%**	

Earnings per share is 0.00017 for 2019 compared to - 0.00012 for 2018.

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 1,000)

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 personnel 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	2019	2018
Obligations related to extended pension scheme	10 065	7 188
Total pension obligations	**10 065**	**7 188**

Pension cost in consolidated income statement has the following composition	2019	2018
Pension cost extended pension scheme	3 053	2 076
Pension cost mandatory occupational pension	10 701	11 127
Pension cost AFP scheme	12 064	7 854
Total pension cost in consolidated pension cost	**25 817**	**21 058**

Note 19 Remuneration of key employees

(Amounts in NOK 1,000)

Directors' fees	2019
Chairman Ketil Lenning	338
Ingelise Arntsen	150
Hilde Drønen	150
Morten Walde	-
Svein Eggen	150
Sebastian Ehrnrooth	150
Total for board members elected by shareholders	**938**
Finn Kydland	61
Andre Simonsen	61
Tore Kjell Jørgensen (deputy member)	-
Christian Jørgensen (deputy member)	8
Rune Kårbø (observer)	11
Ståle Andreas Hovdekleiv (observer)	5
Total for board members elected by employees *	**146**

* This applies to directors' fees for board positions in subsubsidiary Beerenberg Services AS.

GROUP EXECUTIVE MANAGEMENT

2019	Position	Salary	Other Compensations
Arild Apelthun	CEO	2 703	52
George Oehme	CFO *	1 382	25

* CFO until October 2019.

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 2020, the company will apply the same policy as in 2019. 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 1,000)

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 31.12.19, the guarantees totalled 57 936, compared to 46 688 as at 31.12.18.

A tax withholding guarantee of 46 500 has also been provided to the Bergen tax office as at 31.12.19, compared to 42 200 as at 31.12.18.

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 18 990 as at 31.12.2019. Corresponding liability for 31.12.2018 was 16 500.

Incurred warranty costs in 2019 was 0, compared to 105 in 2018

Note 21 Other short-term liabilities

(Amounts in NOK 1,000)

Other Short term liabilities	**2019**	**2018**
Accrued holiday pay	78 396	62 256
Project provisions and provisions for accrued salaries	112 404	75 890
Total other short term liabilities	**190 800**	**138 147**

Note 22 Contingent outcomes

(Amounts in NOK 1,000)

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 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 31.12.19 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 23 Related parties

(Amounts in NOK 1,000)

In order to simplify the group structure, the two subsidiaries Beerenberg Services AS, and Benarx Solutions AS were merged in 2019, with Beerenberg Services AS as the acquiring company.

Other than this, no related parties transactions were conducted in 2019

Note 24 Group entities

(Amounts in NOK 1,000)

As at 31.12.19 the group consist of the following 8 companies; Beerenberg AS, Beerenberg Holding AS, Beerenberg Services AS, Beerenberg Industri AS, Benarx Solutions Poland Sp. Z o.o, Beerenberg Singapore LTD, Beerenberg UK Ltd and Beerenberg Korea Ltd.

Company	Parent Company	Ownership interest
Beerenberg Holding AS	Beerenberg AS	100%
Beerenberg Services AS	Beerenberg Holding AS	100%
Beerenberg Industri AS	Beerenberg Services AS	100%
Benarx Solutions Poland Sp. z o.o	Beerenberg Services AS	100%
Beerenberg Singapore LTD	Beerenberg Services AS	100%
Beerenberg UK Ltd	Beerenberg Services AS	100%
Beerenberg Korea Ltd	Benarx Solutions Poland Sp. z o.o	100%

Beerenberg Industri AS registered office is at Bedriftsvegen 10, Skien.

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

Beerenberg UK Ltd's registered office is in UK.

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

Note 25 Derivatives

The group has used hedge accounting in accordance with IFRS 9. Refer to note 1 accounting principles for a description of the group's strategy for applying different types of derivatives to mitigate different types of risk exposures, and how these affects the financial statement. In 2018 and 2019 only one derivative instrument was present, an interest swap agreement, to mitigate the effect of change in variable interest rates.

