

Quarterly report Q2 2017

to shareholders in Glamox AS

Highlights

- Order intake shows a decrease of 4.3% during the quarter and a growth of 2.2% for the first half year compared to same periods last year.
- The order-stock has by end of the quarter increased by 8.3% compared to same period last year.
- Revenues for the quarter increased by 1.0% and by 5,3% for the first half year compared to same periods last year.
- Revenues in PBS show growth of 7.3%, while GMO has a decline of 12.5% in the quarter.
- Operating profit for the quarter ended at NOK 74.5 mill (11.3%), compared to NOK 72.7 mill (11.1%) last year.
- Costs of NOK 5.8 million related to a possible public listing is recorded during the quarter.
- The Board proposes an additional dividend of NOK 280 mill.
- Major shareholder, Arendals Fossekompagni ASA (75.16%), is evaluating various strategic alternatives related to its investment in Glamox, including a public listing.

Key figures for Glamox Group¹⁾

					01.01.-31.12.
Results (MNOK)	2017	2016	2017	2016	2016
Order intake	689.4	720.6	1,380.6	1,350.8	2,623.3
Revenues	661.6	655.2	1,321.7	1,255.7	2,508.6
Operating profit	74.5	72.7	148.1	133.5	263.1
Operating profit margin	11.3%	11.1%	11.2%	10.6%	10.5%
Pre-tax profit	72.0	67.3	145.2	125.5	251.5
Net profit	54.7	49.7	110.2	92.5	191.1
Cash flow from operating activities ²⁾	35.0	71.8	92.1	60.1	308.1
Earnings per share (NOK)	0.83	0.75	1.67	1.40	2.90
Balance sheet (MNOK)			30.06.2017	30.06.2016	31.12.2016
ASSETS					
Fixed assets			358	362	366
Current assets			1,073	964	1,080
TOTAL ASSETS			1,431	1,326	1,446
EQUITY AND LIABILITIES					
Equity			430	610	600
Non-current liabilities			247	308	248
Current liabilities			754	408	598
TOTAL EQUITY AND			1,431	1,326	1,446

1) The Group figures are in accordance with NGAAP. Quarterly and half-yearly figures are unaudited.

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

Order intake and revenues

The Group's order intake for the quarter totalled NOK 689.4 mill (NOK 720.6 mill), a decline of 4.3%. As of 30.06, the Group's order intake was NOK 1,380.6 mill (NOK 1,350.8 mill), an increase of 2.2%. For comparable activities and on a currency-neutral basis, the increase was 4.2%.

The quarterly revenues totalled NOK 661.6 mill (NOK 655.2 mill), an increase of 1.1%. As of 30.06, the Group had revenues of NOK 1,321.7 million (NOK 1,255.7 mill), an increase of 5.3%. For comparable activities and on a currency-neutral basis, the increase was 6.9%.

Order intake and revenue development in the quarter was negatively affected by the Easter falling in the second quarter this year, versus the first quarter last year. The development of order intake and revenues as of first half year therefore gives a better indication of the underlying development of the company.

Sales of products with LED technology continued to grow in the quarter.

Professional Building Solutions (PBS)

The PBS division provides complete lighting solutions to the professional building market. The most important markets served by this division are Central and Northern Europe. The activity level within construction, restoration and professional building modernisation sectors drives developments in the individual markets.

PBS is currently experiencing stable demand for lighting solutions. The overall market growth is a result of solid growth within certain markets as well as a general increased demand for LED solutions. However, the pricing pressure on LED products continues.

PBS experienced growth in both order intake and revenue during the second quarter and first half of the year. The growth was especially solid in the Nordics and the UK. PBS continues to strengthen its salesforce for further growth. New products and system solutions are being launched on a continuous basis to maintain competitiveness.

Order intake for PBS during the second quarter totalled NOK 497.9 mill, compared to NOK 485.2 mill during the same period last year. This represents an increase of 2.6%. Per 30.06, the order intake was 983.0 mill (915.1 mill), representing an increase of 7.4%.

Revenues during the second quarter totalled NOK 468.2 mill, compared to NOK 436.1 mill during the same period last year, representing an increase of 7.3%. Per 30.06, revenues were 931.4 mill (837.9 mill), representing an increase of 11.2%.

Global Marine & Offshore (GMO)

The GMO division delivers professional lighting solutions to the global marine and offshore markets. The activity level within new-build, rebuilding and refurbishment of all types of maritime vessels and offshore installations controls market growth for this division.

The global market for the *Cruise & Ferry* and *Navy* segments is developing positively, while level of demand remains at historically low levels within the division's two largest segments, *Offshore Energy* and *Commercial Marine*. An increased LED share compensates in part for the decline in the main segments, and the division has succeeded winning projects for specialty vessels with a high share of LED.

