



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

### Enheten

|                      |                               |
|----------------------|-------------------------------|
| Organisasjonsnummer: | 999 647 308                   |
| Organisasjonsform:   | Aksjeselskap                  |
| Foretaksnavn:        | HANSEN PROTECTION HOLDINGS AS |
| Forretningsadresse:  | Tykkemyr 27<br>1597 MOSS      |

### Regnskapsår

|                         |                         |
|-------------------------|-------------------------|
| Årsregnskapets periode: | 01.01.2019 - 31.12.2019 |
|-------------------------|-------------------------|

### Konsern

|                           |    |
|---------------------------|----|
| Morselskap i konsern:     | Ja |
| Konsernregnskap lagt ved: | Ja |

### Regnskapsregler

|                                                            |                                    |
|------------------------------------------------------------|------------------------------------|
| Regler for små foretak benyttet:                           | Nei                                |
| Benyttet ved utarbeidelsen av årsregnskapet til selskapet: | Regnskapslovens alminnelige regler |
| Benyttet ved utarbeidelsen av årsregnskapet til konsernet: | IFRS                               |

### Årsregnskapet fastsatt av kompetent organ

|                                          |                |
|------------------------------------------|----------------|
| Bekreftet av representant for selskapet: | Tonje Braathen |
| Dato for fastsettelse av årsregnskapet:  | 24.06.2020     |

### Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert  
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 22.09.2021



### Resultatregnskap

| Beløp i: NOK                                 | Note | 2019               | 2018               |
|----------------------------------------------|------|--------------------|--------------------|
| <b>RESULTATREGNSKAP</b>                      |      |                    |                    |
| <b>Kostnader</b>                             |      |                    |                    |
| Remunerations                                | 8    | 748 000            | 615 000            |
| Other operating expenses                     | 6,7  | 4 279 000          | 30 333 000         |
| <b>Sum kostnader</b>                         |      | <b>5 027 000</b>   | <b>30 948 000</b>  |
| <b>Driftsresultat</b>                        |      | <b>-5 027 000</b>  | <b>-30 948 000</b> |
| <b>Finansinntekter og finanskostnader</b>    |      |                    |                    |
| Finance income                               | 11   | 2 362 000          | 8 000              |
| <b>Sum finansinntekter</b>                   |      | <b>2 362 000</b>   | <b>8 000</b>       |
| Finance expenses                             | 11   | 23 258 000         | 23 688 000         |
| <b>Sum finanskostnader</b>                   |      | <b>23 258 000</b>  | <b>23 688 000</b>  |
| <b>Netto finans</b>                          |      | <b>-20 896 000</b> | <b>-23 680 000</b> |
| <b>Ordinært resultat før skattekostnad</b>   |      | <b>-25 923 000</b> | <b>-54 628 000</b> |
| Income tax expense                           | 4    | -1 525 000         | -5 944 000         |
| <b>Ordinært resultat etter skattekostnad</b> |      | <b>-24 398 000</b> | <b>-48 684 000</b> |
| <b>Årsresultat</b>                           |      | <b>-24 398 000</b> | <b>-48 684 000</b> |
| <b>Overføringer og disponeringer</b>         |      |                    |                    |
| Transferred from other equity                |      | -24 398 000        | -48 684 000        |
| <b>Sum overføringer og disponeringer</b>     |      | <b>-24 398 000</b> | <b>-48 684 000</b> |



### Balanse

| Beløp i: NOK                                   | Note | 2019               | 2018               |
|------------------------------------------------|------|--------------------|--------------------|
| <b>BALANSE - EIENDELER</b>                     |      |                    |                    |
| <b>Anleggsmidler</b>                           |      |                    |                    |
| <b>Immaterielle eiendeler</b>                  |      |                    |                    |
| <b>Finansielle anleggsmidler</b>               |      |                    |                    |
| Investering i datterselskap                    | 2,3  | 627 945 000        | 630 285 000        |
| <b>Sum finansielle anleggsmidler</b>           |      | <b>627 945 000</b> | <b>630 285 000</b> |
| <b>Sum anleggsmidler</b>                       |      | <b>627 945 000</b> | <b>630 285 000</b> |
| <b>Omløpsmidler</b>                            |      |                    |                    |
| <b>Varer</b>                                   |      |                    |                    |
| <b>Fordringer</b>                              |      |                    |                    |
| Konsernfordringer                              | 1,3  | 3 000 000          | 27 467 000         |
| <b>Sum fordringer</b>                          |      | <b>3 000 000</b>   | <b>27 467 000</b>  |
| <b>Bankinnskudd, kontanter og lignende</b>     |      |                    |                    |
| Cash                                           |      | 16 661 000         | 987 000            |
| <b>Sum bankinnskudd, kontanter og lignende</b> |      | <b>16 661 000</b>  | <b>987 000</b>     |
| <b>Sum omløpsmidler</b>                        |      | <b>19 661 000</b>  | <b>28 454 000</b>  |
| <b>SUM EIENDELER</b>                           |      | <b>647 606 000</b> | <b>658 739 000</b> |
| <b>BALANSE - EGENKAPITAL OG GJELD</b>          |      |                    |                    |
| <b>Egenkapital</b>                             |      |                    |                    |
| <b>Innskutt egenkapital</b>                    |      |                    |                    |
| Share capital                                  |      | 75 050 000         | 75 050 000         |
| Beholdning av egne aksjer                      |      | -251 000           | -251 000           |
| Overkurs                                       |      | 363 232 000        | 363 232 000        |
| Annen innskutt egenkapital                     |      | -110 925 000       | -86 528 000        |
| <b>Sum innskutt egenkapital</b>                |      | <b>327 106 000</b> | <b>351 503 000</b> |



### Balanse

| Beløp i: NOK                             | Note | 2019               | 2018               |
|------------------------------------------|------|--------------------|--------------------|
| <b>Sum egenkapital</b>                   |      | <b>327 106 000</b> | <b>351 503 000</b> |
| <b>Gjeld</b>                             |      |                    |                    |
| <b>Langsiktig gjeld</b>                  |      |                    |                    |
| Utsatt skatt                             |      |                    | 865 000            |
| <b>Sum avsetninger for forpliktelser</b> |      |                    | <b>865 000</b>     |
| <b>Annen langsiktig gjeld</b>            |      |                    |                    |
| Gjeld til kredittinstitusjoner           | 10   | 298 091 000        | 277 673 000        |
| <b>Sum annen langsiktig gjeld</b>        |      | <b>298 091 000</b> | <b>277 673 000</b> |
| <b>Sum langsiktig gjeld</b>              |      | <b>298 091 000</b> | <b>278 538 000</b> |
| <b>Kortsiktig gjeld</b>                  |      |                    |                    |
| Leverandørgjeld                          |      | 4 594 000          | 202 000            |
| Current tax liability                    |      | 0                  | 797 000            |
| Other current liabilities                | 9    | 17 815 000         | 27 698 000         |
| <b>Sum kortsiktig gjeld</b>              |      | <b>22 409 000</b>  | <b>28 697 000</b>  |
| <b>Sum gjeld</b>                         |      | <b>320 500 000</b> | <b>307 235 000</b> |
| <b>SUM EGENKAPITAL OG GJELD</b>          |      | <b>647 606 000</b> | <b>658 738 000</b> |



### Konsernets resultatregnskap

| Beløp i: NOK                                 | Note  | 2019               | 2018               |
|----------------------------------------------|-------|--------------------|--------------------|
| <b>RESULTATREGNSKAP</b>                      |       |                    |                    |
| <b>Inntekter</b>                             |       |                    |                    |
| Revenue and other income                     | 6,7   | 454 423 000        | 414 635 000        |
| <b>Sum inntekter</b>                         |       | <b>454 423 000</b> | <b>414 635 000</b> |
| <b>Kostnader</b>                             |       |                    |                    |
| Purchase of goods and material               | 16    | 116 386 000        | 104 119 000        |
| Payroll and other personnel expenses         | 8,9   | 93 035 000         | 89 287 000         |
| Depreciation                                 | 11,15 | 39 406 000         | 37 604 000         |
| Amortisation and impairment of intangibles   | 14    | 24 534 000         | 45 292 000         |
| Other operating expenses                     | 10    | 78 423 000         | 103 154 000        |
| Other gains and losses (net)                 | 5,12  | 2 075 000          | -2 778 000         |
| <b>Sum kostnader</b>                         |       | <b>353 859 000</b> | <b>376 678 000</b> |
| <b>Driftsresultat</b>                        |       | <b>100 564 000</b> | <b>37 957 000</b>  |
| <b>Finansinntekter og finanskostnader</b>    |       |                    |                    |
| Finance income                               | 13    | 3 336 000          | 346 000            |
| <b>Sum finansinntekter</b>                   |       | <b>3 336 000</b>   | <b>346 000</b>     |
| Finance expenses                             | 13    | 71 312 000         | 75 814 000         |
| <b>Sum finanskostnader</b>                   |       | <b>71 312 000</b>  | <b>75 814 000</b>  |
| <b>Netto finans</b>                          |       | <b>-67 976 000</b> | <b>-75 468 000</b> |
| <b>Ordinært resultat før skattekostnad</b>   |       | <b>32 588 000</b>  | <b>-37 511 000</b> |
| Income tax expense                           | 19    | 12 870 000         | -2 110 000         |
| <b>Ordinært resultat etter skattekostnad</b> |       | <b>19 718 000</b>  | <b>-35 401 000</b> |
| <b>Årsresultat</b>                           |       | <b>19 718 000</b>  | <b>-35 401 000</b> |



### Konsernets balanse

| Beløp i: NOK                                   | Note   | 2019                 | 2018                 |
|------------------------------------------------|--------|----------------------|----------------------|
| <b>BALANSE - EIENDELER</b>                     |        |                      |                      |
| <b>Anleggsmidler</b>                           |        |                      |                      |
| <b>Immaterielle eiendeler</b>                  |        |                      |                      |
| Intangible assets                              | 14     | 1 075 939 000        | 1 101 898 000        |
| Utsatt skattefordel                            | 19     | 1 544 000            | 0                    |
| <b>Sum immaterielle eiendeler</b>              |        | <b>1 077 483 000</b> | <b>1 101 898 000</b> |
| <b>Varige driftsmidler</b>                     |        |                      |                      |
| Property, plant and equipment                  | 11,15  | 159 009 000          | 156 194 000          |
| <b>Sum varige driftsmidler</b>                 |        | <b>159 009 000</b>   | <b>156 194 000</b>   |
| <b>Finansielle anleggsmidler</b>               |        |                      |                      |
| Receivables                                    |        | 1 372 000            | 1 836 000            |
| <b>Sum finansielle anleggsmidler</b>           |        | <b>1 372 000</b>     | <b>1 836 000</b>     |
| <b>Sum anleggsmidler</b>                       |        | <b>1 237 864 000</b> | <b>1 259 928 000</b> |
| <b>Omløpsmidler</b>                            |        |                      |                      |
| <b>Varer</b>                                   |        |                      |                      |
| Inventories                                    |        |                      |                      |
| <b>Fordringer</b>                              |        |                      |                      |
| Trade receivables and other receivables        | 4,5,17 | 71 392 000           | 64 060 000           |
| <b>Sum fordringer</b>                          |        | <b>71 392 000</b>    | <b>64 060 000</b>    |
| <b>Investeringer</b>                           |        |                      |                      |
| Aksjer og andeler i foretak i samme konsern    | 16     | 128 397 000          | 111 369 000          |
| <b>Sum investeringer</b>                       |        | <b>128 397 000</b>   | <b>111 369 000</b>   |
| <b>Bankinnskudd, kontanter og lignende</b>     |        |                      |                      |
| Cash                                           | 5,18   | 62 186 000           | 62 356 000           |
| <b>Sum bankinnskudd, kontanter og lignende</b> |        | <b>62 186 000</b>    | <b>62 356 000</b>    |
| <b>Sum omløpsmidler</b>                        |        | <b>261 975 000</b>   | <b>237 785 000</b>   |
| <b>SUM EIENDELER</b>                           |        | <b>1 499 839 000</b> | <b>1 497 713 000</b> |



### Konsernets balanse

| Beløp i: NOK                             | Note    | 2019                 | 2018                 |
|------------------------------------------|---------|----------------------|----------------------|
| <b>BALANSE - EGENKAPITAL OG GJELD</b>    |         |                      |                      |
| <b>Egenkapital</b>                       |         |                      |                      |
| <b>Innskutt egenkapital</b>              |         |                      |                      |
| Share capital                            |         | 75 004 000           | 75 004 000           |
| Overkurs                                 |         | 363 232 000          | 363 232 000          |
| <b>Sum innskutt egenkapital</b>          |         | <b>438 236 000</b>   | <b>438 236 000</b>   |
| <b>Opptjent egenkapital</b>              |         |                      |                      |
| Udekket tap                              |         | 71 609 000           | 89 337 000           |
| Minoritetsinteresser                     |         | 19 184 000           | 19 289 000           |
| <b>Sum opptjent egenkapital</b>          |         | <b>-52 425 000</b>   | <b>-70 048 000</b>   |
| <b>Sum egenkapital</b>                   |         | <b>385 811 000</b>   | <b>368 188 000</b>   |
| <b>Gjeld</b>                             |         |                      |                      |
| <b>Langsiktig gjeld</b>                  |         |                      |                      |
| Pensjonsforpliktelser                    |         | 847 000              | 846 000              |
| Utsatt skatt                             | 19      | 22 744 000           | 29 758 000           |
| Lease liability                          |         | 46 408 000           | 49 232 000           |
| <b>Sum avsetninger for forpliktelser</b> |         | <b>69 999 000</b>    | <b>79 836 000</b>    |
| <b>Annen langsiktig gjeld</b>            |         |                      |                      |
| Gjeld til kredittinstitusjoner           | 4,5,20  | 900 508 000          | 898 868 000          |
| <b>Sum annen langsiktig gjeld</b>        |         | <b>900 508 000</b>   | <b>898 868 000</b>   |
| <b>Sum langsiktig gjeld</b>              |         | <b>970 507 000</b>   | <b>978 704 000</b>   |
| <b>Kortsiktig gjeld</b>                  |         |                      |                      |
| Borrowings                               | 20      | 53 495 000           | 58 251 000           |
| Leverandørgjeld                          |         | 60 254 000           | 73 939 000           |
| Current tax liability                    |         | 17 079 000           | 7 019 000            |
| Lease liability                          | 4,11,20 | 12 693 000           | 11 612 000           |
| <b>Sum kortsiktig gjeld</b>              |         | <b>143 521 000</b>   | <b>150 821 000</b>   |
| <b>Sum gjeld</b>                         |         | <b>1 114 028 000</b> | <b>1 129 525 000</b> |



## Konsernets balanse

| <b>Beløp i: NOK</b>      | <b>Note</b> | <b>2019</b>   | <b>2018</b>   |
|--------------------------|-------------|---------------|---------------|
| SUM EGENKAPITAL OG GJELD |             | 1 499 839 000 | 1 497 713 000 |



## Skattedirektoratet

|                                            |                                   |                              |
|--------------------------------------------|-----------------------------------|------------------------------|
| Saksbehandler<br>Torstein Kinden Helleland | Deres dato<br>31.01.2018          | Vår dato<br>12.02.2018       |
| Telefon<br>22078139                        | Deres referanse<br>Tonje Braathen | Vår referanse<br>2018/112324 |

HANSEN PROTECTION AS  
Postboks 218  
1501 MOSS

15 FEB. 2018

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 31. januar 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper:

|                       |                     |
|-----------------------|---------------------|
| Protection Holding AS | org.nr. 999 647 308 |
| Protection AS         | org.nr. 999 647 359 |

Skattedirektoratet gir på bakgrunn av en konkret vurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

### Bakgrunn

Protection Holding AS er eid med 90 % av selskapet Protection International Sarl som er hjemmehørende i Luxembourg. Dette selskapet er igjen kontrollert av IK Investment Fund med sete i London. Protection Holding AS sin eneste aktivitet er å eie Protection AS. Protection AS eier selskapet Hansen Protection AS. 88 % av omsetningen finner sted i Hansen Protection AS. Konsernet har også selskaper i Nederland, Canada, Danmark og Sverige. Konsernets virksomhet er utleie og salg av overlevelsesdrakter og arbeidstøy til internasjonal offshorevirksomhet. Arbeidsspråket er engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

### Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse  
Postboks 9200 Grønland  
0134 Oslo

Besøksadresse:  
Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org.nr: 996250318  
E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost)

Sentrallbord  
800 80 000  
Telefaks  
22 17 08 60



*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “informative regnskaper for ulike grupper av regnskapsbrukere”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at konsernspissen er et utenlandsk selskap. Eierkretsen er begrenset. Selskapets virksomhet er internasjonal med datterselskaper i flere land. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Jeanette Munkvold Skovholt  
seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Torstein Kinden Helleland

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*



# Safeguarding life, property and the environment

Hansen Protection, with headquarters in Moss, Norway has over 140 years of experience in design and production of textile products safeguarding people, property and environment. We are a leading European supplier of survival suits and protective rainwear used in harsh environments and coldwater areas, and a leading Scandinavian supplier of coated textile products for leisure marine- and various niche applications.



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## HIGHLIGHTS AND KEY FIGURES

### HIGHLIGHTS

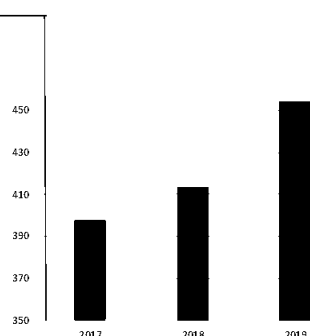
- Strong performance in the company's integrated services offering with an annual revenue growth of 10%
- Established presence in the UK offshore wind market during 2019 to further strengthen the foothold in the fast growing offshore wind market. Adjusted revenues increased by 29% compared to previous year.
- Annual growth of 15% within Protective Rainwear, thus further strengthening our position and market share in the Scandinavian protective rainwear market
- Total adjusted revenues of NOK 454 million in 2019 representing a growth of 10% compared to 2018.
- Adjusted EBITA of NOK 130 million in 2019, up from NOK 125 million in 2018

### KEY FIGURES

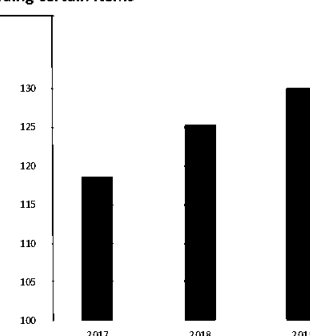
| NOK million                                       | 2019   | 2018   | 2017   |
|---------------------------------------------------|--------|--------|--------|
| Adjusted revenues                                 | 454.4  | 413.3  | 397.5  |
| Adjusted EBITA excluding certain items            | 130.1  | 125.3  | 118.6  |
| Adjusted EBITA excluding certain items margin (%) | 28.6 % | 30.3 % | 29.8 % |
| Net working capital                               | 122.5  | 94.5   | 113.0  |
| Number of employees at year-end                   | 158    | 149    | 157    |
| Number of employees, FTE at year-end              | 149.1  | 135.3  | 141.5  |

Adjusted revenues<sup>1</sup>

NOK million


Adjusted EBITA excluding certain items<sup>2</sup>

NOK million



1) Adjusted for the acquisition of Lyngsøe Rainwear (2017) and HeliPPE (2018) as if these acquisitions were effective on 1 January 2017. In addition, the figures have been adjusted to exclude all activity in 2018 related to the discontinued retail stores in Sweden which were acquired in 2017.

2) Excluding certain expenses which involve professional fees, such as IFRS conversion and preparations for potential listing of Hansen Protection's shares on the Oslo stock exchange in 2018 (including due diligence and market research). Such fees also relate to acquisitions completed by Hansen Protection. Adjusted for the acquisition of Lyngsøe Rainwear (2017) and HeliPPE (2018) as if these acquisitions were effective on 1 January 2017. In addition, the figures have been adjusted to exclude all activity in 2018 related to the discontinued retail stores in Sweden which were acquired in 2017.





## LETTER FROM THE CEO

**In 1994 we established our company vision *“taking care of people, property and the environment”*. More than 25 years later, it proves more relevant than ever as our stakeholders and surroundings expect the highest level on all three dimensions protecting people, property and the environment. 2019 was another successful year in the history of Hansen Protection with strong financial performance and profitable growth. During the year, Hansen Protection has reaffirmed and strengthened its position in core markets as well as increased its presence in new markets, making 2019 another successful step on our journey of becoming a diversified and leading provider of personal protective equipment (“PPE”) for cold- and harsh weather environments.**

Hansen Protection unites 140 years of experience with deep technology expertise, supplying textile based protective equipment for the most demanding conditions to the highest standards. In 2019, we saw demand for Hansen Protection's products and services accelerating across all main industries and sectors.

Our biggest business area, Personal Protection, benefited from positive development within both oil-and gas and offshore wind in 2019. Our integrated services offering is highly valued by our customers, and the rebound in the oil- and gas industry, seen throughout 2019, created higher activity levels and increased the need for our services. Going forward, we will continue to work closely with all our partners within this industry, in order to exceed our customers' expectations on the services rendered by Hansen Protection. Through our increased focus on the environment and the acquisition of HeliPPE in 2018, we have gained a strong foothold in the offshore wind market with expectations of high growth in the years to come. In 2019 we managed increase our sales by 29% in the offshore wind market as a result of increased market share and due to increased activity levels. In addition, Hansen Protection has established itself as a notable player in the Search & Rescue market in 2019 through several new agreements with established and well-known government entities and private organisations. We will continue to explore and develop opportunities in this market going forward.

Our Protective Rainwear business, represented by Lyngsøe Rainwear, continued its impressive growth trajectory in 2019, delivering double-digit top line growth. Hansen Protection's market share in our core markets increased significantly during 2019 as we continued to invest in sales- and marketing resources, and we see a large potential for further organic growth by close follow up of

distributors and retailers on chain- and store level. Additionally, product innovation continues to be an important part of our growth strategy as we now enter 2020. Together with product innovation is also an increased focus in the entire organisation on protecting the environment. One of the outcomes of this work in 2019 was the production our first protective rainwear made from recycled plastic bottles.

Boat Canopies and Textile Solutions continued to focus on expanding its offering to the leisure boat market through increasing its portfolio of boat canopy templates. Hansen Protection has the largest portfolios of canopy templates in Norway. In 2019 we also overhauled our webshop for the leisure boat market which has been well received and contributed positively to this year's performance. Textile Solutions is expected to have a significant rebound in 2020 due to delayed orders from 2019 which is expected to materialise within the next 12 months.

Looking ahead into 2020, we believe Hansen Protection are well positioned for the journey that lays ahead of us by continuing to protect people, property and the environment whilst being profitable and developing the business positively for all our stakeholders, and by doing so becoming the leading European provider of PPE for cold water and harsh environments.