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 2019 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.

2019

Risk Category	Nature of risk	Counter-party/ Bank	Agreement	Date of agreement	Maturity	Principal amount	Fixed interest	Variable interest	Classi-fication	Market value as of 31.12.19	Fair Value 31.12.19
Cash flow hedge	Changes in variable interest rate	Danske Bank	47234512FO-BF7GV	15.03.2017	15.03.2017–24.02.2021	600.000	2.14 %	3 mnth Nibor	Long term	-2 184	-2 184

2018

Risk Category	Nature of risk	Counter-party/ Bank	Agreement	Date of agreement	Maturity	Principal amount	Fixed interest	Variable interest	Classi-fication	Market value as of 31.12.18	Fair Value 31.12.18
Cash flow hedge	Changes in variable interest rate	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

Note 26 Interest-bearing debts

(Amounts in NOK 1,000)

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 31.12.2019

Loans	Book value	Spread over NIBOR	Due	Terms of interest
Multicurrency overdraft facility, limit 150 000 *	-	2%	24.02.2021	NIBOR+Margin*
Financial leases	5 154	1-3.5%	2020-2021	NIBOR+Margin
Leasing liabilities according to IFRS 16	63 855	3%	2020-2028	NIBOR+Margin

* For the overdraft facility it is a commitment fee for unused facility of 0.7%.

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) *	844 935	6.50%	850 000	24.02.2021	3 mnth NIBOR+Margin

* Fair value is calculated from trading price for bonds as at 21.11.2019, the last day of transactions of these bonds in 2019, however limited to face value of the Bond (trading price was 1.0175).

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

COVENANTS

The group has adhered to current covenants in 2019.

Current covenants relates to:
Leverage (Net Debt / EBITDA)
This ratio can at most be 9.

Note 27 Secured Liabilities

(Amounts in NOK 1,000)

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 31.12.19, the guarantees totalled 104 436.

Security has been provided for the following debts	31.12.2019	31.12.2018
Guarantees, incl. tax withholding guarantee	**104 436**	88 888
Current liabilities to credit institutions	**7 260**	6 751
Long-term liabilities to credit institutions	**913 945**	848 745
Total for the group	**1 025 642**	944 384
Capitalized value of assets provided as security for secured debts:		
Fixed assets	**246 169**	171 812
Inventories	**61 161**	44 811
Trade receivables	**251 592**	186 361
Total	**558 921**	402 983

Note 28 IFRS 16 Leasing agreements

(Amounts in NOK 1,000)

IFRS 16 results 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 is not significantly changed.

The group has adopted IFRS 16 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.

Refer to note 3 for further description of the standard.
The table below sets out the accounting effects for the group

Effect on the Statement of Financial Position	01.01.2019	31.12.2019
Right of use assets (presented in the statement of financial position under property, plants and equipment, refer to note 11)	70 320	**61 239**
Leasing obligations (presented in the statement of financial position under interest bearing long term liabilities, refer to note 13)	70 320	**63 855**

Effect on the Consolidated Income Statement	31.12.2019
Increased interest cost	**3 479**
Increased depreciation	**16 464**
Reduction of operating costs (Rent according to IAS 17)	**-15 729**
Decrease in result before taxes in the period	**4 214**

Note 29 Events after the reporting date

From the middle of March, the covid-19 pandemic has had an immediate disruptive effect on the company, with most projects shifting from high activity to minimum activity as both the Norwegian authorities and customers implemented regulations to reduce the spread of the virus. Beerenberg took immediate action to reduce the number of employees and adapt the organization to the lower activity level.