The GMO order intake for the second quarter totalled NOK 189.2 mill (NOK 231.5 mill), a decline of 18.3% from last year. As of 30.06, the order intake was NOK 392.9 mill (NOK 430.0 mill), representing a decline of 8.6%.

Revenues for the quarter totalled NOK 192.0 mill (NOK 219.3 mill), a decrease of 12.5%. As of 30.06, revenues were NOK 387.7 mill (NOK 418.1 mill), a decline of 7.3%. The decline is still mainly due to a decrease in revenue in the *Offshore Energy* segment.

Group results

Operating profit for the quarter was NOK 74.5 mill (NOK 72.7 mill), resulting in an operating profit margin of 11.3% (11.1%). The quarter and half year contains costs related to preparation for a possible listing, totalling NOK 5.8 mill.

As of 30.06, operating profit ended at NOK 148.1 mill (NOK 133.5 mill), resulting in an operating profit margin of 11.2% (10.6%).

Pre-tax profit for the quarter was NOK 72.0 mill, compared to NOK 67.3 mill last year.

As of 30.06, the pre-tax profit was NOK 145.2 mill (NOK 125.5 mill).

Net profit for the quarter was NOK 54.7 mill, compared to NOK 49.7 mill last year.

As of 30.06, net profit was NOK 110.2 mill, compared to NOK 92.5 mill last year.

The increased profit for the quarter was primarily due to higher revenues and somewhat better margins than last year. Cost development is in line with planned activities.

Cash flow and liquidity

Net cash flow from operating activities after investments during the quarter was NOK 35.0 mill (NOK 71.8 mill). As of 30.06, the net cash flow from operating activities after investments was NOK 92.1 mill (NOK 60.1 mill).

Weaker cash flow during the quarter compared to last year is primarily due to an increase in working capital during the period, currency fluctuations and somewhat higher investments.

Quarterly investments amounted to NOK 18.2 mill, compared to NOK 16.5 mill.

The liquidity reserve at the end of the quarter was NOK 810 mill, compared to NOK 358 mill last year.

The Group has expanded its credit facilities in the first and second quarters. This, in addition to a positive cash flow, explains the increased liquidity reserve.

During the quarter, the Group paid an ordinary dividend of NOK 95 mill, compared to NOK 99 mill last year.

Main shareholder evaluating strategic alternatives

The main shareholder, Arendals Fossekompagni ASA (AFK), with a shareholding of 75.16%, announced in its first quarter report this year that it is considering strategic alternatives for its Glamox ownership. The following statement was given:

“Glamox is AFK’s largest investment and has been a major contributor to the development of AFK’s portfolio over the last years. Glamox continues to deliver solid results, with strong growth and positive margin development, and has significant potential for further growth over the coming years, both organically and through acquisitions. In order to facilitate Glamox’s ability to continue taking an active part in the development and consolidation that is expected in the company’s markets, and at the same time contribute towards a better balance in AFK’s portfolio, AFK has engaged Skandinaviska Enskilda Banken and ABG Sundal Collier to assess strategic alternatives, including a public listing of Glamox in 2017.”

In this regard, the Board of Glamox AS has initiated necessary preparations for a possible listing of the company during 2017.

In their second quarter report AFK writes the following:

“As communicated already in our first quarter report, AFK has engaged ABG Sundal Collier and Skandinaviska Enskilda Banken, to assist with the assessment of strategic alternatives for AFK’s ownership in Glamox, including a stocklisting of the company during 2017. This work is still ongoing and AFK will inform the market, if and when, it becomes relevant.

Capital structure

In connection with a possible public listing, the Board of Glamox has considered it appropriate to optimise the capital structure. The Board proposes an additional dividend of NOK 280 mill, to be approved by the Extraordinary General Meeting on 14 September 2017. Following distribution of the proposed additional dividend, the company will maintain a satisfactory solvency and liquidity position, and the company's strategy and initiatives remain unchanged.

As of 30.06.2017, the Group's equity was NOK 430 mill (30.1%), with the additional dividend included. At the beginning of the year, the equity was NOK 600 mill (41.5%).

As of 30.06.2017, the Group's net interest-bearing deposits were NOK 132 mill. At the same point last year, the Group's net bearing debt amounted to NOK 16 mill.

Outlook

Demand for lighting solutions within PBS' main markets is expected to improve somewhat compared with 2016. We expect a slight downturn in our main markets for GMO in 2017.

Oslo, 17 August 2017

Jarle Roth
Chairman of the Board (signature)

Rune E. Marthinussen
CEO (signature)