We thank our customers, employees and shareholders for their support and contribution during the year and for making 2019 another successful year in the history of Hansen Protection. We look forward to continuing our journey with you.

Terje Gorm Hansen  
CEO, Hansen Protection ASA





## BOARD OF DIRECTORS' REPORT

### BUSINESS

Hansen Protection ASA ("Hansen Protection", "the group", "the company") specialises in the design, manufacturing and distribution of advanced, coated textiles, which are primarily used to provide protection for employees in high-risk working environments, meaning that the group addresses absolute and mission critical needs for its customers and their employees. Hansen Protection uses its technological expertise and market competence to develop, design, produce and service survival suits, protective clothing and other special high-technology textile products with emphasis on harsh environment applications. Its products are provided to customers through: (i) a pay-per-use/rental services (integrated services), (ii) direct sales to customers and (iii) sales through distributors. Hansen Protection's products are relevant for a wide range of industries, particularly within oil and gas, shipping, defence, wind and construction. Hansen Protection has three business segments: Personal Protection, Protective Rainwear and Boat Canopies & Textile Solutions.

Hansen Protection ASA owns 100 per cent of the shares in Protection AS and is the ultimate parent company. Protection AS owns 100 per cent of the shares in Hansen Protection AS. Remaining subsidiaries in the group are owned by Hansen Protection AS (see table below). The headquarter is located at Tykkemyr, 27, Moss, Norway.

| Company name                     | Location    | Ownership |
|----------------------------------|-------------|-----------|
| Hansen Protection ASA            | Norway      |           |
| Protection AS                    | Norway      | 100 %     |
| Hansen Protection AS             | Norway      | 100 %     |
| Biardo Survival Suits BV         | Netherlands | 100 %     |
| Hansen Protection Canada Ltd     | Canada      | 100 %     |
| Lyngsøe Rainwear Aps             | Denmark     | 100 %     |
| Hansen Protection AB             | Sweden      | 100 %     |
| HeliPPE Holding ApS <sup>1</sup> | Denmark     | 50 %      |

### STRATEGIC PLATFORM

Hansen Protection has over 140 years of experience in design and production of textile products safeguarding people, property and environment, and has been a supplier of survival suits since 1970. Hansen Protection has demonstrated significant growth over several decades, always with a continued focus on safeguarding human capital in harsh, cold-water environments. Hansen Protection's competence within advanced and coated textiles is applicable to a range of product areas and industries, many of which are not currently addressed. Through organic initiatives and acquisitions, Hansen Protection has taken significant steps towards becoming a diversified and leading European harsh-environment PPE player, an ambition it will continue to pursue going forward. In addition to this, Hansen Protection will also take advantage of its strong position in existing businesses to drive growth, such as maintaining a leading and profitable position in core Oil & Gas markets, with a long-term demand profile and increasingly strict focus on safety and ESG, and an attractive offering in a large and fragmented market for protective rainwear. Going forward, the main strategic focus of Hansen Protection is to:

- Continuous focus on product and service innovation to stay ahead of the market and secure market leading positions
- Capture significant growth potential in a fragmented European protective rainwear market
- Capture continued strong offshore wind market growth, with significant potential to expand integrated services offering
- Seek selective bolt-on acquisitions to support overall strategy.
- Maintain dominant position in core oil&gas markets – a long term demand profile with increasingly strict focus on safety and ESG

#### Continuous focus on product and service innovation to stay ahead of the market and secure market leading positions

Hansen Protection has a strong position across its business areas and addressable geographic markets, enabled by the highly regarded product qualities and service offering of the group. Hansen Protection puts considerable emphasis on aiming to always exceed customer expectations while continuously developing its product portfolio with both new innovations and upgrades to its existing products. In doing so, Hansen Protection works closely with both customers and workers that utilise the suits and equipment of the group in order to ensure that user preferences are matched with necessary safety needs and regulatory requirements. Hansen Protection's continuous efforts within product development and innovation, driven by in-house personnel, are core operational specialties of the group, and are expected to remain a key success factor for maintaining and developing Hansen Protection's strong market positions while also advancing in markets where the group sees potential for further growth in coming years.

#### Capture significant growth potential in a fragmented European protective rainwear market

Hansen Protection added Protective Rainwear as a new operating segment from 30 November 2017 through the acquisition of Lyngsøe Rainwear, a Denmark-based provider of rainwear products with various protective properties. The protective rainwear market is a fragmented international market where the larger competitors primarily offer protective rainwear as part of wider product portfolios, including less differentiated workwear. Lyngsøe Rainwear specialises in providing high-quality rainwear with protective properties at attractive price points. This, in combination with

<sup>1)</sup> HeliPPE Holding ApS owns 100% of the shares in HeliPPE ApS and HeliPPE UK Ltd. Hansen Protection AS has been provided with a "golden share" which effectively gives the deciding vote at any board meetings, extraordinary general meetings or annual general meetings, thus ensuring full control of the entity.



Lyngsøe Rainwear's proven ability to deliver large volumes rapidly to accommodate customer demands, has led the company to gain a reputation as a preferred and reliable supplier. Hansen Protection believes this will provide the group with a good platform for capturing further market shares in coming years. Other sources of growth within protective rainwear include continued product innovation to further tap into both new end-markets and existing customers, cross-sales potential with customers in other operating segments and a strengthened distribution platform.

### **Capture continued strong offshore wind market growth, with significant potential to expand integrated services offering**

Hansen Protection has offered the highly appreciated integrated services concept to customers operating on the Norwegian continental shelf since introducing integrated services full scale in 1995. As a result of the group's significant experience and successful track record with this business model, Hansen Protection has also introduced integrated services to companies active in the offshore wind market, with the acquisition of 50 per cent of the shares in the Denmark-based rental provider HeliPPE Holding ApS in 2018 adding to the group's presence in the sector. Furthermore, we have established our presence in the UK in 2019 through a fully owned subsidiary of HeliPPE Holding ApS, thus strengthening our local presence. Through the acquisition of HeliPPE, the group has positioned itself to capture growth in the international and addressable wind offshore market.

In addition to Hansen Protection's experience related to operating an integrated services model for handling, service and repair of suits and logistics, Hansen Protection may also leverage and tweak its well-recognised and proven suit models that are already offered to existing customers so that they fit the specific needs in the wind industry, thus adding scale effects in innovation and production of suits. The offshore wind market is smaller in size than the oil and gas market, to which Hansen Protection offers its rental services,

however it is also characterised by a rapid growth trajectory with attractive long-term prospects. Hansen Protection aims to leverage this market opportunity by further expanding its offering to relevant offshore wind customers, and to take the lead in the European market for integrated services.

### **Seek selective bolt-on acquisitions to support overall strategy**

Hansen Protection aims to support its overall ambitions and long-term strategy by acquiring companies with a relevant size, position and product offering, in addition to its organic initiatives. In doing so, the group seeks selective bolt-on targets with a strategic fit that may either facilitate an entrance to new, adjacent market opportunities, or contribute to expanding Hansen Protection's presence in the broader European personal protection equipment market. Since 2014, Hansen Protection has acquired Biardo (2014), Divelife (2017), Lyngsøe Rainwear (2017) and HeliPPE (2018). The group has identified a range of further potential targets, with a potential fit according to principles such as a complementary product offering, a complementary market presence or a cross-selling potential with existing business activities.

Hansen Protection believes that it has a solid basis to deliver on its ambitions and strategic priorities based on its robust platform, wide product offering and distribution capabilities in combination with its strong market positions.

### **Maintain strong leading position in core oil&gas markets – with a long term demand profile with increasingly strict focus on safety and ESG**

Hansen Protection's integrated services offering, with rental of survival suits, was launched full scale as a business concept to customers on the Norwegian continental shelf in 1995. The group's contractual relationship with customers within integrated services are mainly based on long-term frame agreements. The demand for the group's integrated services fluctuates with the underlying



activity level in the oil and gas market. As such, the oil price and the overall sentiment amongst oil and gas companies; including investment appetite, maintenance activities and new field developments, are all important drivers of Hansen Protection's activities and revenues.

In 2019, the oil and gas markets, including on the Norwegian continental shelf, saw a significant rebound in activity following stable oil prices, restored industry profitability with lower break-even rates for production and development projects signalled by operators, and increased exploration activity. Hansen Protection sees a continued supportive environment for its integrated services offering also in coming years, with the regulator and major operators showing continued, long-term commitment to the NCS through several, major investment programs

### **Expand geographical footprint and reinforce international distribution power**

Hansen Protection markets and sells its products and services to a wide range of geographical markets and hence depends on an efficient and powerful distribution platform to reach and serve customers. The group utilises a combination of in-house sales personnel,

sales agents and distributors to maximise coverage and distribution power, which together provides a flexible and cost-efficient route to market for products across business areas. Internal sales teams are divided and specialised by business units. Despite being primarily focused on segment-specific sales, Hansen Protection also places strong emphasis on driving cross-segment sales, thus enabling utilisation of customer relationships and customer insight to increase the group's share of wallet amongst existing customers.

Hansen Protection currently employs an extensive distribution network, which includes sales offices located in key markets to ensure customer proximity, such as in Norway, Sweden, Denmark, Germany, the UK, Ireland and the Netherlands. Going forward, Hansen Protection sees it as a strategic priority to further build on its distribution capacity in order to drive sales in both existing and new markets, and is determined to use a combination of added in-house sales personnel, new agents acting on behalf of the group and external distributors. Hansen Protection also aims to increase its focus on cross-segment sales where relevant, such as through offering protective rainwear products to existing customers in the Personal Protection segment.

## **OPERATIONAL REVIEW**

In 2019, Hansen Protection experienced positive operational development within its business segments Personal Protection and Protective Rainwear constituting 88% of total revenues in 2019. Underlying performance within Boat Canopies and Textile Solutions (previously referred to as Marine & Special Products) was satisfactory, although lower sales to one large customer impacted revenues within this business unit in 2019.

Hansen Protection's Personal Protection business saw positive effects of the increased activity following the continuous rebound in the oil and gas industry, as oil and gas investments increased, spurring higher offshore activity and thus higher need for Hansen Protection's services and personal protection suits, both through the company's integrated services offering and direct sales. Hansen Protection's integrated services offering is highly valued by the company's customers, which is displayed by the positive traction during the last years in renewal and extension of agreements with customers on the Norwegian continental shelf, and the company's positive development in other key markets such as the Danish and Dutch continental shelf.

The company continued to explore opportunities in adjacent market segments, including the fast-growing offshore wind market, and in 2019 we established our presence in the UK through a fully owned subsidiary of HeliPPE Holding ApS. As such, Hansen Protection is well positioned to leverage the increased activity seen within the offshore wind markets of Germany, UK, the Netherlands, Poland and Denmark. By utilising our existing experience within the oil and gas industry and working closely with key players in the global offshore wind industry, we will continue to build strong relationships and establishing a solid foothold in this fast-growing market. HeliPPE targets these markets both through the well established integrated services offering, direct sales and project-based agreements during the course of offshore wind development projects. Furthermore, Hansen Protection also significantly increased our

presence within other pockets of the personal protection equipment market, displayed by several new agreements entered in 2019 with customers in the professional search- and rescue market, and new wins in the military segment.

Hansen Protection's Protective Rainwear business strengthened its position in the Scandinavian market based on the acquisition of Lyngsøe Rainwear ApS in 2017. We continued our integration work in 2019 with alignment of ISO certification procedures, and by exploring additional cross selling opportunities within the Group. Furthermore, we have continued to strengthen our sales- and marketing resources by hiring additional personnel during 2019. These initiatives taken in 2018 and 2019 have increased sales in Scandinavia significantly by successfully working closely with retailers on chain level and by follow-up at store level to drive additional sales. The results of new product innovation and new hires in both back- and front office is seen by increased market share in our Protective Rainwear segment represented by double-digit growth in revenues in 2019.

Going forward, we will apply similar successful criterias in order to continue expanding our Protective Rainwear business in other European markets, whilst also realising cross-sales potential with customers in other operating segments and by further strengthening of our distribution platform.

Focus in Hansen Protection's Boat Canopies and Textile solutions segment has been on expansion of the product portfolio directed toward the motor caravan and leisure boat market, including seating solutions and boat canopies. The company has one of the largest portfolios of canopy templates for most leisure boat brands in the market. Hansen Protection's tailored approach, high product quality and service level is also well received by customers in the oil and gas, defense and agricultural industries.

## FINANCIAL REVIEW

The following financial review is based on the consolidated financial statements of Hansen Protection and its subsidiaries. The statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as in the Norwegian accounting legislation.

In the view of the board, the consolidated statement of profit or loss, the consolidated balance sheet, in the consolidated cash flow, the consolidated statement of changes in equity and the accompanying notes provide satisfactory information about the operations, financial results and position for the group at 31 December, 2019.

### Consolidated statement of profit or loss

Consolidated revenues and other income for Hansen Protection was NOK 454 million in 2019, compared to NOK 415 million in 2018. Growth in 2019 was primarily driven by increased activity level on the NCS resulting in higher volumes for the company's integrated services business. Furthermore, a double-digit growth in Protective Rainwear and increased activity within offshore wind contributed to the 9.6% increase in total revenues seen from 2018 to 2019. Personal Protection constituted around 66 per cent of the group's revenue, while Protective Rainwear constituted 22 per cent and Boat Canopies & Textile solutions 12 per cent in 2019. Hansen Protection's reported EBITA was NOK 127 million in 2019 compared to NOK 80 million in 2018. The latter included certain costs of NOK 40 million, primarily related to professional fees for due diligence, M&A, market research and preparation for potential listing of Hansen Protection's shares on the Oslo stock exchange in 2018. On an adjusted basis, EBITA was NOK 130 million in 2019, up NOK 5 million compared to comparable figures in 2018. Amortisation and impairment decreased to NOK 25 million in 2019 from NOK 45 million in 2018, the latter including impairment of Hansen Protection AB following the close of its physical retail stores in Sweden in 2018. Other gains and losses decreased from NOK 3 million in 2018 to negative NOK 2 million in 2019. Finance income decreased from NOK 0.4 million in 2018 to NOK 3.3 million in 2019, while finance expenses decreased from NOK 76 million in 2018 to NOK 71 million in 2019, mainly driven by a positive foreign exchange effect on bank borrowings compared to 2018.

### Financial position and capital structure

Cash at the end of the period was NOK 62 million in 2019, unchanged from NOK 62 million at the end of 2018. Total liabilities were NOK 1 114 million in 2019, down from NOK 1 130 million in 2018. Total non-current assets decreased to NOK 1 238 million in 2019, down from NOK 1 260 million in 2018, mainly driven by amortisations of intangible assets during 2019. Total current assets amounted to NOK 262 million in 2019, up from NOK 238 million in 2018. Equity attributable to owners was NOK 367 million in 2019, compared to NOK 349 million in 2018.

### Consolidated cash flow

Net cash flow from operating activities was NOK 111 million in 2019, down from NOK 116 million in 2018 which was primarily driven by an increase in working capital items, offset by an increase in profit before tax as a result of growth in the company's integrated services business. Depreciation of capital equipment in the operating companies and amortisation in the group comprise the essential difference between the cash flow from operating activities and the operating result.

Net cash flow from investing activities was negative NOK 50 million in 2019 compared to negative NOK 72 million in 2018, mainly driven by capital expenditures for survival suits and payments for acquisition of subsidiaries (net of cash acquired). Net cash flow from financing activities was negative NOK 58 million in 2019, compared to negative NOK 31 million in 2018 primarily driven by increased payment related to bank borrowings.

### Statement of profit or loss – parent company

The parent company Hansen Protection ASA recorded a loss of NOK 24 million in 2019, compared to a loss of NOK 49 million in 2018, mainly driven by a decrease in other operating expenses from NOK 30 million in 2018 to NOK 4 million in 2019. The board of directors proposes that the loss in the period is covered by a reduction of equity.

### Balance sheet – parent company

Total assets was NOK 648 million in 2019, down from NOK 658 million in 2018, mainly driven by lower group contributions from subsidiaries. Total equity was NOK 327 million in 2019, down from NOK 352 million in 2018, mainly following the loss in the period. Total liabilities was NOK 321 million in 2019, up from NOK 307 million in 2018, mainly driven by increased bank borrowings, offset by a reduction in other current liabilities.

### Cash flow – parent company

Cash at the end of the period was NOK 17 million in 2019, up from NOK 1 million in 2018.

Net cash flow from operating activities was negative NOK 28 million in 2019, down from negative NOK 22 million in 2018, mainly driven by the reduction of loss in the period, change in trade payables and other payables, effects of exchange rate changes on bank borrowings in EUR and change in other accrual items.

Net cash flow from investing activities was NOK 0 million in 2019, up from negative NOK 38 million in 2018, mainly driven by changes in paid-in equity to subsidiaries.

Net cash flow from financing activities was NOK 44 million in 2019, down from NOK 54 million in 2018, mainly driven by changes in proceeds from bank borrowings (net of debt issuance costs) and changes in proceeds from equity transactions.



## CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is at the core of Hansen Protection. The board of directors has adopted a Code of Conduct to create a sound corporate culture and to preserve the integrity of Hansen Protection by helping employees to promote standards of good business practice. Further, the Code of Conduct is intended to be a tool for self-evaluation and a vehicle for development of the company's identity.

Hansen Protection believes that our partners maintain the highest professional and ethical standards, as well as meeting standard legal requirements. The company believes in respecting human and labor rights, protecting the environment, and in applying sound business practices in the group's companies worldwide. In order to make Hansen Protection's position clear to the company's suppliers, Hansen Protection has developed a Supplier Code of Conduct which describes the main requirements. Hansen Protection conducts annual audits at partners to ensure they upheld the standards set forth in the Code. There has been no evidence of material breach of the Code. The audit plan is set annually by the management group. Both the Code of Conduct and the Supplier Code of Conduct are available on Hansen Protection's website [www.hansenprotection.no](http://www.hansenprotection.no).

Hansen Protection is working systematically on human rights and worker's rights. The company, its employees and board members

shall practice good corporate citizenship and operate in compliance with fundamental human rights. Hansen Protection expresses support and respect for fundamental human rights and recognises its responsibility to observe those rights when conducting its business. Hansen Protection opposes all forms of forced labour and child labour and works to prevent all types of discrimination and harassment.

Hansen Protection is against all forms of corruption including bribery, facilitation payments and trading in influence and has resolved a company-wide anti-corruption compliance manual which is available on Hansen Protection's website [www.hansenprotection.no](http://www.hansenprotection.no). The manual provides an overview of Hansen Protection's anti-corruption policies. The manual is used as basis for internal training for all relevant personnel, including management, and new employees in particular. It explains the basic legal and ethical requirements that Hansen Protection employees shall follow to avoid corrupt practices throughout their business activities for Hansen Protection. The policies in this manual are mandatory for all Hansen Protection employees. It is also a requirement that the various departments at Hansen Protection take all reasonable steps to ensure that Hansen Protection's independent business partners, including suppliers, do not engage in corruption, or illegal or unethical activities in relation to their business with Hansen Protection.



## HEALTH, SAFETY AND THE ENVIRONMENT

Hansen Protection shall operate its business in a manner designed to protect the health and safety of its employees, its customers, the public, and the environment, and in accordance with all applicable safety, environmental and safety laws and regulations so as to ensure the protection of the environment and the company's personnel and property.

Hansen Protection shall be a professional and positive workplace with an inclusive working environment. All employees have a responsibility to help a work environment free from any discrimination, due to religion, skin colour, gender, sexual orientation, age, nationality, race and disability.

On average, Hansen Protection had 142 full time employees in 2019, compared to 135 in 2018. The number of employees was 158 at the end of 2019, compared to 149 in 2018. The competence of our employees represents a major asset and competitive advantage for Hansen Protection.

There were no serious work-related accidents in 2019. Sick leave in Hansen Protection was 4.7 per cent in 2019, down from 5.7 per cent in 2018. The board considers that the working environment is good and special measures in this regard have not been deemed necessary. Hansen Protection's Industrial Safety Committee is trained in cardiopulmonary resuscitation and first aid as part of the preventive precautions.

Hansen Protection does not pollute the external environment to any material extent. The group has implemented initiatives to reduce waste. As an example, Hansen Protection recycles worn personal protection suits into bags and backpacks produced in coop-



eration with a local sheltered workshop, and has taken an initiative to recycle foam remnants from the boat interior production line through another manufacturer which reuses the foam remnants in its production. Furthermore, some of the products produced by Lyngsøe Rainwear ApS is made by recycled plastic bottles. Sourced raw material are to the largest possible extent compliant with the REACH2 authorisation list.

The group's manufacturing units are certified in accordance with the NS ISO 9001 Quality Management systems and NS ISO 14001 Environmental Management systems requirements.

## CORPORATE GOVERNANCE

Hansen Protection wants to maintain high standards of corporate governance. In the company's opinion, good corporate governance is an important condition for value creation, trustworthiness and access to capital.

Good corporate governance is a priority for the board of directors of Hansen Protection. To ensure strong and sustainable corporate governance, the company will facilitate sound business practices, reliable financial reporting and an environment for compliance with laws and regulations. Hansen Protection has prepared a set of guidelines and procedures to ensure good corporate governance to safeguard the interests of the company's owners, employees and other stakeholders. These principles and associated rules and practices are intended to create increased predictability and transparency, and thus reduce uncertainties connected with the business. The company believes that good corporate governance implies openness and trust-based cooperation between shareholders, board and management, employees, public authorities, other related parties and society as a whole.

The board of directors will continuously assess the group's adherence to the guidelines and procedures, and has adopted relevant sections of §3-3b of the Norwegian Accounting Act. Hence, the company will annually disclose relevant information concerning corporate governance in its annual statement on corporate

governance included in the annual report.

The board of directors of Hansen Protection had seven board meetings in 2019.

The management of Hansen Protection is responsible for establishing and maintaining adequate internal control over financial reporting. The group's internal control over financial reporting is a process designed, under the supervision of the chief executive officer and chief financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the group's financial statements for external reporting purposes. Hansen Protection has implemented a corporate social responsibility policy, a Code of Conduct, a Supplier Code of Conduct and an anti-corruption manual, all available on the company's website.

### Composition and independence of the board of directors

Pursuant to the company's articles of association, its board of directors shall consist of three to six members. The board members are elected by the general meeting, including the chairman. The composition of the board of directors as a whole should represent sufficient diversity of background and expertise to help ensure that the board carries out its work in a satisfactory manner.



## EQUAL OPPORTUNITIES

Hansen Protection's view is that people with different backgrounds, irrespective of ethnicity, gender, religion or age, should have the same opportunities for work and career development at Hansen Protection. 51.5 per cent of Hansen Protection's work force in 2019 are women.

Indirect functions include management employees, staff and other support functions. The employees in the company management

team comprise seven members, all male. No gender-based differences exist with regard to working hour regulations or the design of workplaces. Hansen Protection is working actively to promote equality with respect to ethnicity, gender, gender identity, religion, age, sexual orientation and handicaps, and has an established co-operation with a company providing on the job training for workers with specific needs.