Beerenberg will not go through this crisis unaffected. In the short term, uncertain conditions will adversely affect the activity. Currently, Beerenberg's ability to deliver products and services is good, but this will be affected by the authorities' future restrictions on the flow of products and services. Beerenberg is working on adapting both production and storage of critical commodities so that deliveries will take place according to plan. Persistent restrictions on travel between countries may present challenges as the activity level increases. As of today, there are restrictions on travel between countries that mean that flexibility is somewhat limited.

Beerenberg may potentially be affected by customers' ability to pay, although this is regarded as a limited risk in the short term but in the event of a persistent uncertain global situation this will become a factor.

The company's financing is partly arranged through a listed bond, with maturity in early 2021. The risk of refinancing the listed bond is expected to increase due to the disruptive events in 2020 in connection with the Covid-19 pandemic and prevailing low price of oil. In order to monitor the company's robustness, the company has visualized scenarios and models that take into account both shorter and longer duration of activity decline.

The company will utilize any government directed packages where the company is qualified in order to soften the implications of the Covid-19 pandemic.

Beerenberg AS

Income Statement

Amounts in NOK 1,000	Note	2019	2018
Operating expenses			
Other operating expenses	7	**706**	6 656
Total operating expenses		**706**	6 656
Operating result		**-706**	-6 656
Intragroup interest income		**1 906**	812
Other interest income		**2**	1
Other finance income		**151 562**	61 137
Intragroup interest costs		**4 250**	5 094
Other interest costs		**68 019**	67 046
Other finance costs		**4 380**	4 410
Net financial items	8, 9	**76 820**	-14 600
Ordinary result before tax		**76 114**	-21 255
Tax	6	**16 745**	-7 476
Annual profit		**59 369**	-13 779
The annual profit/loss is attributable to:			
Other equity	4	**59 369**	-13 779
Annual profit		**59 369**	-13 779
Basic earnings per share and diluted earnings per share for 267.000.000 shares	3	**0.000222**	-0.00005
Allocated only to 1,000,000 A-shares		0.059	-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	2019	2018
Annual profit		**59 369**	-13 779
Other revenue and expenses			
Change in value of derivatives	6, 9	**1 386**	3 832
Total Statement of Comprehensive income		**60 755**	-9 947
The statement of Comprehensive income is attributable to:			
Shareholders		**60 755**	-9 947
Total Statement of Comprehensive income		**60 755**	-9 947

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	31.12.2019	31.12.2018
Assets			
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax asset	6	**3 109**	6 418
Total intangible assets		**3 109**	6 418
Financial non-current assets			
Investments in subsidiaries	1	**1 257 646**	1 257 646
Total financial non-current assets		**1 257 646**	1 257 646
Total non-current assets		**1 260 756**	1 264 064
CURRENT ASSETS			
Receivables			
Other current receivables	1	**151 562**	61 137
Total receivables		**151 562**	61 137
Total current assets		**151 562**	61 137
Cash at bank, cash in hand and similar	2	**110 748**	118 283
Total assets		**1 523 066**	1 443 484

Amounts in NOK 1,000	Note	31.12.2019	31.12.2018
Equity and liabilities			
EQUITY			
Paid-in capital			
Share capital		**26 700**	26 700
Share premium		**240 310**	240 310
Total paid-in capital		**267 010**	267 010
Retained earnings			
Other equity		**385 713**	322 859
Total retained earnings		**385 713**	322 859
Total equity	3, 4	**652 723**	589 869
LIABILITIES			
Other non-current liabilities			
Bond	5	**844 935**	840 555
Derivatives	9	**2 184**	9 485
Total other non-current liabilities		**847 119**	850 040
Current liabilities			
Tax payable	6	**16 424**	0
Other current liabilities		**6 800**	3 575
Total current liabilities		**23 224**	3 575
Total liabilities		**870 343**	853 615
Total equity and liabilities		**1 523 066**	1 443 484