## RISK FACTORS AND RISK MANAGEMENT

The objective of Hansen Protection's risk management and internal control is to manage, rather than eliminate, exposure to risks related to the successful conduct of the business of the company and its subsidiaries, and to support the quality of its financial reporting. Effective risk management and good internal control contribute to securing shareholders' investment in the company and the company's assets.

Hansen Protection's business is exposing the company to financial risks. The company's procedures for risk management are designed to minimise possibly negative effects caused by Hansen Protection's financial arrangements.

### Market risk

#### Currency risk

Currency risk arises from transactions related to operations, asset or liabilities which are conducted in a currency other than its functional currency. Hansen Protection's subsidiaries are using their local currencies as functional currency being NOK, SEK, DKK, and EUR. Revenue and cost transactions are carried out mainly in the same currency, which reduces the currency risk. However, since the group's overall financial reporting is NOK, currency fluctuations in SEK, DKK, and EUR in relation to NOK affect overall revenue and financial position. In addition, Hansen Protection ASA and Hansen Protection AS have bank borrowings in EUR while the functional currency for these entities is NOK. Based on the exposure mentioned, the group assesses that historical fluctuations in NOK/ EUR has the most significant impact on the financial reporting in regards to the financial instruments. The group is currently and for the periods presented, not engaged in any currency hedging activities.

### Interest rate risk

The group's interest rate risk arises because of long-term bank borrowings. Debt issued based on variable interest rates means that the group is exposed to interest rate risk affecting cash flow. Up to 30 September 2018, the company managed interest rate risk related to cash flow by using interest rate swaps that converted floating rates to fixed rates. The derivatives consisting of interest rate swaps did not qualify for hedge accounting. In 2019, the group has not implemented any new hedging arrangements. Please see Note 2.14 for further information.

### Credit risk

Credit risk arises from, among other cash and deposits with banks and financial institutions. In addition, credit risk occurs through exposure to customers, including outstanding receivables and contracted transactions.

For banks and financial institutions, only well-established independent parties are accepted. The group has limited credit risk relating to one individual contracting party except for one customer which is a well reputable company for which the credit risk is assessed to be low. In order to reduce the credit risk, the group has guidelines to ensure that sales are made only to customers with high credit rating. Customers having low credit rating have to prepay for goods and services provided by the group.

### Liquidity risk

Liquidity risk is the risk that the group is unable to meet its financial obligations when they mature. Management monitors rolling cash flow forecasts of the group's liquidity requirements to ensure that it has a satisfactory level of cash to meet operational needs, as well as at any time maintain a satisfactory margin of the unused loan facility to ensure that the group is not in breach of the requirements set in the loan agreement. Such estimation of future cash flows takes into account the group's debt financing plans, loan conditions and compliance with internal requirements ratios in the balance. Excess liquidity in each company, beyond the requirements for working capital, is deposited in interest-bearing accounts with financial institutions.

In addition to the risks described above, Hansen Protection is exposed to risk factors related to for example innovation, digitalisation, logistics, infrastructure, personnel, third-party distributors, third-party suppliers, legal claims and litigation, and intellectual property rights which are continuously assessed and managed by the company.

### Debt covenants

Hansen Protection met all the loan covenants as at 31 December 2019.



## GOING CONCERN

There have been no events to date in 2020 that significantly affect the result for 2019 or valuation of the company's assets and liabilities at the balance sheet date. The board confirms that the

conditions for the going concern assumption have been satisfied and that the financial statements for 2019 have been prepared on the basis of this assumption.

## RESEARCH AND DEVELOPMENT

In Hansen Protection, research and development is an integral part of the business through continuous innovation and development of products and services.

The company is engaged in several exciting development projects that are expected to give a positive market position and contribute to earnings growth in the future.

## OUTLOOK

Hansen Protection will invest in the continued development of the company, by leveraging the group's attractive position for personal protection equipment in the oil and gas market, capturing the effects of a rapidly growing offshore wind market, and increasing Hansen Protection's presence and market share in the large and fragmented European protective rainwear market. The board, however, would like to highlight that at this point in time, when the

accounts are being filed, there is still considerable uncertainty related to the impact of the Covid-19 virus on the activity level which again could affect earnings for Hansen Protection in 2020. The company and the board will have an increased focus on implementing all necessary measures to minimize all possible risks for the company. The board emphasises that every assessment of future conditions necessarily involves an element of uncertainty.

Moss, March 6, 2020

The board of directors of Hansen Protection ASA

Amund Skarholt  
Chair

Thomas Klitbo  
Director

Wenche Kjølås  
Director

Terje Gorm Hansen  
Chief executive officer



## BOARD AND EXECUTIVE MANAGEMENT

### BOARD OF DIRECTORS

**Amund Skarholt***Chair of the board*

Amund Skarholt has been the chairman of the board of Hansen Protection since 2013. He has previously held the positions as chief executive officer of Tomra (2005-2009) and Bravida (2003-2005), as well as deputy chief executive officer of Securitas (1997-2003). Skarholt is currently chair of the board in Avarn Security Helsinki, Avarn Security Stockholm, Garda Sikring, SOS International and Siggurd Hesselberg, and is a member of the board in GK Group, Intelcom and Sector Alarm.

**Thomas Klitbo***Director*

Thomas Klitbo has been a member of the board of Hansen Protection since 2013. He is partner at IK Investments Partners and joined the firm from the Boston Consulting Group (Copenhagen) in 2007. Klitbo holds a M.Sc. in Economics from the School of Economics and Management at the University of Aarhus. He is currently board member in IK Investment Partners Limited, Ellab, Visolit, Løgismose Meyers and Veritas Petroleum Services.

**Wenche Kjølås***Director*

Wenche Kjølås has been a member of the board of Hansen Protection since 2019. Wenche Kjølås is currently Group CFO of Grieg Maturitas AS, the holding company for the Grieg Group. Kjølås was previously the CEO of Grieg Maturitas for 10 years. Kjølås' past experience includes CFO of Kavli Holding AS, CEO of O. Kavli AS, business manager of Hakon Group AS in Bergen and manager in business consulting in Deloitte. Kjølås is Chair of Magseis Fairfield ASA, Keolis AS and Slettvoll AS today, and has previously been board member and member of the audit committee of Grieg Seafood ASA, PGS ASA, Cermaq ASA, Selvaag Bolig ASA and DOF ASA, and Chair of Flytoget.

### MANAGEMENT

**Terje Gorm Hansen (executive)***Chief executive officer and head of integrated services*

Terje Gorm Hansen has been chief executive officer of Hansen Protection AS since 1995. He joined the Helly Hansen group in 1980, initially as a sales representative. Hansen has extensive experience within sales, customer relations and product management. In addition to his role as chief executive officer, Hansen holds the position as head of integrated services, a part of Hansen Protection's personal protection business segment.

**Anders Kvame***Chief financial officer*

Anders Kvame has been CFO of Hansen Protection since September 2019. He has extensive experience working with both national- and multinational companies, and held the position as CFO in Dahle Gruppen prior to joining Hansen Protection. Kvame has also worked as Chief Group Accountant at Handicare and Aker BioMarine, in addition to three years in PWC Deals working with buy- and sell side due diligence. Kvame holds a Master of Science in Business and Administration and a Master in Accounting and Auditing from the Norwegian Business School (BI).

**Knut Åsle***Business support*

Knut Åsle has been responsible for business support in Hansen Protection since February 2018. He joined the Helly Hansen group's sports division in 1991, where he worked with product development, management and marketing, before becoming a category manager for workwear in 2017. Åsle has held various management positions in Hansen Protection, amongst other as head of project, quality and product development, and general manager for the personal protection business segment. Åsle holds a Master of Business Administration from the Norwegian Business School (BI).

**Thomas Lund***HR and quality*

Thomas Lund has been head of HR and quality since 2014, overseeing Hansen Protection's certifications and approvals, both on organizational and product level within aviation, shipping and oil and gas. He joined Hansen Protection in 2011 with responsibility for the marine and special products business segment. Lund has held various management positions within TV and media and holds a Master of Business Economics from the Norwegian School of Economics and Business Administration (NHH).

**Fredrik Joachim Eriksen***Head of personal protection*

Fredrik Joachim Eriksen has been head of personal protection since January 2019. He joined Hansen Protection in February 2016 and have worked with sales and business development. Prior to joining Hansen Protection he held various senior sales and management positions in developing international sales and business. Eriksen holds a Master of Business Administration from the University of Newcastle Business School.

**Bo Lyngsø***Head of protective rainwear*

Bo Lyngsø is head of protective rainwear, a position he has held since Hansen Protection completed the acquisition of Lyngsø Rainwear in 2017. Lyngsø founded Lyngsø Rainwear in 1999, where he was chief executive officer until Hansen Protection acquired the company. He has previous experience from the rainwear supplier Kiba Wear.

**Arvid Tryfoss***Head of Boat Canopies & Textile solutions*

Arvid Tryfoss has been head of Boat Canopies and Textile Solutions since 2014. He joined the Helly Hansen group in 2007 as location manager in Kristiansand. Previously, Tryfoss has held various management positions in Christiansands Bryggeri/Hansa Borg Bryggerier. He has education in business economics and administration from the University of Agder.



## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| NOK 1 000                                     | Note  | 2019           | 2018            | 2017            |
|-----------------------------------------------|-------|----------------|-----------------|-----------------|
| Revenue and other income                      | 6,7   | 454 423        | 414 635         | 307 979         |
| Purchase of goods and materials               | 16    | 116 386        | 104 119         | 64 928          |
| Payroll and other personnel expenses          | 8,9   | 93 035         | 89 287          | 71 128          |
| Other operating expenses                      | 10    | 78 423         | 103 154         | 53 081          |
| Depreciation                                  | 11,15 | 39 406         | 37 604          | 28 653          |
| <b>EBITA</b>                                  |       | <b>127 173</b> | <b>80 471</b>   | <b>90 189</b>   |
| Amortisation and impairment of intangibles    | 14    | 24 534         | 45 292          | 31 551          |
| Other gains/(losses) - net                    | 12,5  | (2 075)        | 2 778           | 162             |
| Finance income                                | 13    | 3 336          | 345             | 136             |
| Finance expenses                              | 13    | 71 312         | 75 814          | 81 535          |
| <b>Profit (-loss) before tax</b>              |       | <b>32 588</b>  | <b>(37 511)</b> | <b>(22 599)</b> |
| Income tax expense                            | 19    | 12 870         | (2 110)         | 1 567           |
| <b>Profit (-loss) for the period</b>          |       | <b>19 718</b>  | <b>(35 401)</b> | <b>(24 166)</b> |
| <b>Profit (-loss) is attributable to:</b>     |       |                |                 |                 |
| Owners of the parent                          |       | 19 608         | (36 632)        | (24 166)        |
| Non-controlling interests                     |       | 110            | 1 231           | -               |
| <b>Earnings (-loss) per share (NOK/share)</b> |       |                |                 |                 |
| Basic and diluted profit (-loss) per share    | 25    | 1.31           | (16.46)         | 29.70           |

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| NOK 1 000                                                                          | Note | 2019          | 2018            | 2017            |
|------------------------------------------------------------------------------------|------|---------------|-----------------|-----------------|
| <b>Items that may be reclassified to profit or loss</b>                            |      |               |                 |                 |
| Exchange differences on translation of foreign operations                          |      | (2 095)       | 2 764           | 6 493           |
| <b>Items that will not be reclassified to profit or loss in subsequent periods</b> |      |               |                 |                 |
| Re-measurements of defined benefit pension plan                                    |      | -             | 8               | -               |
| Other comprehensive income (-loss) for the period                                  |      | (2 095)       | 2 772           | 6 493           |
| <b>Total comprehensive income (-loss) for the period</b>                           |      | <b>17 623</b> | <b>(32 629)</b> | <b>(17 673)</b> |
| <b>Total comprehensive income (-loss) is attributable to:</b>                      |      |               |                 |                 |
| Owners of the parent                                                               |      | 17 728        | (34 385)        | (17 673)        |
| Non-controlling interests                                                          |      | (105)         | 1 756           | -               |



## CONSOLIDATED BALANCE SHEET

| NOK 1 000                               | Note      | 31.12.2019       | 31.12.2018       | 31.12.2017       |
|-----------------------------------------|-----------|------------------|------------------|------------------|
| <b>Assets</b>                           |           |                  |                  |                  |
| Intangible assets                       | 14        | 1 075 939        | 1 101 898        | 1 120 747        |
| Property, plant and equipment           | 11,15     | 159 009          | 156 194          | 129 388          |
| Deferred tax asset                      | 19        | 1 544            | -                | -                |
| Receivables                             |           | 1 372            | 1 836            | 291              |
| <b>Total non-current assets</b>         |           | <b>1 237 864</b> | <b>1 259 928</b> | <b>1 250 426</b> |
| Inventories                             | 16        | 128 397          | 111 369          | 114 301          |
| Trade receivables and other receivables | 4,5,17    | 71 392           | 64 060           | 45 949           |
| Cash                                    | 5,18      | 62 186           | 62 356           | 47 482           |
| <b>Total current assets</b>             |           | <b>261 975</b>   | <b>237 785</b>   | <b>207 732</b>   |
| <b>Total assets</b>                     |           | <b>1 499 839</b> | <b>1 497 713</b> | <b>1 458 158</b> |
| <b>Equity and liabilities</b>           |           |                  |                  |                  |
| Share capital                           | 23        | 75 004           | 75 004           | 66 736           |
| Share premium                           | 23        | 363 232          | 363 232          | 371 557          |
| Other equity                            |           | (71 609)         | (89 337)         | (54 657)         |
| <b>Equity attributable to owners</b>    |           | <b>366 627</b>   | <b>348 899</b>   | <b>383 636</b>   |
| Non - controlling interests             | 23        | 19 184           | 19 289           | -                |
| <b>Total equity</b>                     |           | <b>385 811</b>   | <b>368 188</b>   | <b>383 636</b>   |
| Bank borrowings                         | 4,5,20    | 900 508          | 898 868          | 868 710          |
| Deferred tax liabilities                | 19        | 22 744           | 29 758           | 36 153           |
| Employee benefit obligations            | 22        | 847              | 846              | 479              |
| Lease liability                         | 4,11,20   | 46 408           | 49 232           | 46 820           |
| Derivative financial instruments        | 4,5       | -                | -                | 4 045            |
| Other non-current liabilities           | 20,24     | -                | -                | 19 261           |
| <b>Total non-current liabilities</b>    |           | <b>970 507</b>   | <b>978 704</b>   | <b>975 469</b>   |
| Trade- and other payables               | 4,5,21    | 60 254           | 73 939           | 38 148           |
| Lease liability                         | 4,11,20   | 12 693           | 11 612           | 11 282           |
| Current tax liability                   |           | 17 079           | 7 019            | 9 127            |
| Other current liabilities               | 4,5,20,24 | 53 495           | 58 251           | 40 497           |
| <b>Total current liabilities</b>        |           | <b>143 521</b>   | <b>150 821</b>   | <b>99 054</b>    |
| <b>Total liabilities</b>                |           | <b>1 114 028</b> | <b>1 129 525</b> | <b>1 074 522</b> |
| <b>Total equity and liabilities</b>     |           | <b>1 499 839</b> | <b>1 497 713</b> | <b>1 458 158</b> |

Moss, March 6, 2020  
The board of directors of Hansen Protection ASA

Amund Skarholt  
Chair

Thomas Klitbo  
Director

Wenche Kjølås  
Director

Terje Gorm Hansen  
Chief executive officer



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| NOK 1 000                                                         | Note | Share capital | Share premium | Other equity                        |                     | Total          | Non-controlling interests | Total equity |
|-------------------------------------------------------------------|------|---------------|---------------|-------------------------------------|---------------------|----------------|---------------------------|--------------|
|                                                                   |      |               |               | Accumulated translation differences | Accumulated deficit |                |                           |              |
| <b>31 December 2018</b>                                           |      | 75 004        | 363 232       | 9 294                               | (98 631)            | <b>348 899</b> | 19 289                    | 368 188      |
| Profit for the period                                             |      | -             | -             | -                                   | 19 608              | <b>19 608</b>  | 110                       | 19 718       |
| Other comprehensive income                                        |      | -             | -             | (1 880)                             | -                   | <b>(1 880)</b> | (215)                     | (2 095)      |
| <b>Total comprehensive loss for the period</b>                    |      | -             | -             | (1 880)                             | 19 608              | <b>17 728</b>  | (105)                     | 17 623       |
| Contributions of equity net of transaction costs                  | 23   | -             | -             | -                                   | -                   | -              | -                         | -            |
| Acquired non-controlling interests                                | 24   | -             | -             | -                                   | -                   | -              | -                         | -            |
| Treasury shares transactions                                      | 23   | -             | -             | -                                   | -                   | -              | -                         | -            |
| <b>Total transactions with owners in their capacity as owners</b> |      | -             | -             | -                                   | -                   | -              | -                         | -            |
| <b>31 December 2019</b>                                           |      | 75 004        | 363 232       | 7 414                               | (79 023)            | <b>366 627</b> | 19 184                    | 385 811      |

| NOK 1 000                                                         | Note | Share capital | Share premium | Other equity                        |                     | Total           | Non-controlling interests | Total equity |
|-------------------------------------------------------------------|------|---------------|---------------|-------------------------------------|---------------------|-----------------|---------------------------|--------------|
|                                                                   |      |               |               | Accumulated translation differences | Accumulated deficit |                 |                           |              |
| <b>31 December 2017</b>                                           |      | 66 736        | 371 557       | 7 047                               | (61 704)            | <b>383 636</b>  | -                         | 383 636      |
| Loss for the period                                               |      | -             | -             | -                                   | (36 632)            | <b>(36 632)</b> | 1 231                     | (35 401)     |
| Other comprehensive income                                        |      | -             | -             | 2 247                               | -                   | <b>2 247</b>    | 525                       | 2 772        |
| <b>Total comprehensive loss for the period</b>                    |      | -             | -             | 2 247                               | (36 632)            | <b>(34 385)</b> | 1 756                     | (32 629)     |
| Contributions of equity net of transaction costs                  | 23   | 8 325         | (8 325)       | -                                   | -                   | -               | -                         | -            |
| Acquired non-controlling interests                                | 24   | -             | -             | -                                   | -                   | -               | 17 533                    | 17 533       |
| Treasury shares transactions                                      | 23   | (57)          | -             | -                                   | (295)               | <b>(352)</b>    | -                         | (352)        |
| <b>Total transactions with owners in their capacity as owners</b> |      | 8 268         | (8 325)       | -                                   | (295)               | <b>(352)</b>    | 17 533                    | 17 181       |
| <b>31 December 2018</b>                                           |      | 75 004        | 363 232       | 9 294                               | (98 631)            | <b>348 899</b>  | 19 289                    | 368 188      |

| NOK 1 000                                                         | Note | Share capital | Share premium | Other equity                        |                     | Total           | Non-controlling interests | Total equity |
|-------------------------------------------------------------------|------|---------------|---------------|-------------------------------------|---------------------|-----------------|---------------------------|--------------|
|                                                                   |      |               |               | Accumulated translation differences | Accumulated deficit |                 |                           |              |
| <b>31 December 2016</b>                                           |      | 61 900        | 337 100       | 554                                 | (37 605)            | <b>361 949</b>  | -                         | 361 949      |
| Loss for the period                                               |      | -             | -             | -                                   | (24 166)            | <b>(24 166)</b> | -                         | (24 166)     |
| Other comprehensive income                                        |      | -             | -             | 6 493                               | -                   | <b>6 493</b>    | -                         | 6 493        |
| <b>Total comprehensive loss for the period</b>                    |      | -             | -             | 6 493                               | (24 166)            | <b>(17 673)</b> | -                         | (17 673)     |
| Contributions of equity net of transaction costs                  | 23   | 4 825         | 34 457        | -                                   | -                   | <b>39 282</b>   | -                         | 39 282       |
| Treasury shares transactions                                      | 23   | 11            | -             | -                                   | 68                  | <b>79</b>       | -                         | 79           |
| <b>Total transactions with owners in their capacity as owners</b> |      | 4 836         | 34 457        | -                                   | 68                  | <b>39 361</b>   | -                         | 39 361       |
| <b>31 December 2017</b>                                           |      | 66 736        | 371 557       | 7 047                               | (61 704)            | <b>383 636</b>  | -                         | 383 636      |



## CONSOLIDATED STATEMENT OF CASH FLOWS

| NOK 1 000                                                               | Note  | 2019            | 2018            | 2017             |
|-------------------------------------------------------------------------|-------|-----------------|-----------------|------------------|
| Profit(-loss) before tax                                                |       | 32 588          | (37 511)        | (22 599)         |
| Income tax paid                                                         |       | (11 361)        | (9 262)         | (14 889)         |
| Gain (-) / loss on sale of non-current assets                           |       | (836)           | (1 701)         | (3 269)          |
| Depreciation, amortisation and impairment                               | 14,15 | 63 940          | 82 896          | 60 204           |
| Amortisation of debt issuance cost                                      | 13    | 8 709           | 8 914           | 8 811            |
| Interest expense                                                        |       | 56 942          | 57 562          | 57 179           |
| Unrealized foreign exchange losses                                      |       | (1 586)         | 5 136           | 20 353           |
| Fair value adjustment to derivatives                                    |       | -               | (4 045)         | (4 500)          |
| Gain on derecognition of contingent consideration payable               | 24    | -               | (3 193)         | -                |
| Share of profits of associates                                          | 12    | -               | -               | 413              |
| Change in pension liability                                             | 22    | -               | 367             | (30)             |
| Change in inventory                                                     | 16    | (17 028)        | 2 932           | (10 789)         |
| Change in trade receivables and other receivables                       | 17    | (6 868)         | (19 738)        | 11 014           |
| Change in trade- and other payables                                     | 21    | (13 941)        | 34 076          | (6 143)          |
| <b>Net cash flow from operating activities</b>                          |       | <b>110 559</b>  | <b>116 433</b>  | <b>95 756</b>    |
| Proceeds from sale of property, plant and equipment                     | 7     | 1 731           | 2 642           | 6 836            |
| Payments for property, plant and equipment                              | 15    | (33 589)        | (41 164)        | (34 706)         |
| Payments for acquisition of subsidiaries, net of cash acquired          | 20,24 | (18 894)        | (34 261)        | (82 416)         |
| Payments for shares in investment accounted for using the equity method | 26    | -               | -               | -                |
| Interest received                                                       |       | 324             | 343             | 136              |
| <b>Net cash flow from investing activities</b>                          |       | <b>(50 428)</b> | <b>(72 440)</b> | <b>(110 150)</b> |
| Proceeds from bank borrowings, net of debt issuance cost                | 20    | 48 073          | 51 414          | 79 452           |
| Repayment of bank borrowings and liabilities                            | 20,24 | (38 000)        | (14 742)        | (37 313)         |
| Interest paid                                                           |       | (52 595)        | (51 911)        | (53 397)         |
| Lease payments                                                          | 11,20 | (15 867)        | (15 584)        | (12 916)         |
| Acquisition of treasury shares                                          | 23    | -               | (330)           | (1 421)          |
| Sale of treasury shares                                                 | 23    | -               | -               | 1 501            |
| <b>Net cash flow from financing activities</b>                          |       | <b>(58 389)</b> | <b>(31 153)</b> | <b>(24 094)</b>  |
| Cash at the beginning of the period                                     | 18    | 62 355          | 47 482          | 84 092           |
| Net increase in cash                                                    |       | 1 743           | 12 840          | (38 488)         |
| Effects of exchange rate changes on cash                                |       | (1 912)         | 2 033           | 1 879            |
| <b>Cash at the end of the period</b>                                    |       | <b>62 186</b>   | <b>62 356</b>   | <b>47 482</b>    |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: General information

Hansen Protection ASA (a Norwegian public limited company) owns all the shares in Protection AS and is the ultimate parent company. At the end of 2019, Hansen Protection ASA and its subsidiaries ("the Group") consists of the ultimate parent company Hansen Protection ASA (the Company), and its subsidiaries as described in the table below.