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

BERGEN 22. APRIL 2020
Board of Directors at Beerenberg AS

Ketil Lenning
Chairman

Sebastian Ehrnrooth

Svein Eggen

Ingelise Arntsen

Hilde Drønen

Morten Walde

Arild Apelthun
CEO

Statement of Cash Flows

Amounts in NOK 1,000	Note	2019	2018
Cash flows from operating activities			
Result for the period before tax		**76 114**	-21 255
Tax paid for the period	6	**0**	-38 994
Change in other accruals		**36**	-411
Net cash flow from operating activities		**76 150**	-60 660
Cash flows from investment activities			
Investments in subsidiaries		**0**	0
Net cash flow from investment activities		**0**	0
Cash flows from financing activities			
Payments related to merger activities		**0**	328
Incoming payment of new long-term debt	1	**0**	0
Repayments of long term loans	5	**0**	0
Payments from purchasing of treasury bonds		**0**	0
Payment of Group contribution	8	**67 877**	255 797
Group contribution booked as finance income	8	**-151 562**	-61 137
Net cash flow from financing activities		**-83 685**	194 988
Net change in cash and cash equivalents		**-7 535**	134 328
Cash and cash equivalents per 01.01		**118 283**	-16 045
Cash and cash equivalents 31.12		**110 748**	118 283

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 22. April 2020.

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 Company holds a limited number of financial derivative instruments to hedge its foreign currency, interest rate and market risk exposures. 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 Company's criteria for classifying a derivative instrument as a hedging instrument follow the requirements of IAS 39 and are as follows:

1. There is sufficient documentation at the time of the inception of the hedge relationship that the instrument is effective
2. The hedging instrument is expected to be highly effective in offsetting the changes in fair value or cash flows of the hedged item
3. For a cash flow hedge, the transaction must be highly likely to occur
4. The effectiveness of the hedging instrument can be reliably measured, and
5. The hedging instrument is continually assessed and has proven to be effective

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 1,000)

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	2019	2018
Beerenberg Services AS	151 562	61 137
Total	**151 562**	**61 137**

Note 2 Restricted funds

The company has no restricted funds as of 31.12.2019.

Note 3 Share capital and shareholder information

(Amounts in NOK 1,000)

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 83,4% of the A-shares and 83,9% of the B-shares. AlpInvest Partners 2012 I B.V./ AlpInvest Partners 2012 II B.V. owns 11,5% of the A-shares and 11,8% 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 31.12.19:

Shareholder	Ownership	Controlled by
Segulah IV L.P.	83.9%	
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	0.5%	Board member
Other	2.1%	
Total	**100.0%**	

Earnings per share were 0.000222 in 2019 compared to -0.00005 in 2018.

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 1,000)

	Share capital	Share premium	Other equity	Total
Equity as of 31.12.2018	**26 700**	**240 310**	**322 859**	**589 869**
Corrections due to change of tax calculations in 2018	0	0	2 099	2 099
Equity as of 01.01.2019	**26 700**	**240 310**	**324 958**	**591 968**
Profit/loss for the year	0	0	59 369	59 369
Other comprehensive income for the year	0	0	1 386	1 386
Equity as of 31.12.2019	**26 700**	**240 310**	**385 713**	**652 723**

Note 5 Non-current liabilities, collateral and guarantees etc.

(Amounts in NOK 1,000)

Liabilities secured by collateral etc.	2019	2018
Bond (Senior Secured Callable Bond Issue 2017/2021)	844 935	840 555
Total	**844 935**	**840 555**

Nominal bond issue is 850 000. The bond issue is recorded at amortised cost of 844 935.

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	844 935	850 000 *	35 445	35 445	860 682	-

* Fair value is calculated from trading price for bonds as at 18.Nov 2019, the last day of transactions of these bonds in 2019, however limited to face value of the Bond (trading price was 1.02).

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

COVENANTS

The company complied with existing covenants in 2019.