Hansen Protection ASA owns 100 per cent of the shares in Protection AS, while Protection AS owns 100 per cent of the shares in Hansen Protection AS. Remaining subsidiaries in the Group are fully owned by Hansen Protection AS. The headquarters is located at Tykkemyr 27, Moss.

| Company name                 | Location    | Ownership |
|------------------------------|-------------|-----------|
| Hansen Protection ASA        | Norway      |           |
| Protection AS                | Norway      | 100 %     |
| Hansen Protection AS         | Norway      | 100 %     |
| Biardo Survival Suits BV     | Netherlands | 100 %     |
| Hansen Protection Canada Ltd | Canada      | 100 %     |
| Lyngsøe Rainwear Aps         | Denmark     | 100 %     |
| Hansen Protection AB         | Sweden      | 100 %     |
| HeliPPE Holding ApS          | Denmark     | 50 %      |

Hansen Protection AS primarily engages in the design, manufacturing and distribution (both rental and sales) of a range of personal protective equipment (PPE), which encompasses all protective gear, wearable equipment and clothing used in high risk work environments to ensure safety for employees. While the overall PPE market

is significant and comprises a wide variety of product types such as hand protection, fall protection, protective footwear, hearing protection and various protective wear, Hansen Protection primarily specialises in advanced coated textile technology for the application in harsh environment survival and transportation suits. Hansen Protection ASA and Protection AS were incorporated in 2013. In 2013, Protection AS acquired the shares in Hansen Protection AS. Biardo Survival Suits BV (Biardo) was acquired by Hansen Protection AS in 2014. Biardo is a specialist in rental, maintenance and sales of survival suits and lifejackets in the Netherlands. In 2017 Hansen Protection AS acquired all of the shares in Lyngsøe Rainwear Aps (Lyngsøe), a company based in Denmark producing and selling rainwear that protects workers in harsh- and high-risk environments, and Hansen Protection AB (former Divelife AB), a supplier of ocean rescue systems based in Sweden. HeliPPE Holding ApS was acquired in June 2018. The company is located in Esbjerg, Denmark and its main business is renting out survival suits and protective equipment for the offshore wind industry. Through the shareholder agreement Hansen Protection AS has been provided with a "golden share" which effectively gives the deciding vote at any Board meetings, EGMs or AGMs, thus ensuring full control of the entity.

Hansen Protection Canada Ltd is currently a dormant company with no business activities.

All figures described in the notes are in NOK thousands unless otherwise stated.

### NOTE 2: Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Group consisting of Hansen Protection ASA and its subsidiaries (the Group).

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS, as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, as modified by financial assets and financial liabilities (including derivative instruments and contingent consideration) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree

of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The consolidated financial statements have been prepared on a going-concern basis.

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### 2.2 Consolidation policies

##### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.



Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

#### *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 14.

#### **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operation decision makers have been identified as the Chief Executive Officer and the Board of Directors which assesses the financial performance and position of the Group, and makes strategic decisions.

#### **2.4 Foreign currency translation**

##### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Each subsidiary in the Group use their local currency as the functional currency. The consolidated financial statements are presented in Norwegian kroner (NOK), which is the Group's presentation currency.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to bank borrowings are presented in the statement of profit or loss, within finance costs. Foreign exchange gains and losses related to operations are presented in the statement of profit or loss within 'Other (gains)/ losses – net'.

##### *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### **2.5 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, discounts and amounts collected on behalf of third parties.

The Group recognises revenue when the performance obligations in the contracts with customers are delivered. Specific criteria have been established for each of the Group's revenue generating activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The specific accounting policies for the Group's main revenue generating activities are as follows:

##### *Personal Protection*

This segment consists of sale and rental income for suits to the offshore-, windfarm- and shipping industry. The revenue from sale of suits is recognised when control of the goods has transferred, being when the goods are delivered to the customer (shipped from stock). A receivable is recognised when the goods are delivered

as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rental of suits is recognised on a straight line basis over the lease period. If the services rendered by the company exceed the payment, a contract asset is recognised.

#### *Protective Rainwear*

This segment consists of sale of rainwear and other technical apparel to the professional industry. Revenue is recognised when control of the goods has transferred, being when the goods are delivered to the customer (shipped from stock). A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

It is the Group's policy to sell these products to the customer with a right of return within one year. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). The number of products returned has been steady for years, and the impact is considered immaterial for the financial statements. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no liability nor a right to the returned goods are recognised for the products expected to be returned. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

#### *Boat Canopies & Textile Solutions*

This segment consists of sale of customized products, to both private consumers and professional industry. Revenue is recognised when control of the goods has transferred, being when the goods are delivered to the customer (shipped from stock). A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### 2.6 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 2.7 Leases

Lease contracts where the Group is a lessee are capitalised as a right-of-use asset. Upon commencement of the lease the right-of-use asset and lease liability is recognised at cost, being the present value of the lease payments in the contract as defined by IFRS 16 in addition to initial direct costs. The Group applies the incremental borrowing rate in discounting the future lease payments.

The right-of-use asset acquired under leases is depreciated over the asset's useful life or the lease term, if shorter, if the lease does not transfer ownership at the end of the lease term, or there is no purchase option that is in the money. The right-of-use asset is tested for impairment for similar assets owned by the entity.

The lease liability is subsequently increased by the effective interest in the lease, and reduced by payments made. The lease liability is also reassessed subsequently if the payments or the interest rate changes. The change in liability is added to or deducted from the right-of-use asset.

### 2.8 Business combinations

The acquisition method of accounting is used to account for all business combinations subsequent to the IFRS transition date which is 1 January 2015, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group, and
- fair value of any asset or liability resulting from a contingent consideration arrangement

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity

on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the;

- consideration transferred, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. The interest element in the discounted financial liability is expensed as a finance expense while other changes in fair value of the contingent consideration is recognised and included in Other gains/(losses) – net.

## 2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.10 Cash

For the purpose of presentation in the statement of cash flows, cash includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## 2.11 Trade receivables and contract assets

Trade receivables and contract assets are initially measured at transaction price and subsequently measured at amortised cost using the effective interest method, less provision for expected credit loss. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 45 days and therefore are all classified as current. Trade receivables are

recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 4 for a description of the Group's impairment policies.

## 2.12 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Self-manufactured finished goods are valued at the full production cost. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Abnormal amounts of idle facility expense, freight, handling costs, and wasted materials are recognised as expense in the current period. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2.13 Financial assets

The Group classifies its financial assets to be measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Assets measured at amortised cost includes 'receivables', 'trade receivables and other receivables' and 'cash' in the balance sheet (see Notes 2.10 and 2.18).

## Impairments

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 4 for further details.

## 2.14 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Groups' derivative instruments which consist of interest rate swaps

do not qualify for hedge accounting. Changes in the fair value are recognised immediately in profit or loss and are included in Other (gains)/losses – net.

The full fair value of the derivative is classified as a non-current asset or liability. See Note 4 for further information.

## 2.15 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation is calculated using the straight-line method to allocate costs over their estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

## 2.16 Intangible assets

### Goodwill

Goodwill is measured as described in Note 14. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 6).

### Customer relationships

Customer relationship acquired in business combinations are recognised in the balance sheet at fair value at the time of acquisition. The customer relationships have a limited useful life and are stated at acquisition cost less accumulated amortisation.

### Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. They have an indefinite useful life and are subsequently carried at cost less any impairment losses.

### Patents

Separately acquired patents are shown at historical cost. Patents

acquired in a business combination are recognised at fair value at the acquisition date. They have a definite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

## 2.17 Research and development

Research expenditure and development expenditure are recognised as an expense as incurred.

## 2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 2.20 Employee benefits

### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as trade and other payables in the balance sheet.



## *Post employment obligations*

The group operates two types of post-employment schemes, both defined benefit and defined contribution plan. Hansen Protection AS, which is a Norwegian company, is required to have a pension scheme pursuant to the Mandatory Occupational Pension Act, and the collective scheme in this company was converted from a defined benefit to a defined contribution plan in 2014. Those who were sick or partially disabled at the time of the conversion were not transferred to the new scheme, and the company has the original defined benefit plan for these individuals.

The groups' pension schemes meet the requirements of the law on compulsory occupational pension.

## *Defined benefit plan*

The liability or asset recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of covered bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in accumulated deficit in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

## *Defined contribution plan*

For the defined contribution plan, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## **2.21 Contributed equity and treasury shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are accounted for as a reduction of other equity at cost. Treasury shares held for all periods presented are immaterial and does not impact earnings per share.

## **2.22 Earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year and excluding treasury shares

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## NOTE 3: Estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period when the changes occurred, if they only apply to that period. If the changes also apply to future periods, the effect will be distributed between the current period and future periods.

Detailed information about each of these estimates and judgements is included in Note 14 and Note 24 together with information about the basis of calculation for each affected line item in the financial statements.

### Business combination and Purchase Price Allocation (PPA)

The Group has completed several business combinations during the last financial periods. See Note 24 for further details. In order to account for the business combinations and identify the fair value of the underlying assets and liabilities following IFRS 3, management has used significant judgement as the basis for the calculation of fair value. The excess over the fair value of the net identifiable assets acquired is recognised as goodwill.

In order to calculate the fair value of the intangible assets in the acquired companies, the expected future cash flows have been reconciled to the purchase price of the acquired companies. The reconciliation is performed via a Business Enterprise Valuation

(BEV). Intangible assets related to customer relationships and trademark have been valued using the Multi-Period Excess Earnings Method (MEEM) and Relief From Royalty Method (RFR), respectively. The methods are assumed to be appropriate for the type of assets being valued (MEEM for customer relationships and RFR for Trademarks).

Important and sensitive assumptions used requiring significant judgement by management for the calculation of fair values using the above methods are:

- Remaining useful lifetime of customer relationships is 5 years.
- Revenue growth and EBITDA margins are based on the growth and margins from the BEV of the respective companies.
- In the MEEM approach for customer relationships, Contributory Asset Charges (CACs) are deducted from the estimated EBITDA at attributable to customer relationships. The included CACs are related to net working capital, tangible fixed assets, trademarks technology and assembled workforce.

### Impairment of goodwill and intangible assets

The Group tests annually whether goodwill and intangible assets has suffered any impairment, in accordance with the accounting policy stated in Note 2.16. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. In calculating value in use, budgeted cash flows and estimated terminal values for future cash flows are used. In calculating the present value of future cash flows, the most critical assumptions which requires significant judgements are discount rate, revenues growth and future expenses. See Note 14 for details related to the estimates and sensitivity calculations.

## NOTE 4: Financial risk management

The Group is exposed through its business to a number of financial risks. The corporate routines for risk management focus on the unpredictability of the financial markets, and endeavor to minimise potential negative effects arising from the Group's financial positions.

### Market risk

#### Currency risk

Currency risk arises from transactions related to operations, asset or liabilities which are conducted in a currency other than its functional currency. Hansen Protection ASA's subsidiaries are using their local currencies as functional currency being NOK, SEK, DKK, and EUR. Revenue and cost transactions are carried out mainly in the same currency, which reduces the currency risk.

However, since the Group's overall financial reporting is NOK, currency fluctuations in SEK, DKK, and EUR in relation to NOK affect overall revenue and financial position. In addition, Hansen Protection ASA and Hansen Protection AS have bank borrowings in EUR while the functional currency for these entities is NOK. Based on exposure mentioned the Group assesses that historical fluctuations

in NOK/EUR has the most significant impact on the financial reporting in regards to the financial instruments. The Group is currently and for the periods presented, not engaged in any currency hedging activities. The table below summarizes the impact a change in NOK/EUR will have in the statement of profit or loss from the translation of the borrowing balance at 31 December. The analysis is based on the assumption that the foreign exchange rate increase or decrease 10 per cent, with all other variables held constant.

### Impact on profit or loss

| NOK 1 000             | 2019     | 2018     | 2017     |
|-----------------------|----------|----------|----------|
| NOK/EUR exchange rate |          |          |          |
| - decrease 10 %       | 36 270   | 34 658   | 30 423   |
| NOK/EUR exchange rate |          |          |          |
| - increase 10 %       | (36 270) | (34 658) | (30 423) |

### Interest rate risk

The Group's interest rate risk arises because of long-term bank borrowings. Debt issued based on variable interest rates mean that



the Group is exposed to interest rate risk affecting cash flow. Up to September 30, 2018 the Company managed interest rate risk related to cash flow by using interest rate swaps that converted floating rates to fixed rates. The interest rate swaps were not renewed due to the expectation of a refinancing of the Group's debt in the event of an IPO.

The derivatives consisting of interest rate swaps do not qualify for hedge accounting. Please see Note 2.14 for further information.

If interest rates on bank borrowings and bank deposits on average had been 100 basis points higher / lower during the year, given that all other variables had been held constant, profit after tax would have been NOK 6 968 lower/higher (2018: 5 885, 2017: 6 016). Effect on profit is mainly due to higher / lower interest rates on loans entered into with variable interest rates without hedging.

## Credit Risk

Credit risk arises from, among other cash and deposits with banks and financial institutions. In addition risk occurs through exposure to customers, including outstanding receivables and contracted transactions.

For banks and financial institutions, only well-established independent parties are accepted.

The Group has limited credit risk relating to one individual contracting party except for one customer which is a well reputable company for which the credit risk is assessed to be low.

In order to reduce the credit risk the Group has guidelines to ensure that sales are made only to customers with high credit rating. Customers having low credit rating have to prepay for goods and services provided by the Group.

## Credit quality of financial assets

All new customers are being assessed for credit risk before payments and delivery terms are being offered. As at 31 December the ageing of the Group's accounts receivables is as follows:

### Trade receivables

| NOK 1 000                  | 2019          | 2018          | 2017          |
|----------------------------|---------------|---------------|---------------|
| Not overdue                | 46 428        | 38 957        | 34 685        |
| Overdue less than 1 month  | 9 886         | 9 994         | 2 539         |
| Overdue 1-2 months         | 1 952         | 2 250         | 8             |
| Overdue more than 2 months | 2 517         | 1 319         | 388           |
| <b>Total</b>               | <b>60 783</b> | <b>52 520</b> | <b>37 621</b> |

There are no overdue and not impaired accounts receivables as of 31 December.

## Impairment of financial assets

Trade receivables and contract assets are subject to the expected credit loss model.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk

characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Accounts receivable and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group. Provisions for losses are considered to cover the actual losses that are expected in relation to accounts receivables and contract assets.

The closing loss allowances for trade receivables and contract assets as at 31 December 2019 reconcile to the opening loss allowances as follows:

### Loss allowances for trade receivables and contract assets

| NOK 1 000                                                                    | 2019         | 2018         | 2017         |
|------------------------------------------------------------------------------|--------------|--------------|--------------|
| <b>1 January</b>                                                             | <b>1 601</b> | <b>1 561</b> | <b>700</b>   |
| Increase in loan loss allowance recognised in profit or loss during the year | 1 008        | 105          | 861          |
| Receivables written off during the period as uncollectable                   | -            | -            | -            |
| Unused amounts reversed                                                      | (885)        | (65)         | -            |
| <b>31 December</b>                                                           | <b>1 724</b> | <b>1 601</b> | <b>1 561</b> |

Impairment losses on trade receivables and contract assets are recognised as other operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

## Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when they mature.

Management monitors rolling cash flow forecasts of the Group's liquidity requirements to ensure that it has a satisfactory level of cash to meet operational needs, as well as at any time maintain a satisfactory margin of the unused loan facility to ensure that the Group is not in breach of the requirements set in the loan agreement. Such estimation of future cash flows takes into account the Group's debt financing plans, loan conditions and compliance with internal requirements ratios in the balance. Excess liquidity in each company, beyond the requirements for working capital, is deposited in interest-bearing accounts with financial institutions. The table below shows the Group's financial loans including interest into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts are agreed undiscounted cash flows.



| <i>NOK 1 000</i>         | Less than 1 year | Between 1 and 5 years | Later than 5 years |
|--------------------------|------------------|-----------------------|--------------------|
| <b>31 December 2019</b>  |                  |                       |                    |
| Borrowings               | 87 084           | 977 156               | -                  |
| Other liabilities        | -                | -                     | -                  |
| Trade and other payables | 60 254           | -                     | -                  |
| Lease liabilities        | 16 205           | 43 811                | 10 477             |
| <b>31 December 2018</b>  |                  |                       |                    |
| Borrowings               | 82 763           | 1 003 433             | -                  |
| Other liabilities        | 18 894           | -                     | -                  |
| Trade and other payables | 73 939           | -                     | -                  |
| Lease liabilities        | 18 351           | 56 684                | 11 118             |
| <b>31 December 2017</b>  |                  |                       |                    |
| Borrowings               | 60 868           | 1 013 832             | -                  |
| Other liabilities        | 29 069           | 19 261                | -                  |
| Trade and other payables | 38 148           | -                     | -                  |
| Lease liabilities        | 14 830           | 44 881                | 11 716             |

**Debt covenants**

The Group's loan agreements include certain conditions related to interest cover rate, net interest-bearing liabilities / EBITDA, and capital expenditure. These ratios are measured quarterly on a 12 month rolling basis for Protection AS, Hansen Protection AS and its subsidiaries. In addition, there are covenants at the Protection International Sarl (majority shareholder) related to the Investec facility. The company met all the loan covenants as at 31 December 2019.

**Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide

returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**Net debt at 31 December were as follows:**

| <i>NOK 1 000</i>          | 2019           | 2018           | 2017           |
|---------------------------|----------------|----------------|----------------|
| Bank borrowings (Note 20) | 965 457        | 958 377        | 911 786        |
| Cash (Note 18)            | (62 186)       | (62 356)       | (47 482)       |
| <b>Net debt</b>           | <b>903 271</b> | <b>896 021</b> | <b>864 304</b> |

## NOTE 5: Financial assets and financial liabilities

**Financial instruments by category**
**31 December 2019:**

| <i>NOK 1 000</i>                                   | Fair value through profit or loss | Assets at amortised cost | Total   |
|----------------------------------------------------|-----------------------------------|--------------------------|---------|
| <b>Financial assets</b>                            |                                   |                          |         |
| Trade and other receivables excluding pre-payments | -                                 | 68 523                   | 68 523  |
| Cash and cash equivalents                          | -                                 | 62 186                   | 62 186  |
| <b>Total</b>                                       | -                                 | 130 709                  | 130 709 |

**31 December 2019:**

| <i>NOK 1 000</i>                                             | Fair value through profit or loss | Liabilities at amortised cost | Total     |
|--------------------------------------------------------------|-----------------------------------|-------------------------------|-----------|
| <b>Financial liabilities</b>                                 |                                   |                               |           |
| Bank borrowings                                              | -                                 | 965 457                       | 965 457   |
| Derivative financial instruments                             | -                                 | -                             | -         |
| Other liabilities (note 20 and 24)                           | -                                 | -                             | -         |
| Trade and other payables excluding non-financial liabilities | -                                 | 60 254                        | 60 254    |
| <b>Total</b>                                                 | -                                 | 1 025 711                     | 1 025 711 |

**31 December 2018:**

NOK 1 000

|                                                    | Fair value through<br>profit or loss | Assets at<br>amortised cost | Total   |
|----------------------------------------------------|--------------------------------------|-----------------------------|---------|
| <b>Financial assets</b>                            |                                      |                             |         |
| Trade and other receivables excluding pre-payments | -                                    | 65 322                      | 65 322  |
| Cash and cash equivalents                          | -                                    | 62 356                      | 62 356  |
| <b>Total</b>                                       | -                                    | 127 678                     | 127 678 |

**31 December 2018:**

NOK 1 000

|                                                              | Fair value through<br>profit or loss | Liabilities at<br>amortised cost | Total     |
|--------------------------------------------------------------|--------------------------------------|----------------------------------|-----------|
| <b>Financial liabilities</b>                                 |                                      |                                  |           |
| Bank borrowings                                              | -                                    | 958 387                          | 958 387   |
| Derivative financial instruments                             | -                                    | -                                | -         |
| Other liabilities                                            | 18 894                               | -                                | 18 894    |
| Trade and other payables excluding non-financial liabilities | -                                    | 73 939                           | 73 939    |
| <b>Total</b>                                                 | 18 894                               | 1 032 326                        | 1 051 220 |

**31 December 2017:**

NOK 1 000

|                                                    | Fair value through<br>profit or loss | Loans and<br>receivables | Total  |
|----------------------------------------------------|--------------------------------------|--------------------------|--------|
| <b>Financial assets</b>                            |                                      |                          |        |
| Trade and other receivables excluding pre-payments | -                                    | 45 075                   | 45 075 |
| Cash and cash equivalents                          | -                                    | 47 482                   | 47 482 |
| <b>Total</b>                                       | -                                    | 92 557                   | 92 557 |

**31 December 2017:**

NOK 1 000

|                                                              | Fair value through<br>profit or loss | Liabilities at<br>amortised cost | Total   |
|--------------------------------------------------------------|--------------------------------------|----------------------------------|---------|
| <b>Financial liabilities</b>                                 |                                      |                                  |         |
| Bank borrowings                                              | -                                    | 911 786                          | 911 786 |
| Derivative financial instruments                             | 4 045                                | -                                | 4 045   |
| Other liabilities                                            | 45 758                               | -                                | 45 758  |
| Trade and other payables excluding non-financial liabilities | -                                    | 32 927                           | 32 927  |
| <b>Total</b>                                                 | 49 803                               | 944 713                          | 994 516 |

**Derivative financial instruments**

NOK 1 000

|                                                     | 2019 | 2018 | 2017  |
|-----------------------------------------------------|------|------|-------|
| <b>Interest rate swaps carrying value liability</b> |      |      |       |
| Non-current items                                   | -    | -    | 4 045 |
| Current items                                       | -    | -    | -     |
| <b>Total</b>                                        | -    | -    | 4 045 |

The carrying amount of trade receivables, other receivables and other liabilities is a reasonable approximation of fair value.