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	2019	2018
Cash and cash equivalents	110 748	118 283
Borrowings – repayable within one year (including overdraft)	0	0
Borrowings – repayable after one year	-847 119	-850 040
Net debt	**-736 371**	**-731 757**
Cash	110 748	118 283
Gross debt – fixed interest rates	-844 935	-840 555
Gross debt – variable interest rates	-2 184	-9 485
Net debt	**-736 371**	**-731 757**

	OTHER ASSETS	LIABILITIES FROM FINANCING ACTIVITIES				
	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	Total
Net debt as of 31.12.2018	**118 283**	**0**	**0**	**0**	**-850 040**	**-731 757**
Cash flows	-7 535	0	0	0	0	-7 535
Foreign exchange adjustments	0	0	0	0	0	0
Other non-cash movements	0	0	0	0	2 921	2 921
Net debt as of 31.12.2019	**110 748**	**0**	**0**	**0**	**-847 119**	**-736 371**

Note 6 Tax

(Amounts in NOK 1,000)

Calculation of deferred tax / deferred tax assets	2019	2018
Temporary differences through profit/loss		
Accrued borrowing costs	5 065	9 445
Liabilities	-7 301	9 485
Derivatives	7 301	-9 485
Precluded interest deduction to be carried forward	-22 089	-22 089
Net temporary differences	-17 024	-12 644
Tax lossses carried forward	0	-12 580
Basis for deferred tax / tax assets	**-17 024**	**-25 224**
22 % / 23 % deferred tax through profit/loss.	-3 745	-5 549

Temporary differences through Other Comprehensive Income (OCI)	2019	2018
Derivatives	2 891	-3 949
Net temporary differences	2 891	-3 949
Basis for deferred tax / tax assets	**2 891**	**-3 949**
22 % / 23 % deferred tax assets through OCI.	636	-869
Deferred tax in the statement of financial position	**-3 109**	**-6 418**

Distribution of tax expense	2019	2018
Tax payable in the statement of financial position	16 424	0
Corrections to previous years	0	-2 924
Total tax payable in tax expense	16 424	-2 924
Tax effect of corrections to tax losses carried forward previous years	-1 483	0
Change in deferred tax through profit/loss	1 804	-4 886
Change in deferred tax as a result of change in tax rate	0	334
Tax expense through profit/loss	**16 745**	**-7 476**
Corrections to previous years	-636	0
Change in deferred tax/deferred tax assets through OCI	1 505	2 934
Change in deferred tax through OCI as a result of change in tax rate	0	-39
Tax expense through OCI	**869**	**2 894**
Payable tax in the balance sheet	**16 424**	**0**

Note 7 Payroll costs, number of employees, remuneration, loans to employees etc.

(Amounts in NOK 1,000)

The Company had no employees in 2019 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 2019.

Expensed auditor's remuneration	**2019**	**2018**
Statutory audit (incl. technical assistance with financial statements)	133	130
Tax advice	51	59
Other audit assurance services	0	0
Other non-audit services	38	214
Total	**222**	**403**

The sums stated are exclusive of VAT.

Note 8 Specification of finance income and finance costs

(Amounts in NOK 1,000)

Finance income	**2019**	**2018**
Group contribution from Beerenberg Services AS	151 562	61 137
Group contribution from Benarx Solutions AS	0	0
Group contribution from Beerenberg Industri AS	0	0
Intragroup interest income	1 906	812
Other finance income	2	0
Total finance income	**153 470**	**61 949**

Finance costs	**2019**	**2018**
Intragroup interest costs	4 250	5 094
Interest costs Bond and other interest costs	68 019	67 076
Loss from purchase of own bonds	0	0
Accrued refinancing fee	4 380	4 380
Total finance costs	**76 649**	**76 550**

Note 9 Financial instruments

(Amounts in NOK 1,000)

	2019	2018
Cash flow hedge (interest rate swap)	-2 184	-9 485
Total fair value	**-2 184**	**-9 485**

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.

	2019	2018
Change in fair value through other comprehensive income	-2 255	-6 726
Tax effect	869	2 894
Net change in fair value through other comprehensive income	**-1 386**	**-3 832**

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	151 562	0	0	0	151 562
Cash and cash equivalents	110 748	0	0	0	110 748
Total	**262 310**	**0**	**0**	**0**	**262 310**

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	0	0	2 184	0	2 184
Loans excl. statutory liabilities	844 935	0	0	0	844 935
Total	**844 935**	**0**	**2 184**	**0**	**847 119**

Note 10 Events after the reporting date

From the middle of March, the covid-19 pandemic has had an immediate disruptive effect on the company, with most projects shifting from high activity to minimum activity as both the Norwegian authorities and customers implemented regulations to reduce the spread of the virus. Beerenberg took immediate action to reduce the number of employees and adapt the organization to the lower activity level.

Beerenberg will not go through this crisis unaffected. In the short term, uncertain conditions will adversely affect the activity. Currently, Beerenberg's ability to deliver products and services is good, but this will be affected by the authorities' future restrictions on the flow of products and services. Beerenberg is working on adapting both production and storage of critical commodities so that deliveries will take place according to plan. Persistent restrictions on travel between countries may present challenges as the activity level increases. As of today, there are restrictions on travel between countries that mean that flexibility is somewhat limited.

Beerenberg may potentially be affected by customers' ability to pay, although this is regarded as a limited risk in the short term but in the event of a persistent uncertain global situation this will become a factor.

The company's financing is partly arranged through a listed bond, with maturity in early 2021. The risk of refinancing the listed bond is expected to increase due to the disruptive events in 2020 in connection with the Covid-19 pandemic and prevailing low price of oil. In order to monitor the company's robustness, the company has visualized scenarios and models that take into account both shorter and longer duration of activity decline.

The company will utilize any government directed packages where the company is qualified in order to soften the implications of the Covid-19 pandemic.

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 2019 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 give 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, 22 APRIL 2020
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

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 2019, 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 statement of financial position as at 31 December 2019, 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 2019, 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 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

The Groups business activities are largely unchanged compared to last year. Valuation of goodwill and Earned, not invoiced contains the same risks and challenges as last year and our focus on these areas have continued in 2019. The impact of COVID-19 is a new focus area in 2019.

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

Independent Auditor's Report - Beerenberg AS

pwc

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of goodwill	
At 31 December 2019, the Group had recognized Goodwill with a carrying value of NOK 782.8 million. Goodwill are allocated to groups of cash generating units identified in accordance the Group's operating segments, Services and Benarx. The impairment assessment of goodwill showed that the recoverable amount was higher than carrying amount for both segments, and that consequently no impairment was required. The valuations require that management apply judgement related to, among other, future cash flows and discount rate applied. We focused on this area due to the magnitude of the amounts and due to judgements made by management when determining the assumptions applied to support the valuation of goodwill. We refer to note 12 in the consolidated financial statements for further information.	We reviewed management's identification of cash-generating units and found these to be in accordance with IFRS. We reviewed management's model and impairment assessments for the cash generating units where goodwill were allocated. We found that the model was based on recognized principles and calculated the recoverable amount mathematically correct. We found that the applied discount rate was reasonable by comparing the different elements in the discount rate calculation to our own expectations and the general expectations in the market. We reconciled 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. We performed sensitivity analyses and challenged management's assumptions related to future cash flows. We found that the assumptions were reasonable and in line with the Group's current market visibility and historical hit rates. The terminal growth rate in the model has been compared to the market's expectation of long-term inflation. 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 we assessed that management's budgeting process is effective. We have read note 12 and assessed the information there to be in line with the requirements.
Earned, not invoiced revenue	
Earned, not invoiced revenue constitutes TNOK 187 041. We refer to note 6, 15 and 22 in the consolidated financial statements for more information. The Group's contracts are mainly servicing and maintenance contracts that are recognized over time. Work performed is	We have understood and evaluated the assumptions used in the calculation of earned, not invoiced revenue. The assumptions included in the calculations of earned, not invoiced revenue was assessed through our understanding of the customer contracts and our understanding of the company's internal processes of developing the estimates and internal controls.