Derivatives are classified as held for trading and accounted for at fair value (MTM) through profit or loss.

The Group's accounting policy for its derivative financial instruments is set out in Note 2.14.



## Interest rate swaps

For all periods presented the fair values in the table below represent a liability (NOK 1 000):

NOK 1 000

| 2017 | Principal amount | Currency | Start date       | Mature date       | Fixed rate | MTM            |
|------|------------------|----------|------------------|-------------------|------------|----------------|
|      | 219 285          | NOK      | 29 December 2017 | 28 September 2018 | 2,090 %    | (2 021)        |
|      | 219 285          | NOK      | 17 July 2014     | 28 September 2018 | 2,090 %    | (2 024)        |
|      | <b>438 570</b>   |          |                  |                   |            | <b>(4 045)</b> |

## Fair value measurement

The following table presents the Groups' financial assets and liabilities that are measured at fair value:

### Financial assets/liabilities(-) at fair value through profit or loss, 31 December:

| NOK 1 000           | Level 1 | Level 2 | Level 3 | Total   |
|---------------------|---------|---------|---------|---------|
| <b>2017</b>         |         |         |         |         |
| Interest rate swaps | -       | (4 045) | -       | (4 045) |

There were no transfers between the levels during the year. The Group assesses and selects methods and assumptions that are mainly based on market conditions at each reporting date. Fair value of financial instruments not traded in an active market are determined by using the credit institution's estimated value of the instrument (MTM value). The different levels have been defined as follows:

#### (a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

#### (b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

#### (c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include: Quoted market prices or dealer quotes for similar instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

## NOTE 6: Segment information

### General

The Group's principal segment is Personal Protection, which encompasses rental and sales of advanced transportation-, SAR (Search and Rescue)- and other work- and niche survival suits for the use in harsh marine environments. The main industrial end-markets by this segment include oil & gas and related services, wind, shipping, SAR services and other.

The Protective Rainwear segment includes sale of products, which includes a broad range of insulated-, flame retardant-, hi-tech- and basic protective rainwear for harsh working environments. The main industrial end-markets by this segment include construction, oil & gas, agriculture and forestry, wind and other.

Boat Canopies and Textile Solutions consists of design, manufacturing and distribution of coated and customised textile solutions, used in niche markets with overlapping material and design/construction needs. The primary application areas for these products are leisure boat canopies and seating solutions, textile tanks for

agricultural applications and textile solutions for the defense industry.

The Group's chief operating decision makers (CODM) are the Board of Directors and the Chief Executive Officer. The CODM is responsible for allocating resources and assessing the performance of the segments.

The Group's performance is reviewed by the CODM by product category. The "Group functions and other" column relates to other business activities such as unallocated items.

The CODM primarily uses revenues and a measure of earnings before interest, tax and amortisation (EBITA, see below) to assess the performance of the operating segments. However, the CODM also receives information about the segments' revenue and the consolidated balance sheet of the Group on a monthly basis. Balance sheet items, including depreciation and amortisation, per segment, is not information provided to the CODM.



## Operating segment information

### Financial year 2019

| <i>NOK 1 000</i>          | Personal<br>Protection | Protective<br>Rainwear | Boat Canopies and<br>Textile Solutions | Group functions<br>and other | Total          |
|---------------------------|------------------------|------------------------|----------------------------------------|------------------------------|----------------|
| <b>Revenue</b>            |                        |                        |                                        |                              |                |
| Revenue from services     | 211 942                | -                      | -                                      | -                            | <b>212 515</b> |
| Revenue from products     | 83 695                 | 100 814                | 55 367                                 | -                            | <b>239 876</b> |
| Income from other sources | 836                    | -                      | -                                      | 1 769                        | <b>2 032</b>   |
| <b>Total revenue</b>      | <b>296 473</b>         | <b>100 814</b>         | <b>55 367</b>                          | <b>1 769</b>                 | <b>454 423</b> |

EBITA<sup>1</sup> and gross profit reconciles to profit before tax as follows:

| <i>NOK 1 000</i>                | Personal<br>Protection | Protective<br>Rainwear | Boat Canopies and<br>Textile Solutions | Group functions<br>and other | Total          |
|---------------------------------|------------------------|------------------------|----------------------------------------|------------------------------|----------------|
| <b>EBITA<sup>1</sup></b>        | <b>100 230</b>         | <b>22 958</b>          | <b>11 390</b>                          | <b>(7 405)</b>               | <b>127 173</b> |
| Amortisation and impairment     | -                      | -                      | -                                      | 24 534                       | <b>24 534</b>  |
| Other gains/(losses) -net       | -                      | -                      | -                                      | (2 075)                      | <b>(2 075)</b> |
| Finance income <sup>2</sup>     | -                      | -                      | -                                      | 10 107                       | <b>10 107</b>  |
| Finance expenses <sup>2</sup>   | -                      | -                      | -                                      | 78 083                       | <b>78 083</b>  |
| <b>Profit/(loss) before tax</b> |                        |                        |                                        |                              | <b>32 588</b>  |

### Financial year 2018

| <i>NOK 1 000</i>          | Personal<br>Protection | Protective<br>Rainwear | Boat Canopies and<br>Textile Solutions | Group functions<br>and other | Total          |
|---------------------------|------------------------|------------------------|----------------------------------------|------------------------------|----------------|
| <b>Revenue</b>            |                        |                        |                                        |                              |                |
| Revenue from services     | 188 571                | -                      | -                                      | -                            | <b>188 571</b> |
| Revenue from products     | 78 272                 | 87 493                 | 57 350                                 | -                            | <b>223 115</b> |
| Income from other sources | 1 101                  | -                      | -                                      | 1 847                        | <b>2 948</b>   |
| <b>Total revenue</b>      | <b>267 944</b>         | <b>87 493</b>          | <b>57 350</b>                          | <b>1 847</b>                 | <b>414 634</b> |

EBITA<sup>1</sup> and gross profit reconciles to profit before tax as follows:

| <i>NOK 1 000</i>                | Personal<br>Protection | Protective<br>Rainwear | Boat Canopies and<br>Textile Solutions | Group functions<br>and other | Total           |
|---------------------------------|------------------------|------------------------|----------------------------------------|------------------------------|-----------------|
| <b>EBITA<sup>1</sup></b>        | <b>83 964</b>          | <b>24 517</b>          | <b>13 192</b>                          | <b>(41 202)</b>              | <b>80 471</b>   |
| Amortisation and impairment     | -                      | -                      | -                                      | 45 292                       | <b>45 292</b>   |
| Other gains/(losses) -net       | -                      | -                      | -                                      | 2 778                        | <b>2 778</b>    |
| Finance income <sup>2</sup>     | -                      | -                      | -                                      | 16 509                       | <b>16 509</b>   |
| Finance expenses <sup>2</sup>   | -                      | -                      | -                                      | 91 977                       | <b>91 977</b>   |
| <b>Profit/(loss) before tax</b> |                        |                        |                                        |                              | <b>(37 511)</b> |



## 32 Notes to the consolidated financial statements

Hansen Protection ASA Annual report 2019

### Financial year 2017

| NOK 1 000                 | Personal Protection | Protective Rainwear | Boat Canopies and Textile Solutions | Group functions and other | Total          |
|---------------------------|---------------------|---------------------|-------------------------------------|---------------------------|----------------|
| <b>Revenue</b>            |                     |                     |                                     |                           |                |
| Revenue from services     | 160 978             | -                   | -                                   | -                         | <b>160 978</b> |
| Revenue from products     | 84 046              | 5 445               | 52 241                              |                           | <b>141 732</b> |
| Income from other sources | 3 272               | -                   | -                                   | 1 997                     | <b>5 269</b>   |
| <b>Total revenue</b>      | <b>248 296</b>      | <b>5 445</b>        | <b>52 241</b>                       | <b>1 997</b>              | <b>307 979</b> |

EBITA<sup>1</sup> and gross profit reconciles to profit before tax as follows:

| NOK 1 000                       | Personal Protection | Protective Rainwear | Boat Canopies and Textile Solutions | Group functions and other | Total           |
|---------------------------------|---------------------|---------------------|-------------------------------------|---------------------------|-----------------|
| <b>EBITA<sup>1</sup></b>        | <b>82 762</b>       | <b>-199</b>         | <b>11 792</b>                       | <b>(4 166)</b>            | <b>90 189</b>   |
| Amortisation and impairment     | -                   | -                   | -                                   | 31 551                    | <b>31 551</b>   |
| Other gains/(losses) -net       | -                   | -                   | -                                   | 162                       | <b>162</b>      |
| Finance income <sup>2</sup>     | -                   | -                   | -                                   | 6 758                     | <b>6 758</b>    |
| Finance expenses <sup>2</sup>   | -                   | -                   | -                                   | 88 156                    | <b>88 156</b>   |
| <b>Profit/(loss) before tax</b> |                     |                     |                                     |                           | <b>(22 599)</b> |

### Geographical information

| NOK 1 000                                         | Norway  | Sweden | Denmark | Netherlands | Rest of Europe | Rest of the world | Total          |
|---------------------------------------------------|---------|--------|---------|-------------|----------------|-------------------|----------------|
| <b>Financial year 2019</b>                        |         |        |         |             |                |                   |                |
| Revenue and other income                          | 261 086 | 17 318 | 42 308  | 39 176      | 69 516         | 25 019            | <b>454 423</b> |
| Property, plant and equipment assets <sup>3</sup> | 114 563 | 18     | 28 777  | 15 651      | -              | -                 | <b>159 009</b> |
| <b>Financial year 2018</b>                        |         |        |         |             |                |                   |                |
| Revenue and other income                          | 243 188 | 21 780 | 32 223  | 35 320      | 62 285         | 19 839            | <b>414 635</b> |
| Property, plant and equipment assets <sup>3</sup> | 117 085 | 36     | 23 865  | 15 209      | -              | -                 | <b>156 194</b> |
| <b>Financial year 2017</b>                        |         |        |         |             |                |                   |                |
| Revenue and other income                          | 233 388 | 13 623 | 12 592  | 18 962      | 14 653         | 14 761            | <b>307 979</b> |
| Property, plant and equipment assets <sup>3</sup> | 112 327 | 2 359  | 6 049   | 8 653       | -              | -                 | <b>129 388</b> |

1) For further information about EBITA, please see Appendix.

2) Finance income and expenses are not allocated to segments, as this type of activity is derived by the central treasury function, which manages the cash position of the Group.

3) Non-current tangible assets other than financial instruments and deferred tax assets.



## NOTE 7: Revenue and other income

The Group has recognised the following amounts relating to revenue in the statement of profit or loss:

| NOK 1 000                                     | 2019           | 2018           | 2017           |
|-----------------------------------------------|----------------|----------------|----------------|
| <b>Revenue from contract with customers</b>   |                |                |                |
| Revenue from services                         | 212 515        | 188 571        | 160 978        |
| Revenue from products                         | 239 876        | 223 115        | 141 732        |
| <b>Other income</b>                           |                |                |                |
| Gain on sale of property, plant and equipment | 876            | 1 701          | 3 272          |
| Revenue from sub-lease of premises            | 1 142          | 1 045          | 1 058          |
| Other                                         | 14             | 203            | 939            |
| <b>Total</b>                                  | <b>454 423</b> | <b>414 635</b> | <b>307 979</b> |

### Gain on sale of property, plant and equipment

Relates primarily to sale of second-hand offshore rental-suits classified as property, plant and equipment.  
See note 15 for further information on the disposals during the year.

### Income from sub-lease of premises

Relates among other to sub-lease of premises at the headquarters in Moss and has been treated as operating lease.

The Group has the following revenue-related contract assets recognised in the balance sheet at period end:

| NOK 1 000                                           | 2019  | 2018   | 2017  |
|-----------------------------------------------------|-------|--------|-------|
| Current contract assets relating to rental of suits | 9 349 | 10 195 | 8 409 |

There are no contract liabilities recognised in the balance sheet

### Accounting policies and significant judgements

Please see note 2.5 for information about the accounting policies for the Groups main type of revenue.

### Financing components

The Group has from time to time contracts where the period between the transfer of the promised goods or service to the customer and payment by the customer exceeds one year. Such receivables are recognised in the balance sheet at fair value. The interest element in the discontinued financial receivable is included as financial income.

## NOTE 8: Payroll and other personnel expenses

| NOK 1 000                  | 2019          | 2018          | 2017          |
|----------------------------|---------------|---------------|---------------|
| Wages and salaries         | 76 391        | 74 222        | 57 692        |
| Social security tax        | 9 948         | 9 190         | 8 015         |
| Pension cost (see note 21) | 3 911         | 3 377         | 3 044         |
| Other payroll costs        | 2 785         | 2 498         | 2 377         |
| <b>Total</b>               | <b>93 035</b> | <b>89 287</b> | <b>71 128</b> |

|                                                       |     |     |     |
|-------------------------------------------------------|-----|-----|-----|
| Average number of full time employees during the year | 142 | 138 | 131 |
|-------------------------------------------------------|-----|-----|-----|



## NOTE 9: Remuneration of the board of directors and executive management

### Remuneration of the Board of Directors

| NOK 1 000            |                       | 2019       | 2018       | 2017       |
|----------------------|-----------------------|------------|------------|------------|
| Name                 | Position              |            |            |            |
| Amund Skarholt       | Chair                 | 390        | 293        | 360        |
| Thomas Astrup Klitbo | Director              | 130        | 98         | 120        |
| Carine Engen         | Director <sup>1</sup> | 65         | -          | -          |
| Wenche Kjølås        | Director <sup>2</sup> | 163        | -          | -          |
| Peter Svarrer        | Director <sup>3</sup> | -          | 98         | 120        |
| Steffen Melgaard     | Director <sup>4</sup> | -          | -          | 60         |
| <b>Total</b>         |                       | <b>748</b> | <b>489</b> | <b>660</b> |

1) From 24 October 2018 until 3 July 2019

2) From 3 July 2019

3) From 16 March 2017 until 24 October 2018

4) From 16 March 2017 until 16 October 2017

### Remuneration to Executive management

| NOK 1 000                       | Wages and<br>salaires | Bonus | Pension<br>expense | Other<br>remunerations | Total benefit<br>to executives |
|---------------------------------|-----------------------|-------|--------------------|------------------------|--------------------------------|
| <b>2019</b>                     |                       |       |                    |                        |                                |
| Terje Gorm Hansen (CEO)         | 2 904                 | 1 078 | 187                | 86                     | 4 255                          |
| Anders Kvame (CFO) <sup>1</sup> | 577                   | -     | 44                 | 3                      | 624                            |
| <b>2018</b>                     |                       |       |                    |                        |                                |
| Terje Gorm Hansen (CEO)         | 3 130                 | 421   | 160                | 10                     | 3 721                          |
| Carine Engen (CFO)              | 1 293                 | -     | 144                | 9                      | 1 446                          |
| <b>2017</b>                     |                       |       |                    |                        |                                |
| Terje Gorm Hansen (CEO)         | 2 779                 | -     | 176                | 10                     | 2 964                          |
| Carine Engen (CFO)              | 1 020                 | -     | 136                | 9                      | 1 165                          |

1) From 1 September 2019

No loans, advances or guarantees have been granted to Executives or Board members.

### The Board of Directors Declaration on salaries and other remuneration for senior management

The board of directors of Hansen Protection ASA will base the determination of salary and other remuneration of the chief executive officer and other members of the senior management on the following guidelines during the coming financial year.

#### General guidelines

The overall objective of the management remuneration policy of Hansen Protection ASA is to attract, retain and motivate employees with the skills, qualifications and experience needed to maximize value creation for the company and its shareholders. Hansen Protection ASA shall offer competitive terms to senior management. Subject to this, the remuneration of the company's senior management shall as far as possible be in line with the market level for remuneration of senior management in comparable companies.

The remuneration of senior management shall not be of a size or nature, which is liable to harm the company's reputation.

The remuneration of the company's senior management may, in addition to a fixed salary, include customary benefits in kind such as car allowance or company car, coverage of telephony and broadband costs, newspaper subscriptions etc.

The remuneration may also include pension and insurance schemes as well as severance pay entitlements.

The board of directors may establish bonus schemes for senior management. The purpose of any bonus scheme shall be to give management an incentive to contribute to value creation in the company.

#### Guidelines for determination of salary and other remuneration for the fiscal year 2019

The key principle for determination of managements' salaries is the sum of base salary and other benefits. This sum shall be competitive. The base salary shall normally be the main component in the managements' salaries and this is determined based on tasks, responsibilities, competence and seniority.

#### Result-based remuneration

The Company has a result-based bonus scheme for management and certain other senior level employees. The arrangement shall contribute to the Company's achievement of key goals and strategies. Bonuses are tied to the Company's results and achievement of agreed personal goals.



The maximum bonus is between 10 and 40 per cent of the individual salary, while the CEO is entitled to a bonus of up to six months' salary.

#### Severance pay

The Company does not have agreements regarding severance pay to management, except for the CEO, who has waived his employment protection in the Working Environment Act against severance pay.

#### Pension schemes

The Company has a defined contribution pension scheme that applies to all employees. The CEO also has an individual agreement regarding early retirement. There are no other agreements regarding early retirement.

There are no pension arrangements for management in the Company's foreign subsidiaries as this is not mandatory under the laws of the relevant countries.

#### Benefits in kind

The Company's management may be granted benefits in kind, such as free phone, at home pc, free internet and newspapers. There are no particular restrictions as to the kind of benefits in kind that may be agreed.

#### Other benefits

It is possible to grant other variable elements of the remuneration or other particular benefits, including special bonuses, than those mentioned above if this is deemed beneficiary to attract and/or retain a manager or is otherwise deemed to benefit the Company.

#### Remuneration policy during the last fiscal year

The remuneration policy for senior management during 2019 has been in accordance with the principles described above. Information on remuneration to senior executive management during 2019 is included in the table above.

## NOTE 10: Other operating expenses

Other operating expenses are split up into the following categories:

| NOK 1 000                                       | 2019          | 2018           | 2017          |
|-------------------------------------------------|---------------|----------------|---------------|
| Sales and distribution costs                    | 39 690        | 36 163         | 25 293        |
| Advertising and marketing costs                 | 5 584         | 4 363          | 3 183         |
| Other costs related to leased facilities        | 3 851         | 2 880          | 2 230         |
| External service provider fees                  | 7 254         | 5 865          | 4 086         |
| Cost for travel and means of transport          | 5 232         | 4 226          | 3 266         |
| Bad debts                                       | 1 008         | (57)           | 831           |
| Professional fees and other restructuring costs | 2 986         | 39 641         | 5 592         |
| Other operating costs                           | 12 818        | 10 073         | 8 600         |
| <b>Total</b>                                    | <b>78 423</b> | <b>103 154</b> | <b>53 081</b> |

Professional fees and other restructuring expenses in 2018 is materially impacted by fees related to due diligence and IPO preparations

No government grants have been recognised in other operation expenses in the three year period from 2017 to 2019

#### Remuneration of the auditor (excl. VAT)

| NOK 1 000                                                           | 2019         | 2018          | 2017       |
|---------------------------------------------------------------------|--------------|---------------|------------|
| Statutory audit (including technical assistance with annual report) | 1 088        | 2 487         | 721        |
| Other assurance services                                            | -            | 60            | 54         |
| Tax services                                                        | 24           | 1 762         | 92         |
| Other assistance                                                    | 260          | 16 997        | -          |
| <b>Total</b>                                                        | <b>1 372</b> | <b>21 305</b> | <b>867</b> |



## NOTE 11: Rent and lease agreements

### Leases – amounts recognised in the balance sheet.

The balance sheet shows the following amounts relating to leases:

#### Right-of-use assets\*

| NOK 1 000          | 2019          | 2018          | 2017          |
|--------------------|---------------|---------------|---------------|
| Properties         | 52 081        | 54 061        | 52 645        |
| Cars and equipment | -             | -             | 232           |
| <b>Total</b>       | <b>52 081</b> | <b>54 061</b> | <b>52 877</b> |

\*Included in the line item 'Property, plant and equipment' in the balance sheet

#### Lease liabilities

| NOK 1 000    | 2019          | 2018          | 2017          |
|--------------|---------------|---------------|---------------|
| Non-current  | 46 408        | 49 232        | 46 820        |
| Current      | 12 693        | 11 612        | 11 282        |
| <b>Total</b> | <b>59 101</b> | <b>60 844</b> | <b>58 102</b> |

Additions to the right-of-use assets during the 2019 financial year were NOK 10 935 (2018: NOK 14 831, 2017: NOK 11 779).

### Leases – amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

#### Depreciation charge of right-of-use assets

| NOK 1 000          | 2019          | 2018          | 2017         |
|--------------------|---------------|---------------|--------------|
| Properties         | 12 556        | 12 341        | 9 769        |
| Cars and equipment | -             | 78            | 49           |
| <b>Total</b>       | <b>12 556</b> | <b>12 419</b> | <b>9 818</b> |

|                                                                                                            |              |              |              |
|------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| <b>Interest expense (included in finance cost)</b>                                                         | <b>3 592</b> | <b>2 359</b> | <b>3 788</b> |
| Expense relating to short-term leases (included in other expenses)                                         | 57           | 104          | 2            |
| Expense relating to leases of low-value assets that are not short-term leases (included in other expenses) | -            | -            | 103          |

The total cash outflow for leases in 2019 was NOK 15 867 (2018: 15 584, 2017: NOK 12 916).

#### The Group's leasing activities and how these are accounted for

The Group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the

lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

#### Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of lease payments.

The lease payments are discounted using the Group's incremental borrowing rate.



Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

#### Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by Group and not by the respective lessor, and the lease term period has been estimated based on the period that is assessed as most probable.

## NOTE 12: Other gains/(losses) - net

| NOK 1 000                                                                    | 2019           | 2018         | 2017       |
|------------------------------------------------------------------------------|----------------|--------------|------------|
| Net foreign exchange gains/(losses) on operations                            | (2 075)        | (893)        | 2 072      |
| Net gain/ (loss) on interest rate swaps                                      | -              | 496          | (1 497)    |
| Share of profit/ (loss) on investments accounted for using the equity method | -              | -            | (413)      |
| Contingent consideration earn-out adjustment from business combinations      | -              | 3 175        | -          |
| <b>Total</b>                                                                 | <b>(2 075)</b> | <b>2 778</b> | <b>162</b> |

## NOTE 13: Financial items

### Finance income

| NOK 1 000                                 | 2019         | 2018       | 2017       |
|-------------------------------------------|--------------|------------|------------|
| <b>Interest income</b>                    |              |            |            |
| Financial institutions                    | 222          | 89         | 52         |
| Other                                     | 158          | 256        | 84         |
| <b>Other financial income</b>             |              |            |            |
| Foreign exchange gains on bank borrowings | 2 956        | -          | -          |
| <b>Total</b>                              | <b>3 336</b> | <b>345</b> | <b>136</b> |

### Finance expenses

| NOK 1 000                                  | 2019            | 2018            | 2017            |
|--------------------------------------------|-----------------|-----------------|-----------------|
| <b>Interest expenses</b>                   |                 |                 |                 |
| Bank borrowings                            | 53 619          | 53 033          | 47 373          |
| Amortization of debt issuance cost         | 8 709           | 8 914           | 8 811           |
| Leasing                                    | 3 535           | 4 741           | 3 788           |
| Other                                      | 436             | 444             | 364             |
| <b>Other financial expenses</b>            |                 |                 |                 |
| Foreign exchange losses on bank borrowings | -               | 4 785           | 20 199          |
| Other financial expenses                   | 5 013           | 3 897           | 1 000           |
| <b>Total finance cost</b>                  | <b>71 312</b>   | <b>75 814</b>   | <b>81 535</b>   |
| <b>Net financial items</b>                 | <b>(67 976)</b> | <b>(75 469)</b> | <b>(81 398)</b> |

Other financial expenses relates to bank charges.



## NOTE 14: Intangible assets

### Intangible assets

| <i>NOK 1 000</i>                        | Goodwill       | Trademarks    | Patents      | Customer relationships | Total            |
|-----------------------------------------|----------------|---------------|--------------|------------------------|------------------|
| <b>At 1 January 2017</b>                |                |               |              |                        |                  |
| Acquisition cost                        | 899 220        | 33 793        | 22 800       | 222 847                | <b>1 178 660</b> |
| Accumulated amortisation and impairment | (424)          | -             | (18 525)     | (131 551)              | <b>(150 500)</b> |
| <b>Carrying amount</b>                  | <b>898 796</b> | <b>33 793</b> | <b>4 275</b> | <b>91 296</b>          | <b>1 028 160</b> |
| <b>31 December 2017</b>                 |                |               |              |                        |                  |
| Opening net book amount                 | 898 796        | 33 793        | 4 275        | 91 296                 | <b>1 028 160</b> |
| Translation differences                 | 1 674          | 556           | -            | 2 164                  | <b>4 394</b>     |
| Acquisition of Lyngsøe Rainwear ApS     | 63 099         | 16 501        | -            | 29 698                 | <b>109 298</b>   |
| Acquisition of Hansen Protection AB     | 10 446         | -             | -            | -                      | <b>10 446</b>    |
| Amortisation                            | -              | -             | (2 850)      | (28 701)               | <b>(31 551)</b>  |
| <b>Closing net book amount</b>          | <b>974 015</b> | <b>50 850</b> | <b>1 425</b> | <b>94 457</b>          | <b>1 120 747</b> |
| <b>At 31 December, 2017</b>             |                |               |              |                        |                  |
| Acquisition cost                        | 974 439        | 50 850        | 22 800       | 254 709                | <b>1 302 798</b> |
| Accumulated amortisation and impairment | (424)          | -             | (21 375)     | (160 252)              | <b>(182 051)</b> |
| <b>Net book amount</b>                  | <b>974 015</b> | <b>50 850</b> | <b>1 425</b> | <b>94 457</b>          | <b>1 120 747</b> |
| <b>31 December 2018</b>                 |                |               |              |                        |                  |
| Opening net book amount                 | 974 015        | 50 850        | 1 425        | 94 457                 | <b>1 120 747</b> |
| Translation differences                 | 279            | 189           | -            | (107)                  | <b>361</b>       |
| Acquisition of HeliPPE Holding Aps      | 26 082         | -             | -            | -                      | <b>26 082</b>    |
| Impairment Hansen Protection AB         | (10 189)       | -             | -            | -                      | <b>(10 189)</b>  |
| Amortisation                            | -              | -             | -1 425       | (33 678)               | <b>(35 103)</b>  |
| <b>Closing net book amount</b>          | <b>990 187</b> | <b>51 039</b> | <b>-</b>     | <b>60 672</b>          | <b>1 101 898</b> |
| <b>At 31 December, 2018</b>             |                |               |              |                        |                  |
| Acquisition cost                        | 1 000 800      | 51 039        | 22 800       | 254 602                | <b>1 329 241</b> |
| Accumulated amortisation and impairment | (10 613)       | -             | (22 800)     | (193 930)              | <b>(227 343)</b> |
| <b>Net book amount</b>                  | <b>990 187</b> | <b>51 039</b> | <b>-</b>     | <b>60 672</b>          | <b>1 101 898</b> |
| <b>31 December 2019</b>                 |                |               |              |                        |                  |
| Opening net book amount                 | 990 187        | 51 039        | -            | 60 672                 | <b>1 101 898</b> |
| Translation differences                 | (952)          | (197)         | -            | (276)                  | <b>(1 425)</b>   |
| Amortisation                            | -              | -             | -            | (24 534)               | <b>(24 534)</b>  |
| <b>Closing net book amount</b>          | <b>989 235</b> | <b>50 842</b> | <b>-</b>     | <b>35 862</b>          | <b>1 075 939</b> |
| <b>At 31 December, 2019</b>             |                |               |              |                        |                  |
| Acquisition cost                        | 999 848        | 50 842        | 22 800       | 254 326                | <b>1 327 816</b> |
| Accumulated amortisation and impairment | (10 613)       | -             | (22 800)     | (218 464)              | <b>(251 877)</b> |
| <b>Net book amount</b>                  | <b>989 235</b> | <b>50 842</b> | <b>-</b>     | <b>35 862</b>          | <b>1 075 939</b> |

**Trademarks**

Trademarks derives from acquisition including among other Hansen Protection AS, Biardo Survival suits BV and Lyngsøe Rainwear Aps. Trademarks that has existed for a long period of time and have a sound development at the time of acquisition have an indefinite useful life and are not amortised. An indefinite useful life means that it is impossible on the balance sheet date to estimate the period during which assets will be available for use

**Patents**

Capitalized patents are related to development of a breathing regulator installed on survival suits. The patent was fully amortised in 2018.

**Customer relationships**

Customer relationships derives solely from aquisition of companies in the period 2013 - 2017. The amortisation period is 5-10 years. This period is based on analysis of customer churn rate and remaining useful lifetime of the customer relationships. The amortisation is based on a degressive method.

**Goodwill**

Goodwill is a residual value consisting of the difference between the purchase price and the capitalised value of an acquired company. Goodwill derives from acquisitions performed in the period 2013-2018. The Group's cash-generating units are indentified as each acquired company.

The table below shows goodwill allocation per cash-generation unit as of 31 December:

|                              | 2019           |                | 2018           |                | 2017           |                |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                              | NOK            | Local currency | NOK            | Local currency | NOK            | Local currency |
| <i>NOK 1 000</i>             |                |                |                |                |                |                |
| Hansen Protection AS         | 879 585        | 879 585        | 879 585        | 879 585        | 879 585        | 879 585        |
| Biardo Survival suits BV     | 20 732         | 2 102          | 20 936         | 2 102          | 20 574         | 2 102          |
| Lyngsøe Rainwear Aps         | 62 999         | 47 719         | 63 583         | 47 719         | 62 975         | 47 719         |
| HeliPPE Holding Aps          | 25 919         | 19 633         | 26 083         | 19 633         | -              | -              |
| Hansen Protection AB         | -              | -              | -              | -              | 10 881         | 10 885         |
| Hansen Protection Canada Ltd | -              | -              | -              | -              | -              | -              |
| <b>Total</b>                 | <b>989 235</b> |                | <b>990 187</b> |                | <b>974 015</b> |                |

The Goodwill in Lyngsøe Rainwear Aps can be allocated to the business segment Personal Protection, whilst Goodwill in the remaining legal entities have been allocated to Personal Protection.

Changes in recognised goodwill in the period 2017 - 2018 is mainly due to currency translation effects from purchase price allocations performed in foreign currencies.

**Impairment and testing of goodwill and trademarks**

The group has performed an impairment test on the carrying value of goodwill and trademarks as a result of these assets having indefinite useful life. Value in use was used as the measure of recoverable amount. The test includes the net present value analysis of expected future cash-flows from cash-generating units. In 2018 the indicators for Hansen Protection AB was indentified due to the decision to close down the consumer business in Sweden. The carrying amount was reduced to nil through recognition of an impairment loss of NOK 10 189. The loss is included in amortisation and impairment of goodwill in the consolidated statement of profit and loss for 2018.

**Cash-flow Model**

The model is based on a four-year forecast of discounted cash flows of the Group's business plan, and a terminal value calculated using the Gordon's formula. Net discounted cash flow is calculated before tax. The model is based on the following assumptions:

**Cash flow**

A strategic business plan for the Group for the period 2020 - 2022 has been prepared based on market development in the recent years and guidelines issued by the Board and the owners. The terminal value is calculated with an annual growth rate of 2.0 per cent.

**WACC (Weighted annual cost of capital)**

To calculate the discount rate, the Group has applied CAPM as a method, and WACC is calculated to 9.1 per cent before tax for the Norwegian cash generating unit (CGU) and 8.8 per cent before tax for the EU CGUs. Cost of equity is calculated based on 10-year government bonds adjusted for a market risk premium and non-liquidity premium linked to the Group. Debt cost is calculated based on the Group's long term target for gearing.

A reduction of 1 per cent in annual growth rate in the terminal value will not affect the conclusion of the impairment test. The same applies to a 1 per cent increase in the WACC.



## NOTE 15: Property, Plant and Equipment

| <i>NOK 1 000</i>                            | Right of<br>use assets | Rental<br>suits | Other machinery<br>and equipment | Total          |
|---------------------------------------------|------------------------|-----------------|----------------------------------|----------------|
| <b>At 1 January 2017</b>                    |                        |                 |                                  |                |
| Cost                                        | 70 444                 | 105 325         | 20 294                           | 196 063        |
| Accumulated depreciations                   | (19 529)               | (51 769)        | (12 017)                         | (83 314 )      |
| <b>Net book amount</b>                      | <b>50 915</b>          | <b>53 557</b>   | <b>8 277</b>                     | <b>112 749</b> |
| <b>31 December 2017</b>                     |                        |                 |                                  |                |
| Opening net book amount                     | 50 915                 | 53 557          | 8 277                            | 112 749        |
| Conversion differences                      | -                      | 247             | (24)                             | 224            |
| Additions from acquisitions during the year | -                      | -               | 1 552                            | 1 552          |
| Additions                                   | 11 779                 | 30 590          | 2 564                            | 44 933         |
| Disposals at acquisition cost               | -                      | (5 011)         | (1 200)                          | (6 211)        |
| Accumulated depreciations disposals         | -                      | 3 818           | 976                              | 4 794          |
| Depreciation                                | (9 818)                | (15 352)        | (3 483)                          | (28 653)       |
| <b>Closing net book amount</b>              | <b>52 876</b>          | <b>67 849</b>   | <b>8 662</b>                     | <b>129 388</b> |
| <b>At 31 December 2017</b>                  |                        |                 |                                  |                |
| Cost                                        | 82 223                 | 134 969         | 24 163                           | 241 355        |
| Accumulated depreciations                   | (29 347)               | (67 120)        | (15 500)                         | (111 967)      |
| <b>Net book amount</b>                      | <b>52 876</b>          | <b>67 849</b>   | <b>8 662</b>                     | <b>129 388</b> |
| <b>31 December 2018</b>                     |                        |                 |                                  |                |
| Opening net book amount                     | 52 876                 | 67 849          | 8 662                            | 129 388        |
| Conversion differences                      | 279                    | 401             | 27                               | 707            |
| Additions from acquisitions during the year | 2 268                  | 10 266          | -                                | 12 535         |
| Additions                                   | 12 563                 | 37 377          | 3 662                            | 53 602         |
| Disposals at acquisition cost               | (1 506)                | (1 831)         | -                                | (3 337)        |
| Accumulated depreciations disposals         | -                      | 903             | -                                | 903            |
| Depreciation                                | (12 419)               | (21 205)        | (3 980)                          | (37 604)       |
| <b>Closing net book amount</b>              | <b>54 061</b>          | <b>93 761</b>   | <b>8 371</b>                     | <b>156 194</b> |
| <b>31 December 2018</b>                     |                        |                 |                                  |                |
| Cost                                        | 95 827                 | 182 086         | 27 852                           | 305 765        |
| Accumulated depreciations                   | (41 766)               | (88 325)        | (19 480)                         | (149 571)      |
| <b>Net book amount</b>                      | <b>54 061</b>          | <b>93 761</b>   | <b>8 371</b>                     | <b>156 194</b> |
| <b>31 December 2019</b>                     |                        |                 |                                  |                |
| Opening net book amount                     | 54 061                 | 93 761          | 8 371                            | 156 194        |
| Conversion differences                      | (29)                   | 62              | 15                               | 48             |
| Additions during the year                   | 10 935                 | 28 386          | 5 203                            | 44 524         |
| Disposals at acquisition cost               | (330)                  | (2 324)         | (466)                            | (3 120)        |
| Accumulated depreciations disposals         | -                      | 743             | 26                               | 769            |
| Depreciation                                | (12 556)               | (23 086)        | (3 764)                          | (39 406)       |
| <b>Closing net book amount</b>              | <b>52 081</b>          | <b>97 543</b>   | <b>9 385</b>                     | <b>159 009</b> |
| <b>31 December 2019</b>                     |                        |                 |                                  |                |
| Cost                                        | 106 403                | 208 191         | 32 600                           | 347 195        |
| Accumulated depreciations                   | (54 322)               | (110 648)       | (23 215)                         | (188 186)      |
| <b>Net book amount</b>                      | <b>52 081</b>          | <b>97 543</b>   | <b>9 385</b>                     | <b>159 009</b> |



## NOTE 16: Inventories

| NOK 1 000                           | 2019           | 2018           | 2017           |
|-------------------------------------|----------------|----------------|----------------|
| Raw Materials                       | 25 456         | 24 301         | 24 892         |
| Work in progress                    | 4 861          | 4 508          | 3 437          |
| Finished products                   | 104 371        | 89 202         | 92 536         |
| <b>Total inventories (gross)</b>    | <b>134 688</b> | <b>118 011</b> | <b>120 865</b> |
| Allowance for obsolete inventories  |                |                |                |
| Raw materials and finished products | (6 291)        | (6 642)        | (6 564)        |
| <b>Carrying value</b>               | <b>128 397</b> | <b>111 369</b> | <b>114 301</b> |

Inventories recognised as an expense during 2019 amounted to NOK 116 386 (2018: NOK 104 119, 2017: NOK 64 928). These were included in the Purchase of goods and materials. There were no write-downs to net realisable value included in Purchase of goods and materials in 2019 (2018: NOK 0, 2017: NOK 0).

## NOTE 17: Trade receivables and other receivables

### Specification of trade and other receivables

| NOK 1 000                               | 2019          | 2018          | 2017          |
|-----------------------------------------|---------------|---------------|---------------|
| Trade receivables (gross)               | 60 783        | 52 520        | 37 621        |
| Provision for loss on trade receivables | (1 724)       | (1 601)       | (1 561)       |
| <b>Total trade receivables</b>          | <b>59 059</b> | <b>50 919</b> | <b>36 060</b> |
|                                         | 2019          | 2018          | 2017          |
| Prepaid expenses                        | 2 869         | 2 714         | 874           |
| Contract assets                         | 9 349         | 10 195        | 8 409         |
| Other current receivables               | 115           | 232           | 606           |
| <b>Total other current receivables</b>  | <b>12 333</b> | <b>13 141</b> | <b>9 889</b>  |

For receivables due within one year, fair value is considered not significantly different from carrying value.

## NOTE 18: Cash

| NOK 1 000              | 2019   | 2018   | 2017   |
|------------------------|--------|--------|--------|
| Cash in bank           | 62 186 | 62 356 | 47 482 |
| Whereof taxes withheld | 2 557  | 2 494  | 2 296  |



## NOTE 19: Taxes

| NOK 1 000                                               | 2019          | 2018           | 2017           |
|---------------------------------------------------------|---------------|----------------|----------------|
| <b>Current tax:</b>                                     |               |                |                |
| Tax payable current year                                | 21 259        | 9 629          | 9 085          |
| Adjustments for current tax of prior years <sup>1</sup> | -             | (2 459)        | 384            |
| <b>Total current tax expense</b>                        | <b>21 259</b> | <b>7 170</b>   | <b>9 469</b>   |
| <b>Deferred income tax:</b>                             |               |                |                |
| Change in deferred tax assets                           | (691)         | 1644           | 2517           |
| Change in deferred tax liability                        | (7 698)       | (10 297)       | (8 374)        |
| Change in tax rate                                      | 0             | (627)          | (2 045)        |
| <b>Total deferred tax expense</b>                       | <b>-8 389</b> | <b>(9 280)</b> | <b>(7 902)</b> |
| <b>Income tax expense:</b>                              | <b>12 870</b> | <b>(2 110)</b> | <b>1 567</b>   |

1) Adjustment for current tax prior years in in 2018 is a result of amended taxable income in the years 2014 - 2016 related to the understanding of the non-deductible interest charges. Amendment was initiated by the company and approved by the tax authorities in the year.

| NOK 1 000                                                         | 2019          | 2018           | 2017         |
|-------------------------------------------------------------------|---------------|----------------|--------------|
| <b>Reconciliation of income tax expense:</b>                      |               |                |              |
| Profit before income tax expense                                  | 32 588        | (37 511)       | (22 599)     |
| Tax calculated using the domestic rate (22%/23%/24%)              | 7 169         | (8 628)        | (5 424)      |
| Change in deferred tax assets not recognized                      | 6 991         | 10 030         | 6 853        |
| Other change in deferred tax assets                               | 1 544         | -              | -            |
| Effect of local taxes                                             | 28            | (300)          | 181          |
| Effect on deferred tax and deferred tax asset of reduced tax rate | -             | (627)          | (2 045)      |
| Tax expense related to previous years                             | -             | (2 459)        | 384          |
| Other permanent differences                                       | 225           | (126)          | 1618         |
| <b>Income tax expense</b>                                         | <b>12 870</b> | <b>(2 110)</b> | <b>1 567</b> |

### Tax losses carried forward

Unused tax losses for which no tax asset has been recognised refer to non-deductible internal interest charges as well as losses carried forward

| NOK 1 000                                               | 2019       | 2018     | 2017     |
|---------------------------------------------------------|------------|----------|----------|
| Non-deductible interest charges expiring 2024 and later | (118 176 ) | (88 067) | (83 122) |
| Losses carried forward no expiring dates                | (39 655)   | (36 456) | (25 864) |

Tax rate related to non-deductible interest charges is 22 per cent. Losses carried forward are potentially subject of tax rates of 21.4 - 22 per cent.

### Deferred tax balances

Deferred tax asset presented gross:

| NOK 1 000                                                                | 2019  | 2018  | 2017 |
|--------------------------------------------------------------------------|-------|-------|------|
| Deferred tax asset Denmark                                               | -     | 1 116 | -    |
| Deferred tax asset related to net leasing liability according to IFRS 16 | 1 544 | -     | -    |
| Deferred tax asset                                                       | 1 544 | 1 116 | -    |

**Change in carrying amount of deferred tax asset**

| <i>NOK 1 000</i>                     | <b>2019</b>  | <b>2018</b> | <b>2017</b> |
|--------------------------------------|--------------|-------------|-------------|
| Opening balance deferred tax asset   | <b>1 116</b> | -           | -           |
| Currency translation difference      | <b>(10)</b>  | -           | -           |
| Profit and loss account              | <b>438</b>   | 729         | -           |
| Deferred tax asset from acquisitions | -            | 388         | -           |
| Deferred tax asset                   | <b>1 544</b> | 1 116       | -           |

**Net deferred tax asset and deferred tax liability (-) in the balance sheet**

Deferred tax asset and deferred tax liabilities is presented net if the group has a legal right to net the effect in the balance sheet and the tax-increasing and the tax-reducing temporary differences reverse or may reverse during the same period.

| <i>NOK 1 000</i>                                            | <b>2019</b>     | <b>2018</b> | <b>2017</b> |
|-------------------------------------------------------------|-----------------|-------------|-------------|
| Other deferred tax assets recognised in the balance sheet   | <b>1 668</b>    | 2 091       | 3 780       |
| Deferred tax liability recognised in the balance sheet      | <b>(23 867)</b> | (32 298)    | (39 813)    |
| Adjustment for local tax rates                              | <b>(545)</b>    | (627)       | (119)       |
| <b>Deferred tax asset/ deferred tax liability (-) (net)</b> | <b>(22 744)</b> | (30 834)    | (36 153)    |

**Change in carrying amount of deferred tax**

| <i>NOK 1 000</i>                             | <b>2019</b>    | <b>2018</b> | <b>2017</b> |
|----------------------------------------------|----------------|-------------|-------------|
| Opening balance deferred tax liability (net) | <b>30 834</b>  | 36 153      | 33 214      |
| Currency translation difference              | <b>(150)</b>   | 155         | 620         |
| Profit and loss account                      | <b>(7 951)</b> | (8 653)     | (5 857)     |
| Change in tax rate                           | -              | (627)       | (2 045)     |
| Deferred tax from acquisitions               | -              | -           | -           |
| Intangible assets new subsidiaries           | -              | 3 598       | 10 171      |
| Other                                        | <b>11</b>      | 208         | 50          |
| Changes in equity                            | -              | -           | -           |
| <b>Total</b>                                 | <b>22 744</b>  | 30 834      | 36 153      |

**Temporary differences and deferred tax**

Taxable differences netted against deductible differences

| <i>NOK 1 000</i>                                                    | <b>2019</b>    | <b>2018</b> | <b>2017</b> |
|---------------------------------------------------------------------|----------------|-------------|-------------|
| Receivables                                                         | <b>(699)</b>   | (706)       | (691)       |
| Inventory                                                           | <b>(3 450)</b> | (4 878)     | (4 883)     |
| Tangibles                                                           | <b>(61)</b>    | (2 429)     | (5 600)     |
| Pension liability                                                   | <b>(847)</b>   | (847)       | (479)       |
| Development of rental suit                                          | <b>(386)</b>   | (496)       | (735)       |
| Accruals                                                            | -              | (150)       | -           |
| Taxloss carried forward                                             | <b>(2 137)</b> | -           | -           |
| Derivative Financial instruments                                    | -              | -           | (4 045)     |
| <b>Gross amount differences attributable to deferred tax assets</b> | <b>(7 580)</b> | (9 506)     | (16 432)    |


**Temporary differences attributable to deferred tax liability**

| NOK 1 000                                                              | 2019           | 2018           | 2017           |
|------------------------------------------------------------------------|----------------|----------------|----------------|
| Capitalized borrowing costs                                            | 11 454         | 20 162         | 29 076         |
| Tangibles                                                              | 7 828          | 18 110         | -              |
| Customer relations                                                     | 35 860         | 60 075         | 94 375         |
| Patents                                                                | -              | -              | 1 425          |
| Goodwill                                                               | 5 081          | -              | -              |
| Trademark                                                              | 48 263         | 48 462         | 48 225         |
| <b>Gross amount differences attributable to deferred tax liability</b> | <b>108 487</b> | <b>146 809</b> | <b>173 101</b> |
| Net temporary differences                                              | 100 906        | 137 303        | 156 669        |
| Net deferred tax liability                                             | 22 199         | 30 207         | 36 034         |
| Tax rate                                                               | 22 %           | 22 %           | 23 %           |
| Adjusted for local tax rates                                           | 545            | 627            | 119            |
| <b>Net deferred tax liability 31 December</b>                          | <b>22 744</b>  | <b>30 834</b>  | <b>36 153</b>  |

**NOTE 20: Borrowings and liabilities**
**Non-current liabilities**

| NOK 1 000                     | 2019           | 2018           | 2017           |
|-------------------------------|----------------|----------------|----------------|
| Bank borrowings               | 900 508        | 898 868        | 868 710        |
| Lease liabilities             | 46 408         | 49 232         | 46 820         |
| Other non-current liabilities | -              | -              | 19 261         |
| <b>Total</b>                  | <b>946 916</b> | <b>948 100</b> | <b>934 791</b> |

**Current liabilities**

| NOK 1 000                               | 2019             | 2018             | 2017           |
|-----------------------------------------|------------------|------------------|----------------|
| Borrowings                              | 53 495           | 39 357           | 14 000         |
| Lease liabilities                       | 12 693           | 11 612           | 11 282         |
| Other current liabilities               | -                | 18 894           | 26 497         |
| <b>Total</b>                            | <b>66 188</b>    | <b>69 863</b>    | <b>51 779</b>  |
| <b>Total borrowings and liabilities</b> | <b>1 013 104</b> | <b>1 017 963</b> | <b>986 570</b> |

The fair value of borrowings has been calculated, there is no material difference from carrying value.