(2)

invoiced monthly along with delivered service and maintenance. At year-end there will be work performed during the year, mainly during December that is not yet invoiced and recorded as earned, not invoiced revenue. The estimate requires that management apply judgement related to the amount of work performed. We focused on earned, not invoiced income due to the size of the amount, and the inherent risk related to management overestimating the earned, not invoiced income, which would affect the Groups results in the financial statements.

We challenged the assumptions used in interviews with management. Further, we agreed the assumptions used with underlying contracts and other forms of underlying documentation and controlled the mathematical correctness of management's calculations.

Among other procedures, we assessed management's historical accuracy by comparing prior year's assumptions related to earned, not invoiced income to what was 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, 15 and 22, and assessed the information there to be in line with the requirements.

Basis of preparation – impact of COVID-19

We refer to page 6 in Annual Director's Report and note 29 in the consolidated financial statements for further information where management explain the possible financial impact of COVID-19 on the Group.

The Group prepares its financial statement using IFRS, which is a going concern basis of accounting. We focused on the appropriateness of using a going concern basis of accounting given the recent volatility in global oil prices and potential impact on demand of the Group's services as a result of the COVID-19 pandemic. The ability of the Group to continue as a going concern is dependent on management's ability to maintain liquidity in order to repay its existing creditors including the bond loan which is due in its entirety in February 2021.

Management has developed scenario analysis over their cash flow forecast to analyse the impact of both oil prices and of the effects of the COVID-19 pandemic on the group's operation. An important factor in the analysis is that the loan agreements require the Group to comply with certain financial covenants. A breach of any of the financial covenant in the Group's bond

In assessing the appropriateness of the going concern assumption used in preparing the financial statements, we performed the following audit procedures:

We checked the mathematical accuracy of Management's cash flow projections and reconciled the opening cash balance.

Further, we assessed key assumptions in Management's cash flow projections, including revenue, operating expenses, working capital, capital expenditures and financing activities. We found that management's cash flow projections were reasonable and in line with market expectations in external resources, where this existed, at the time of management's assessment. However, both we, the Management and The Board of Directors are of the opinion that it currently does not exist sufficient and reliable information to provide clear and measurable assumptions for calculating the financial exposure related to the future oil price and the duration of the COVID-19 situation.

We checked the mathematical accuracy of Management's sensitivity analyses and assessed the assumptions which related to cash generated from operations, duration of the COVID-19 restrictions, scheduled investments, layoffs and refinancing.

The cash flow projections show compliance with the financial covenants in 2020 if the COVID-19 restrictions are lifted substantially during second quarter of loan agreement constitute an event of default, which in principle require the loan to be repaid immediately.

The covenant that is most sensitive to changes in the company's operations relates to total leverage ratio. With the current market conditions and low oil price, there is an increased risk related to operating profit. This could impact the compliance with the total leverage ratio covenants, and even other covenants and hence increase the risk related to refinancing of the Group's bond loan.

Management's assessment of the appropriateness of using a going concern basis of accounting is based on a scenario analysis which is dependent on significant estimates and judgement which may be influenced by management bias.

2020. We note that if the COVID 19 situation is prolonged beyond third quarter of 2020 this could have an impact on the Group's compliance with financial covenants going forward. The situation may also impact the Group's ability to refinance the bond loan.

Based on the Group's current cash position and the procedures performed above, we satisfied ourselves that, even though the impact of COVID-19 on the Group is expected to negatively impact the Group's operating results and cash flows, management's best estimate to apply the going concern as the basis of accounting was appropriate.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report 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, 22 April 2020

PricewaterhouseCoopers AS

Sturle 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.

SERIOUS INCIDENT FREQUENCY (SIF)
The number of actual and potential unintentional serious incidents per 1 million. man-hours worked

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)
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.

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