**Bank borrowings**

See below for details of bank borrowings from credit institutions

**2019**

NOK 1 000

| Creditor     | Designation    | Principal as at 1<br>January 2019<br>(NOK) | Maturity | Average<br>interest<br>rate 2019 | Principal as at 31<br>December 2019<br>(LC) | Currency | Principal as at<br>31 December<br>2019 (NOK) |
|--------------|----------------|--------------------------------------------|----------|----------------------------------|---------------------------------------------|----------|----------------------------------------------|
| Investec     | Long-term      | 281 606                                    | 2021     | 5,50 %                           | 30 221                                      | EUR      | 298 091                                      |
| DnB/Nordea   | Facility A/A1  | 80 259                                     | 2021     | 5,32 %                           | 57 000                                      | NOK      | 57 000                                       |
| DnB/Nordea   | Facility B/B1  | 478 657                                    | 2022     | 5,82 %                           | 478 658                                     | NOK      | 478 658                                      |
| DnB/Nordea   | Facility C     | 112 508                                    | 2022     | 5,36 %                           | 6 550 / 32 605                              | EUR/NOK  | 97 214                                       |
| DnB/Nordea   | RCF            | -                                          | 2022     | 5,30 %                           | 30 000                                      | NOK      | 30 000                                       |
| Middelfart   |                |                                            |          |                                  |                                             |          |                                              |
| Sparebank    | Bank overdraft | 5 357                                      |          | 3,25 %                           | 3 405                                       | DKK      | 4 495                                        |
| <b>Total</b> |                |                                            |          |                                  |                                             |          | <b>965 457</b>                               |

**2018**

NOK 1 000

| Creditor     | Designation    | Principal as at 1<br>January 2018<br>(NOK) | Maturity | Average<br>interest<br>rate 2018 | Principal as at 31<br>December 2018<br>(LC) | Currency | Principal as at<br>31 December<br>2018 (NOK) |
|--------------|----------------|--------------------------------------------|----------|----------------------------------|---------------------------------------------|----------|----------------------------------------------|
| Investec     | Long-term      | 226 327                                    | 2020     | 5,50 %                           | 28 288                                      | EUR      | 281 606                                      |
| DnB/Nordea   | Facility A/A1  | 95 000                                     | 2021     | 5,26 %                           | 81 000                                      | NOK      | 80 259                                       |
| DnB/Nordea   | Facility B/B1  | 478 657                                    | 2022     | 5,76 %                           | 478 657                                     | NOK      | 478 657                                      |
| DnB/Nordea   | Facility C     | 111 802                                    | 2022     | 5,22 %                           | 6 550 / 62 184                              | EUR/NOK  | 112 508                                      |
| Middelfart   |                |                                            |          |                                  |                                             |          |                                              |
| Sparebank    | Bank overdraft | -                                          |          | 3,30 %                           | 3 991                                       | DKK      | 5 357                                        |
| <b>Total</b> |                |                                            |          |                                  |                                             |          | <b>958 387</b>                               |

**2017**

NOK 1 000

| Creditor     | Designation   | Principal as at 1<br>January 2017<br>(NOK) | Maturity | Average<br>interest<br>rate 2017 | Principal as at 31<br>December 2017<br>(LC) | Currency | Principal as at<br>31 December<br>2017 (NOK) |
|--------------|---------------|--------------------------------------------|----------|----------------------------------|---------------------------------------------|----------|----------------------------------------------|
| Investec     | Long-term     | 181 726                                    | 2019     | 5,50 %                           | 23 000                                      | EUR      | 226 327                                      |
| DnB/Nordea   | Facility A/A1 | 100 000                                    | 2021     | 5,20 %                           | 95 000                                      | NOK      | 95 000                                       |
| DnB/Nordea   | Facility B/B1 | 478 657                                    | 2022     | 5,70 %                           | 478 657                                     | NOK      | 478 657                                      |
| DnB/Nordea   | Facility C    | 77 515                                     | 2022     | 1,20 %                           | 6 550 / 47 348                              | EUR/NOK  | 111 802                                      |
| <b>Total</b> |               |                                            |          |                                  |                                             |          | <b>911 786</b>                               |

The maturity date on the Investec facility has been extended with 13 months, until mid of January 2021. The Group has an option to extend the maturity date with additional 6 months.



The line item borrowing consists of:

| <i>NOK 1 000</i>                 | 2019           | 2018           | 2017           |
|----------------------------------|----------------|----------------|----------------|
| Principal amount                 | 965 457        | 958 387        | 911 786        |
| Book value of debt issuance cost | (11 454)       | (20 162)       | (29 076)       |
| <b>Total</b>                     | <b>954 003</b> | <b>938 225</b> | <b>882 710</b> |

## Loan facility

| <i>NOK 1 000</i>                     | 2019    | 2018    | 2017    |
|--------------------------------------|---------|---------|---------|
| Undrawn loan facility at 31 December |         |         |         |
| Investec                             | 17 551  | 17 044  | 68 882  |
| Facility A                           | 229 000 | 205 000 | 191 000 |
| Facility B                           | 50 342  | 50 342  | 50 340  |
| Facility C                           | -       | -       | 199     |
| Revolving facility                   | 10 000  | 40 000  | 40 000  |
| Bank overdraft facility Denmark      | 786     | 12      | -       |

Liabilities deriving from the implementation of IFRS 16 Leases. Please see Note 11 for further details.

## Other liabilities

Contingent considerations deriving from business combinations in the period 2014-2017. See Note 24 for further details on acquisitions made in the period 2017-2018.

Amounts with due date within 12 months are classified as current liabilities.

See table below for changes in bank borrowings, lease liabilities and other liabilities (other than changes in net working capital) arising from financing activities, both cash flows and no cash flow changes.

Non-current and current bank borrowings, lease liability and other liabilities

| <i>NOK 1 000</i>                                                            | 2019             | 2018             | 2017           |
|-----------------------------------------------------------------------------|------------------|------------------|----------------|
| <b>1 January</b>                                                            | <b>1 017 963</b> | <b>986 570</b>   | <b>856 370</b> |
| <b>Cash flows</b>                                                           |                  |                  |                |
| - Proceeds from borrowings                                                  | 48 073           | 51 414           | 80 360         |
| - Debt issuance cost                                                        | -                | -                | (908)          |
| - Repayment of borrowings                                                   | (38 000)         | (14 742)         | (26 825)       |
| - Lease payments                                                            | (15 867)         | (15 584)         | (12 875)       |
| - Contingent consideration acquisitions of subsidiaries                     | (18 894)         | (23 362)         | -              |
| <b>Non-cash flows</b>                                                       |                  |                  |                |
| - Translation differences                                                   | 2 329            | 6 487            | 20 351         |
| - Debt assumed from business combinations                                   | -                | 5 140            | -              |
| - Lease liability                                                           | 8 791            | 16 301           | 15 528         |
| - Debt issuance cost due for payment following year                         | -                | -                | -              |
| - Amortisation of debt issuance cost                                        | 8 709            | 8 914            | 8 811          |
| - Contingent consideration acquisitions of subsidiaries                     | -                | -                | 45 758         |
| - Downward adjustment contingent consideration acquisitions of subsidiaries | -                | (3 175)          | -              |
| <b>31 December</b>                                                          | <b>1 013 104</b> | <b>1 017 963</b> | <b>986 570</b> |

**Mortgages**

Assets in Hansen Protection AS have been pledged as security for non-current bank borrowings.

**Carrying amount of assets provided as security:**

| <i>NOK 1 000</i>              | <b>2019</b>    | <b>2018</b>    | <b>2017</b>    |
|-------------------------------|----------------|----------------|----------------|
| Trade receivables             | 35 709         | 27 452         | 20 731         |
| Inventories                   | 55 068         | 47 446         | 50 152         |
| Property, plant and equipment | 80 205         | 77 745         | 68 613         |
| <b>Total</b>                  | <b>170 982</b> | <b>152 643</b> | <b>139 496</b> |

**NOTE 21: Trade and other payables**

| <i>NOK 1 000</i>     | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   |
|----------------------|---------------|---------------|---------------|
| Trade payables       | 18 209        | 18 329        | 14 662        |
| Public duties        | 5 499         | 6 181         | 5 221         |
| Accrued vacation pay | 9 098         | 7 967         | 7 454         |
| Accrued expenses     | 27 448        | 41 462        | 10 811        |
| <b>Total</b>         | <b>60 254</b> | <b>73 939</b> | <b>38 148</b> |

Trade payables are non-interest bearing and are due within the next 12 months.

**NOTE 22: Pension plans**

The employees of Hansen Protection AS are members of collective occupational pension schemes, and there were 111 employees in these schemes as at 31 December 2019.

The net pension obligations in the company include a one-off compensation to one person related to the discontinuation of an uninsured pension agreement. This obligation consist of an accumulated benefit obligation (ABO) at the time of the agreement, as well as interest accrued on this, corresponding to a ten-year government bond yield.

Hansen Protection AS also has an agreed early retirement scheme (AFP). This AFP-scheme is a defined benefit multi-enterprise plan, but is recognised in the accounts as a defined contribution plan until reliable and sufficient information is available for the Group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as an obligation in the balance sheet.

The other subsidiaries in which there are employees have defined contribution plans in accordance with the local rules and agreements.

**Pension expenses recognised in the statement of profit or loss:**

| <i>NOK 1 000</i>                                       | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  |
|--------------------------------------------------------|--------------|--------------|--------------|
| Premiums for defined contribution scheme               | 3 009        | 2 637        | 2 632        |
| Premiums for contractual early retirement scheme (AFP) | 914          | 727          | 818          |
| Costs from defined benefit scheme                      | (12)         | 13           | (2)          |
| <b>Total</b>                                           | <b>3 911</b> | <b>3 377</b> | <b>3 448</b> |

**Specification of pension obligations recognised:**

| <i>NOK 1 000</i>    | <b>2019</b> | <b>2018</b> | <b>2017</b> |
|---------------------|-------------|-------------|-------------|
| Pension obligation  | 847         | 847         | 845         |
| Pension fund assets | -           | -           | (366)       |
| <b>Total</b>        | <b>847</b>  | <b>847</b>  | <b>479</b>  |



## NOTE 23: Equity and shareholder information

| NOK 1                                | 2019       | 2018       | 2017       |
|--------------------------------------|------------|------------|------------|
| Number of shares at 31 December      | 15 010     | 15 010     | 66 725     |
| Ordinary shares                      | 15 010     | 15 010     |            |
| A-shares                             |            |            | 11 089     |
| B-shares                             |            |            | 55 636     |
| <b>Nominal value per share (NOK)</b> | <b>5.0</b> | <b>5.0</b> | <b>1.0</b> |

| NOK 1 000     | 2019    | 2018    | 2017    |
|---------------|---------|---------|---------|
| Share capital | 75 050  | 75 050  | 66 725  |
| Share premium | 363 232 | 363 232 | 371 557 |

### Share capital increase

In 2018 the Board of Directors carried out a capital increase of NOK 8 325 by capitalization issue increasing the nominal value per A-shares from NOK 4.54 to NOK 5.0 and increasing the nominal value per B-shares from NOK 4.43 to 5.0.

In 2017 the Board of Directors carried out a capital increase by issuing 689 new A-shares and 4 136 new B-shares, both classes with a par value of NOK 1, resulting in an increase of the share capital of NOK 4 825.

### Reverse split of shares

In October 24 2018, the Board approved a reverse split of the company's shares. The company's A-shares was consolidated 4.548297609:1. The total of 11 089 outstanding A-shares was thus consolidated to 2 441. B-shares was consolidated 4.542897609:1. The total of 55 636 B-shares was thus consolidated to 12 569.

### Conversion of classes of shares

On 24 October 2018 the shares in Hansen Protection ASA was converted from A-shares and B-shares to one singular class of ordinary shares. Following consolidation of each of the two classes 2 441 A-shares at par value NOK 5.0 per share and 12 569 B-shares at par value NOK 5.0 per share were converted to ordinary shares. Total number of ordinary shares following the conversion was 15 010 at nominal value 5.0 per share.

### Treasury shares

In January 2018 Hansen Protection ASA purchased 35 treasury shares class A at 9.43 per share. Total number of shares at 31 December following the conversion to ordinary shares as described above is 10.

The ordinary general meeting on 2 May 2017 uathorised the Board to acquire and sell own shares. During 2017 170 shares was acquired at 8.36 per share. 159 shares at NOK 9.43 per share was sold in the same period.

| Largest shareholders at 31 December 2019   | Total number of shares | Ownership     |
|--------------------------------------------|------------------------|---------------|
| Protection International Sarl (Luxembourg) | 13 540                 | 90.21%        |
| Lyngsøe Holding Aps (Denmark)              | 1 086                  | 7.24%         |
| Hansen Protection Management               | 374                    | 2.65%         |
| Hansen Protection ASA (treasury shares)    | 10                     | 0.07%         |
| <b>Total</b>                               | <b>15 010</b>          | <b>100.0%</b> |

| Largest shareholders at 31 December 2018   | Total number of shares | Ownership     |
|--------------------------------------------|------------------------|---------------|
| Protection International Sarl (Luxembourg) | 13 517                 | 90.05%        |
| Lyngsøe Holding Aps (Denmark)              | 1 086                  | 7.24%         |
| Hansen Protection Management               | 397                    | 2.65%         |
| Hansen Protection ASA (treasury shares)    | 10                     | 0.07%         |
| <b>Total</b>                               | <b>15 010</b>          | <b>100.0%</b> |

**Largest shareholders at 31 December 2017**

|                                            | A-shares      | B-shares      | Total number of shares | Ownership     |
|--------------------------------------------|---------------|---------------|------------------------|---------------|
| Protection International Sarl (Luxembourg) | 8 550         | 51 500        | 60 050                 | 90.0%         |
| Lyngsøe Holding Aps (Denmark)              | 689           | 4 136         | 4 825                  | 7.23%         |
| Hansen Protection Management               | 1 839         |               | 1 839                  | 2.76%         |
| Hansen Protection ASA (treasury shares)    | 11            |               | 11                     | 0.02%         |
| <b>Total</b>                               | <b>11 089</b> | <b>55 636</b> | <b>66 725</b>          | <b>100.0%</b> |

**NOTE 24: Business combinations****Acquisitions 2019**

There were no acquisitions in the year ending 31 December 2019.

**Acquisitions 2018**

During 2018 the parent company has acquired 50 per cent of the shares in HeliPPE Holding Aps, located in Denmark. HeliPPE Holding Aps holds 100 per cent of the shares in HeliPPE Aps.

**HeliPPE Holding Group**

On 6 June 2018, Hansen Protection AS acquired 50 per cent of the shares in HeliPPE Holding ApS, the owner of all shares in HeliPPE ApS, through a combination of share purchase and participation in a capital increase. Total purchase consideration for the 50 per

cent ownership was NOK 17 538. Hansen Protection has through the shareholder agreement entered into on 13 March 2018 been provided with a "golden share" which effectively gives Hansen Protection the deciding vote at any Board meetings, EGMs or AGMs, thus ensuring full control of the entity. Based on the shareholder agreement HeliPPE Holding ApS is fully incorporated in the consolidated accounts of Hansen Protection Group from the time of the acquisition. The initial recognition of the non-controlling interest in HeliPPE Holding Aps is presented in the accounts at fair value. HeliPPE ApS is located in Esbjerg, Denmark and its main business is renting out survival suits and protective equipment for the offshore wind industry.

The acquired businesses' contribution to the Group from the date of acquisition and consolidated pro-forma information:

| NOK 1 000                              | Revenues       | EBITA         | Profit (-loss) for the period |
|----------------------------------------|----------------|---------------|-------------------------------|
| <b>Group standalone</b>                | 403 107        | 77 814        | (37 387)                      |
| HeliPPE Holding Group reported         | 11 528         | 2 654         | 1 986                         |
| <b>Group reported</b>                  | <b>414 635</b> | <b>80 471</b> | <b>(35 401)</b>               |
| HeliPPE Holding Group full year effect | 4 511          | (898)         | (1 444)                       |
| <b>Group pro forma</b>                 | <b>419 146</b> | <b>79 573</b> | <b>(36 845)</b>               |

Details of the purchase consideration for 50 per cent of the shares:

| NOK 1 000                                                          | HeliPPE Holding Group |
|--------------------------------------------------------------------|-----------------------|
| <b>Outflow of cash to acquire subsidiary, net of cash acquired</b> |                       |
| Cash consideration                                                 | 17 538                |
| <b>Less: Balances acquired</b>                                     |                       |
| Cash                                                               | 8 830                 |
| <b>Net outflow of cash - investing activities</b>                  | <b>8 708</b>          |

The difference between net outflow of cash from investing activities in the table above and the payments for acquisition of subsidiaries, net of cash acquired in the consolidated cash flow statement comprise payments relating to deferred settlements from previous acquisitions of Lyngsøe Rainwear ApS and Divelife AB.



The assets and liabilities recognised as a result of the acquisition are as follows:

| NOK 1 000                                         | Helippe Holding Group |
|---------------------------------------------------|-----------------------|
| Cash                                              | 8 830                 |
| Trade receivables                                 | 1 424                 |
| Property, plant and equipment                     | 10 751                |
| Other current assets                              | 99                    |
| Long term receivables                             | 66                    |
| Deferred tax                                      | (2 945)               |
| Bank borrowings                                   | (5 140)               |
| Trade payables                                    | (2 173)               |
| Taxes payable                                     | 86                    |
| Other current liabilities                         | (1 147)               |
| Net identifiable assets acquired                  | 9 851                 |
| Non-controlling interest                          | (17 538)              |
| Goodwill                                          | 25 225                |
| <b>Net outflow of cash - investing activities</b> | <b>17 538</b>         |

The goodwill is attributable to the workforce and the high profitability of the acquired businesses. It will not be deductible for tax purposes.

## Acquisition-related costs

Acquisition-related costs of NOK 1 417 that were not directly attributable to the issue of shares are included in other operating expenses in profit or loss and in operating cash flows in the statement of cash flows.

## Acquisitions 2017

During 2017 the parent company acquired two companies, Divelife AB (Hansen Protection AB) and Lyngsøe Rainwear ApS.

### Lyngsøe Rainwear ApS

On 30 November 2017 Hansen Protection AS acquired 100 per cent of the shares of Lyngsøe Rainwear ApS, a Danish company. Lyngsøe Rainwear ApS produce and sell rainwear that protects workers in harsh- and high-risk environments. Through this acquisition the Group added Protective Rainwear as a new operating segment.

In accordance with the Share Purchase Agreement dated 30 November 2017, the preliminary purchase price in the acquisition of Lyngsøe Rainwear ApS shall after the closing be subject to an upwards or downwards earn-out adjustment based on actual achieved EBITDA in Lyngsøe Rainwear ApS for the financial year ending 31 December 2017 and 31 December 2018. The fair value of the con-

tingent consideration of NOK 37 075 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 11 per cent and assumed probability-adjusted EBITDA-figures for financial year 2017 and 2018. As of 31 December 2018 the fair value of the contingent consideration was NOK 18 894. Downwards earn-out adjustment in 2018 was NOK 575 and is included in the consolidated statement of profit or loss under Other gains/(losses) – net.

### Hansen Protection AB

The company's operations in Sweden and Norway was acquired by Hansen Protection AS on 1 April 2017 and the accounts for 2017 includes 9 months of the operations. Final purchase price for the Swedish company including the operation in Norway was NOK 12 300. Full settlement of the initial purchase price of NOK 14 900 was conditional on certain earnings in the combined diving business, which resulted in a downward earn-out adjustment based on actual achieved EBITDA in the 12 month period starting April 2017 and ending March 2018. The company is located in Sweden. Hansen Protection AB is a supplier of ocean rescue systems and gives the Group a possibility to expand the product base and distribution within personal protection equipment.

The acquired businesses' contribution to the Group from the date of acquisition and consolidated pro-forma information:

| NOK 1 000                             | Revenues       | EBITA          | Profit (-loss) for the period |
|---------------------------------------|----------------|----------------|-------------------------------|
| Group standalone                      | 275 216        | 87 405         | (27 033)                      |
| Hansen Protection AB reported         | 27 322         | 2 719          | 1 961                         |
| Lyngsøe Rainwear ApS reported         | 5 441          | 65             | 906                           |
| Group reported                        | 307 979        | 90 189         | (24 166)                      |
| Hansen Protection AB full year effect | 4 998          | 20             | -                             |
| Lyngsøe Rainwear ApS full year effect | 78 356         | 22 481         | 3 808                         |
| <b>Group pro forma</b>                | <b>391 333</b> | <b>112 690</b> | <b>(20 358)</b>               |



Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| NOK 1 000                           | Hansen Protection AB | Lyngsøe Rainwear ApS |
|-------------------------------------|----------------------|----------------------|
| Cash paid                           | 4 055                | 83 575               |
| Ordinary shares issued              | -                    | 39 669               |
| Contingent consideration            | 9 000                | 37 075               |
| <b>Total purchase consideration</b> | <b>13 055</b>        | <b>160 318</b>       |

Purchase consideration – cash outflow:

| NOK 1 000                                                              | Hansen Protection AB | Lyngsøe Rainwear ApS |
|------------------------------------------------------------------------|----------------------|----------------------|
| <b>Outflow of cash to acquire subsidiary,<br/>net of cash acquired</b> |                      |                      |
| Cash consideration                                                     | 4 055                | 83 575               |
| <b>Less: Balances acquired</b>                                         |                      |                      |
| Cash consideration                                                     | 48                   | 5 210                |
| <b>Total purchase consideration</b>                                    | <b>4 007</b>         | <b>78 365</b>        |

The assets and liabilities recognised as a result of the acquisition are as follows:

| NOK 1 000                                         | Hansen Protection AB | Lyngsøe Rainwear ApS |
|---------------------------------------------------|----------------------|----------------------|
| Cash                                              | 48                   | 5 210                |
| Trade receivables                                 | -                    | 18 750               |
| Inventories                                       | 2 300                | 55 555               |
| Property, plant and equipment                     | 261                  | 881                  |
| Other current assets                              | -                    | 9                    |
| Intangible assets: Brand name                     | -                    | 16 656               |
| Intangible assets: Customer relationships         | -                    | 29 977               |
| Borrowings                                        | -                    | (10 578)             |
| Deferred tax                                      | -                    | (10 289)             |
| Trade payables                                    | -                    | (614)                |
| Taxes payable                                     | -                    | (4 752)              |
| Other current liabilities                         | -                    | (3 586)              |
| Net identifiable assets acquired                  | 2 609                | 97 218               |
| Goodwill                                          | 10 446               | 63 099               |
| <b>Net outflow of cash - investing activities</b> | <b>13 055</b>        | <b>160 318</b>       |

The goodwill is attributable to the workforce and the high profitability of the acquired businesses. It will not be deductible for tax purposes.

## Acquisition-related costs

Acquisition-related costs of NOK 3 333 that were not directly attributable to the issue of shares are included in other operating expenses in profit or loss and in operating cash flows in the statement of cash flows.

## NOTE 25: Earnings per share

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of common shares and dilutive common share equivalents outstanding during each period. The calculation of basic and diluted earnings per share for 2017 comparative period has been adjusted retrospectively to reflect the new number of average

outstanding A-share as a result of this reverse share split that was approved by the extraordinary general meeting held on October 24, 2018. In the same general meeting consolidation of existing share classes into one class of ordinary shares with equal rights was approved (see note 23). This consolidation of shares has been reflected in the average number of shares outstanding.



| NOK 1 000                                                                                     | 2019          | 2018            | 2017            |
|-----------------------------------------------------------------------------------------------|---------------|-----------------|-----------------|
| Profit(-loss) for the period                                                                  | 19 718        | (35 401)        | (24 166)        |
| 10 % annual accrued interest to shareholders of B-shares upon conversion of classes of shares | -             | (43 020)        | (44 214)        |
| <b>Gain (-Loss)</b>                                                                           | <b>19 718</b> | <b>(78 421)</b> | <b>(68 380)</b> |
| Average number of shares outstanding                                                          | 15 010        | 4 783           | 2 302           |
| Average number of shares outstanding adjusted for dilutional effects                          | 15 010        | 4 783           | 2 302           |
| <b>Basic earnings per share (NOK/Share)</b>                                                   | <b>1.31</b>   | <b>(16.46)</b>  | <b>(29.70)</b>  |
| <b>Diluted earnings per share</b>                                                             | <b>1.31</b>   | <b>(16.46)</b>  | <b>(29.70)</b>  |
| Average number of shares outstanding                                                          | 15 010        | 4 783           | 2 302           |
| Dilutional effects                                                                            | -             | -               | -               |
| <b>Average number of shares outstanding adjusted for dilutional effects</b>                   | <b>15 010</b> | <b>4 783</b>    | <b>2 302</b>    |

## NOTE 26: Related party transactions

The Group's related parties include its Executive Manager, Board of Directors and management shareholders. From 2018 the group no longer has associated companies.

In 2017 the group's related parties also included an associated company (Epiguard AS). During 2017 there were transactions with the associated company amounting to NOK 264.

Please see Note 9 for details on remuneration of Executive Manager and Board of Directors, and Note 23 for information about shares owned by management and Board of Directors.

## NOTE 27: Subsequent events

The Company has evaluated events from 31 December 2019 through the date the financial statements were issued. There were no subsequent events that need disclosure

## APPENDIX - ALTERNATIVE PERFORMANCE MEASURES

In the financial statements, the Group presents performance measures, which are not defined under IFRS. These performance measures are categorised as Alternative Performance Measures.

| APM                        | Definition                                                                                                                                                                                       | Why APM gives useful information              |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>EBITA</b>               | Short for profit before amortization and impairment, other gains/(losses) – net, financial income, financial expenses and tax. The number derives directly from the statement of profit or loss. | Relevant measure of profitability.            |
| <b>Net debt</b>            | = non-current bank borrowings<br>+ current bank borrowings<br>- cash                                                                                                                             | Relevant measure of a group's debt financing. |
| <b>Net working capital</b> | = Inventory<br>+ trade and other receivables<br>- trade and other payables<br>- current tax liabilities"                                                                                         | Relevant measure on tied up capital.          |



## FINANCIAL STATEMENTS - HANSEN PROTECTION ASA

### STATEMENT OF PROFIT OR LOSS

| <i>NOK 1 000</i>                | <i>Note</i> | <b>2019</b>     | <b>2018</b>     |
|---------------------------------|-------------|-----------------|-----------------|
| Remunerations                   | 8           | 748             | 615             |
| Other operating expenses        | 6,7         | 4 279           | 30 333          |
| <b>Total operating expenses</b> |             | <b>5 026</b>    | <b>30 948</b>   |
| <b>Operating loss</b>           |             | <b>(5 026)</b>  | <b>(30 948)</b> |
| Finance income                  | 11          | 2 362           | 8               |
| Finance expenses                | 11          | 23 258          | 23 688          |
| <b>Loss before tax</b>          |             | <b>(25 922)</b> | <b>(54 627)</b> |
| Income tax expense              | 4           | (1 525)         | (5 944)         |
| <b>Loss for the period</b>      |             | <b>(24 397)</b> | <b>(48 683)</b> |
| <b>Allocation of loss</b>       |             |                 |                 |
| Transferred from other equity   |             | (24 397)        | (48 683)        |



## BALANCE SHEET

| NOK 1 000                            | Note | 31.12.2019     | 31.12.2018     |
|--------------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                        |      |                |                |
| Investments in subsidiaries          | 2,3  | 627 945        | 630 285        |
| <b>Total non-current assets</b>      |      | <b>627 945</b> | <b>630 285</b> |
| Other receivables                    | 1,3  | 3 000          | 27 467         |
| Cash                                 |      | 16 661         | 987            |
| <b>Total current assets</b>          |      | <b>19 661</b>  | <b>28 454</b>  |
| <b>Total assets</b>                  |      | <b>647 606</b> | <b>658 739</b> |
| <b>EQUITY AND LIABILITIES</b>        |      |                |                |
| Share capital                        |      | 75 050         | 75 050         |
| Treasury shares                      |      | (251)          | (251)          |
| Share premium                        |      | 363 232        | 363 232        |
| <b>Total paid-in capital</b>         | 5    | <b>438 031</b> | <b>438 031</b> |
| Other equity                         |      | (110 925)      | (86 528)       |
| Total retained earnings              | 5    | (110 925)      | (86 528)       |
| <b>Total equity</b>                  |      | <b>327 106</b> | <b>351 502</b> |
| Deferred tax liabilities             | 4    | -              | 865            |
| Bank borrowings                      | 10   | 298 091        | 277 673        |
| <b>Total non-current liabilities</b> |      | <b>298 091</b> | <b>278 538</b> |
| Trade- and other payables            |      | 4 594          | 202            |
| Current tax liability                |      | -              | 797            |
| Other current liabilities            | 9    | 17 815         | 27 698         |
| <b>Total current liabilities</b>     |      | <b>22 409</b>  | <b>28 698</b>  |
| <b>Total liabilities</b>             |      | <b>320 500</b> | <b>307 237</b> |
| <b>Total equity and liabilities</b>  |      | <b>647 606</b> | <b>658 739</b> |

Moss, March 6, 2020  
The board of directors of Hansen Protection ASA

Amund Skarholt  
Chair

Thomas Klitbo  
Director

Wenche Kjølås  
Director

Terje Gorm Hansen  
Chief executive officer



## STATEMENT OF CASH FLOWS

| <i>NOK 1 000</i>                                         | <b>2019</b>     | <b>2018</b>     |
|----------------------------------------------------------|-----------------|-----------------|
| Loss before tax                                          | (25 922)        | (54 627)        |
| Paid taxes                                               | (797)           |                 |
| Amortisation of debt issuance cost                       | 3 933           | 4 139           |
| Change in trade payables and other payables              | 4 392           | 63              |
| Effects of exchange rate changes on borrowings in EUR    | (2 348)         | 4 414           |
| Change in other receivables                              | 2 236           | (2 467)         |
| Change in other accrual items                            | (9 883)         | 26 714          |
| <b>Net cash flow from operating activities</b>           | <b>(28 390)</b> | <b>(21 764)</b> |
| Paid in equity Protection AS                             | -               | (37 500)        |
| Acquisition of treasury shares                           | -               | (330)           |
| Sale of treasury shares                                  | -               | -               |
| <b>Net cash flow from investing activities</b>           | <b>-</b>        | <b>(37 830)</b> |
| Proceeds from bank borrowings, net of debt issuance cost | 19 065          | 50 865          |
| Payment of debt issuance costs                           | -               | -               |
| Proceeds from equity transactions                        | -               | -               |
| Received group contributions                             | 25 000          | 3 000           |
| <b>Net cash flow from financing activities</b>           | <b>44 065</b>   | <b>53 865</b>   |
| Cash at the beginning of the period                      | 987             | 6 716           |
| Net increase in cash                                     | 15 676          | (5 730)         |
| <b>Cash at the end of the period</b>                     | <b>16 661</b>   | <b>987</b>      |



## NOTES TO THE FINANCIAL STATEMENTS

### Summary of significant accounting policies

The company owns all the shares in Protection AS. Separate consolidated financial statements showing the combined operations of Hansen Protection ASA and its subsidiaries have been prepared and are available from the Register of Company Accounts in Brønnøysund. The company has no employees.

### Accounting Policies

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles.

### Investments in subsidiaries

Investments in subsidiaries are valued in accordance with the cost price method in the company accounts. Dividends and group contributions received from subsidiaries are classified as income. Dividends and group contributions received from subsidiaries exceeding the portion of retained earnings since acquisition are reflected as a reduction of purchase cost. Dividend / group contributions from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount.

### Taxes

The income tax expense in the income statement encompasses the tax payable for the period, tax effect of group contributions paid and the change in deferred tax. Deferred tax at December 31, 2019 is calculated at the rate of 22 per cent on the basis of temporary differences that exist between the financial accounting and tax-related values, in addition to the tax loss carried forward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse during the same period are offset and the tax effect of the net amount is calculated. Deferred tax assets attributed to net tax-reducing differences are not offset and the tax loss carry forward are recognised in the balance sheet only if estimated future earnings make it reasonable to believe in full utilization of the tax advantage. Deferred tax and tax assets recognised on the balance sheet are presented on a net basis. Tax payable related to group contributions received that exceed the accumulated profit of the relevant subsidiary during the ownership period are netted against a reduction of the book value of the shares in this company.

### Classification and assessment of balance sheet items

Current assets and current liabilities include items that relate to the company's business cycle or other items that fall due for payment within one year after the date of the balance sheet. Non-current assets include assets intended for permanent ownership or use. Non-current liabilities are liabilities that fall due for payment later than one year after the date of the balance sheet.

Current assets are valued at the lesser of historical cost or fair value. Non-current assets are valued at historical cost less depreciation for use and wear, unless the fair value is lower and the impairment in value is not expected to be of a temporary nature. Non-current assets are written down to fair value in such cases.

### Receivables

Trade and other receivables are recognised on the balance sheet at the nominal value, less a provision for estimated losses. Provisions for losses are made on the basis of individual assessments of the individual items.

### Liabilities

Liabilities, with the exception of certain liability provisions, are recognised on the balance sheet at nominal value.

### Long-term items in foreign currencies

Monetary items, receivables and liabilities in foreign currency are translated at the exchange rate in effect at the close of the financial year.

### Assets impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount. Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

### Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash include cash and bank deposits.

### NOTE 1: Other current receivables

| NOK 1 000                             | 2019         | 2018          |
|---------------------------------------|--------------|---------------|
| Group contribution                    | 3 000        | 25 000        |
| Other receivables for group companies | -            | 2 467         |
| <b>Total</b>                          | <b>3 000</b> | <b>27 467</b> |



## NOTE 2: Investments in subsidiaries

| NOK 1 000                                                                    | Business Office<br>at 31.12.19 | Company's<br>share capital | Profit for<br>the year | Equity<br>31.12.2019 |
|------------------------------------------------------------------------------|--------------------------------|----------------------------|------------------------|----------------------|
| Protection AS                                                                | Norway                         | NOK 76 479                 | (13 679)               | 443 457              |
| <b>Total</b>                                                                 |                                |                            | <b>(13 679)</b>        | <b>443 457</b>       |
| Book value of the shares in Protection AS at 1 January                       |                                |                            |                        | 630 285              |
| New paid-in equity for Protection AS                                         |                                |                            |                        | -                    |
| Group contributions received from Hansen Protection AS                       |                                |                            |                        | (3 000)              |
| 22% tax on group contributions recognised as a reduction in the shareholding |                                |                            |                        | 660                  |
| <b>Book value of shares in Protection AS at 31 December</b>                  |                                |                            |                        | <b>627 945</b>       |

## NOTE 3: Material transactions with related parties

Hansen Protection ASA has chosen to centralize certain management services, in order to exploit benefits of scale, save costs and utilize knowledge about the group companies in an effective way. The company was invoiced NOK 1.2m in 2019 relating to these

services. The company has received a group contribution of NOK 3 million from Hansen Protection AS in 2019 (NOK 25 million in 2018). The group contributions including tax effect are reflected as a reduction in the purchase cost of the shares.

## NOTE 4: Income tax

Deferred tax is calculated on the basis of temporary differences that exist at the end of the financial year between the financial and tax-related values:

### Temporary differences recognised in the balance sheet at period end

| NOK 1 000                                                   | 31.12.2019 | 31.12.2018 | Change  |
|-------------------------------------------------------------|------------|------------|---------|
| Capitalised debt issuance costs                             | -          | 3 933      | (3 933) |
| Basis for deferred tax liabilities /(-) deferred tax assets | -          | 3 933      | (3 933) |
| Deferred tax liabilities / (-) deferred tax assets          | -          | 865        | (865)   |
| Tax rate used for calculation of deferred tax:              | 22 %       | 22 %       |         |

### Temporary differences not recognised in the balance sheet at period end

| NOK 1 000                                                   | 31.12.2019 | 31.12.2018 | Change |
|-------------------------------------------------------------|------------|------------|--------|
| Loss carry forwards                                         | (25 381)   | (25 515)   | 134    |
| Non-deductible interest charges                             | (19 118)   | (26 648)   | 7 530  |
| Basis for deferred tax liabilities /(-) deferred tax assets | (44 500)   | (52 164)   | 7 664  |
| Deferred tax liabilities / (-) deferred tax assets          | (9 790)    | (11 476)   | 1 686  |
| Tax rate used for calculation of deferred tax:              | 22 %       | 22 %       |        |

### Change in deferred tax

| NOK 1 000                          | 2019  |
|------------------------------------|-------|
| Recognised in the income statement | (865) |
| Deferred tax at 31 December        | -     |



## Components of the income tax expense

| NOK 1 000                                                                                                | 2019     | 2018     |
|----------------------------------------------------------------------------------------------------------|----------|----------|
| Loss before tax                                                                                          | (25 922) | (54 627) |
| +/- Group contribution received recognized as a reduction of shares in subsidiaries in the balance sheet | 3 000    | 25 000   |
| +/- Permanent differences                                                                                | 18 989   | 14 375   |
| +/- Temporary differences                                                                                | 3 933    | 18 720   |
| <b>Tax basis for the year</b>                                                                            | -        | 3 467    |
| <b>Current tax liability</b>                                                                             | -        | 797      |
| Tax rate used                                                                                            | 22%      | 23%      |

In 2019 the company has received a group contribution with a tax effect of NOK 3 million from Hansen Protection AS.

## Reconciliation of the income tax expense

| NOK 1 000                                        | 2019           | 2018           |
|--------------------------------------------------|----------------|----------------|
| Current tax liability                            | -              | 797            |
| Change in deferred tax                           | (865)          | (952)          |
| Change in deferred tax due to change in tax rate | -              | (39)           |
| Tax effect of group contribution                 | (660)          | (5 750)        |
| <b>Income tax expense</b>                        | <b>(1 525)</b> | <b>(5 944)</b> |

## NOTE 5: Equity

Par and nominal value per share NOK 1

| NOK 1 000                   | Share capital | Treasury shares | Share premium  | Other equity     | Total equity   |
|-----------------------------|---------------|-----------------|----------------|------------------|----------------|
| 31 December 2018            | 75 050        | (251)           | 363 232        | (86 528)         | 351 502        |
| Purchase of treasury shares | -             | -               | -              | -                | -              |
| Capitalisation issue        | -             | -               | -              | -                | -              |
| Loss for the year           | -             | -               | -              | (24 397)         | (24 397)       |
| <b>31 December 2019</b>     | <b>75 050</b> | <b>(251)</b>    | <b>363 232</b> | <b>(110 925)</b> | <b>327 106</b> |

## Largest shareholders at December 31, 2019

|                                           |        |
|-------------------------------------------|--------|
| Protection Internatinal Sarl (Luxembourg) | 90.1 % |
| Lyngsøe Holding ApS (Denmark)             | 7.2 %  |
| Hansen Protection management              | 2.6 %  |

## NOTE 6: Other operating expenses

Other operating expenses in 2019 include professional fees related to refinancing of the Company's Investec loan, consultancy fees and other professional fees for corporate purposes.



## NOTE 7: Remuneration of the auditor

|                                                                     |            |               |
|---------------------------------------------------------------------|------------|---------------|
| Exclusive of value-added tax                                        |            |               |
| NOK 1 000                                                           | 2019       | 2018          |
| Statutory audit (including technical assistance with annual report) | 320        | 1 960         |
| Other confirmations                                                 | 10         | 40            |
| Tax services                                                        | 13         | 1 613         |
| Other consultancy fees                                              | 503        | 12 012        |
| <b>Total</b>                                                        | <b>846</b> | <b>15 625</b> |

## NOTE 8: Remuneration of the Board of Directors

|                 |            |            |
|-----------------|------------|------------|
| NOK 1 000       | 2019       | 2018       |
| Director's fees | 748        | 615        |
| <b>Total</b>    | <b>748</b> | <b>615</b> |

## NOTE 9: Other current liabilities

|                           |               |               |
|---------------------------|---------------|---------------|
| NOK 1 000                 | 2019          | 2018          |
| Debt to group companies   | 4 593         | -             |
| Other current liabilities | 17 817        | 27 698        |
| <b>Total</b>              | <b>22 409</b> | <b>27 698</b> |

## NOTE 10: Bank borrowings in EUR

| Creditor     | Designation     | Principal (EUR 1000)<br>31.12.2019 | Maturity | Average interest<br>rate 2019 | Principal (EUR 1000)<br>31.12.2019 |
|--------------|-----------------|------------------------------------|----------|-------------------------------|------------------------------------|
| Investec     | Long-term loans | 30 221                             | 2021     | 5,50 %                        | 298 091                            |
| <b>Total</b> |                 |                                    |          |                               | <b>298 091</b>                     |

Norges Bank's official rate for 31 December 2019 has been used for conversion to NOK on the date of the balance sheet. The limit of the loan granted under the loan agreement with creditor is EUR 32 million. In 2019 the company drew up another EUR 1.9 million under the existing agreement and loan principal at year end 2019 is EUR 30.2 million. The loan will fall due in its entirety in 2021.

The line item Bank borrowings consists of:

|                                               |                |
|-----------------------------------------------|----------------|
| NOK 1 000                                     | 2019           |
| Principal amount                              | 298 091        |
| Book value of capitalised debt issuance costs | -              |
| <b>Total</b>                                  | <b>298 091</b> |

### Conditions related to the financing

The company's loan agreement contains certain covenants at the IK fund level (majority shareholder) which are measured quarterly. The company met these conditions at 31 December 2019.

**NOTE 11: Financial items**

| NOK 1 000                                  | 2019          | 2018          |
|--------------------------------------------|---------------|---------------|
| <b>Finance income</b>                      |               |               |
| Interest income                            | 4             | -             |
| Foreign exchange gains on bank borrowings  | 2 348         | -             |
| Foreign exchange gains (other)             | -             | -             |
| Other financial income                     | 10            | 8             |
| <b>Total</b>                               | <b>2 362</b>  | <b>8</b>      |
| <b>Finance expenses</b>                    |               |               |
| Interest expenses                          | 15 731        | 14 696        |
| Foreign exchange losses on bank borrowings | -             | 4 414         |
| Amortisation of debt issuance cost         | 3 933         | 4 139         |
| Other financial expenses                   | 3 594         | 439           |
| <b>Total</b>                               | <b>23 258</b> | <b>23 688</b> |

**NOTE 12: Pledged assets and guarantee commitments**

The company's shares have been pledged as security for its own debt and debt in the parent company.

| NOK 1 000                         | 2019           |
|-----------------------------------|----------------|
| <b>Book value at 31 December:</b> |                |
| Shares in subsidiaries            | 627 945        |
| <b>Total</b>                      | <b>627 945</b> |



To the General Meeting of Hansen Protection ASA

## *Independent Auditor's Report*

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

#### *Opinion*

We have audited the financial statements of Hansen Protection ASA, which comprise:

- The financial statements of the parent company Hansen Protection ASA (the Company), which comprise the balance sheet as at 31 December 2019, the statement of profit or loss and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Hansen Protection ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and 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 the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 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.

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T: 02316, org. no.: 987 009 713 VAT, [www.pwc.no](http://www.pwc.no)  
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



## Independent Auditor's Report - Hansen Protection ASA

### *Other information*

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

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

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

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

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

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

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## Independent Auditor's Report - Hansen Protection ASA

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

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

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

#### *Opinion on Registration and Documentation*

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

Oslo, 6 March 2020  
**PricewaterhouseCoopers AS**

**Bjørn Lund**  
State Authorised Public Accountant



Hansen Protection ASA

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