



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 983 532 845
Organisasjonsform: Aksjeselskap
Foretaksnavn: TCO AS
Forretningsadresse: Storaneset 20
5260 INDRE ARNA

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Mørselskap 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: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Nils-Petter Sivertsen
Dato for fastsettelse av årsregnskapet: 05.05.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 26.07.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Sales revenues	1	166 669 000	159 599 000
Sum inntekter		166 669 000	159 599 000
Kostnader			
Cost of goods sold		51 443 000	52 096 000
Payroll and related costs	2	72 134 000	69 982 000
Depreciation	9,10	14 320 000	13 711 000
Other operating expenses	3-5,16	31 249 000	33 815 000
Sum kostnader		169 146 000	169 604 000
Driftsresultat		-2 477 000	-10 005 000
Finansinntekter og finanskostnader			
Other financial income		13 976 000	14 906 000
Sum finansinntekter		13 976 000	14 906 000
Write downs of non-current financial assets		170 000	2 363 000
Other financial expenses		11 790 000	17 922 000
Sum finanskostnader		11 960 000	20 285 000
Netto finans	15	2 016 000	-5 379 000
Ordinært resultat før skattekostnad		-461 000	-15 384 000
Income tax expense	7	-22 000	-2 732 000
Ordinært resultat etter skattekostnad		-439 000	-12 652 000
Årsresultat		-439 000	-12 652 000
Overføringer og disponeringer			
Transfer to accumulated other equity		-439 000	-12 652 000
Sum overføringer og disponeringer		-439 000	-12 652 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Research and development	9	14 747 000	15 825 000
Concessions, patents, licenses, trade marks and similar rights	9	246 000	3 219 000
Utsatt skattefordel	7	8 068 000	8 046 000
Sum immaterielle eiendeler		23 061 000	27 090 000
Varige driftsmidler			
Land, buildings and other property	10,14	801 000	1 148 000
Running equipment, tools etc	6,10,1 4	16 806 000	13 159 000
Sum varige driftsmidler		17 607 000	14 307 000
Finansielle anleggsmidler			
Investering i datterselskap	11	1 757 000	1 757 000
Sum finansielle anleggsmidler		1 757 000	1 757 000
Sum anleggsmidler		42 425 000	43 154 000
Omløpsmidler			
Varer			
Inventories	14	85 447 000	68 238 000
Sum varer		85 447 000	68 238 000
Fordringer			
Accounts receivable	14	16 384 000	27 868 000
Other short-term receivables	8	5 756 000	6 364 000
Konsernfordringer	12	9 211 000	
Sum fordringer		31 351 000	34 232 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	13	2 661 000	2 696 000
Sum bankinnskudd, kontanter og lignende		2 661 000	2 696 000
Sum omløpsmidler		119 459 000	105 166 000



Balanse

Beløp i: NOK	Note	2020	2019
SUM EIENDELER		161 884 000	148 320 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	17,18	208 000	208 000
Overkurs	17	10 174 000	10 174 000
Annen innskutt egenkapital	17	10 223 000	10 223 000
Sum innskutt egenkapital		20 605 000	20 605 000
Opptjent egenkapital			
Other equity	17	16 046 000	16 485 000
Sum opptjent egenkapital		16 046 000	16 485 000
Sum egenkapital		36 651 000	37 090 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	14,19	39 500 000	41 500 000
Langsiktig konserngjeld	12	22 156 000	10 236 000
Other long-term liabilities	5,6	8 204 000	4 589 000
Sum annen langsiktig gjeld		69 860 000	56 325 000
Sum langsiktig gjeld		69 860 000	56 325 000
Kortsiktig gjeld			
Bank overdraft	20	17 521 000	34 845 000
Leverandørgjeld		23 093 000	6 192 000
Tax payable	7		
VAT, social security costs etc		4 962 000	4 974 000
Other current liabilities		9 797 000	8 894 000
Sum kortsiktig gjeld		55 373 000	54 905 000
Sum gjeld		125 233 000	111 230 000



Balanse

Beløp i: NOK	Note	2020	2019
SUM EGENKAPITAL OG GJELD		161 884 000	148 320 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Sales revenues	1	233 357 000	245 881 000
Sum inntekter		233 357 000	245 881 000
Kostnader			
Cost of goods sold		79 922 000	81 433 000
Payroll and related costs	2	78 345 000	77 825 000
Depreciation	9, 10	14 757 000	14 299 000
Other operating expenses	3-5, 16	58 911 000	46 477 000
Sum kostnader		231 935 000	220 034 000
Driftsresultat		1 422 000	25 847 000
Finansinntekter og finanskostnader			
Other financial income		12 350 000	13 343 000
Sum finansinntekter		12 350 000	13 343 000
Other financial expenses		10 347 000	15 550 000
Sum finanskostnader		10 347 000	15 550 000
Netto finans	15	2 003 000	-2 207 000
Ordinært resultat før skattekostnad			
Income tax expense	7	6 280 000	2 155 000
Ordinært resultat etter skattekostnad		-2 855 000	21 485 000
Årsresultat		-2 855 000	21 485 000
Overføringer og disponeringer			
Transfer to accumulated other equity		-2 855 000	21 485 000
Sum overføringer og disponeringer		-2 855 000	21 485 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Research and development	9	14 747 000	15 825 000
Concessions, patents, licenses, trade marks and similar rights	9	246 000	3 219 000
Utsatt skattefordel	7	8 068 000	8 046 000
Sum immaterielle eiendeler		23 061 000	27 090 000
Varige driftsmidler			
Land, buildings and other property	10, 14	801 000	1 149 000
Running equipment, tools etc	6, 10, 14	18 958 000	15 899 000
Sum varige driftsmidler		19 759 000	17 048 000
Sum anleggsmidler		42 820 000	44 138 000
Omløpsmidler			
Varer			
Inventories	14	95 528 000	80 095 000
Sum varer		95 528 000	80 095 000
Fordringer			
Accounts receivable	14	24 111 000	51 067 000
Other short-term receivables	8	7 994 000	7 234 000
Sum fordringer		32 105 000	58 301 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	13	14 853 000	8 805 000
Sum bankinnskudd, kontanter og lignende		14 853 000	8 805 000
Sum omløpsmidler		142 486 000	147 201 000
SUM EIENDELER		185 306 000	191 339 000

BALANSE - EGENKAPITAL OG GJELD



Konsernets balanse

Beløp i: NOK	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Share capital	17, 18	210 000	210 000
Beholdning av egne aksjer	17, 18	-2 000	-2 000
Overkurs	17	10 174 000	10 174 000
Annen innskutt egenkapital	17	10 223 000	10 223 000
Sum innskutt egenkapital		20 605 000	20 605 000
Opptjent egenkapital			
Other equity	17	56 589 000	61 521 000
Sum opptjent egenkapital		56 589 000	61 521 000
Sum egenkapital		77 194 000	82 126 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7	1 574 000	
Sum avsetninger for forpliktelser		1 574 000	
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	14, 19	39 500 000	41 500 000
Other long-term liabilities	5, 6	8 204 000	4 589 000
Sum annen langsiktig gjeld		47 704 000	46 089 000
Sum langsiktig gjeld		49 278 000	46 089 000
Kortsiktig gjeld			
Bank overdraft	20	17 521 000	34 845 000
Leverandørgjeld		23 127 000	7 461 000
Tax payable	7	2 440 000	5 313 000
VAT, social security costs etc		5 125 000	5 221 000
Other current liabilities		10 621 000	10 284 000
Sum kortsiktig gjeld		58 834 000	63 124 000
Sum gjeld		108 112 000	109 213 000
SUM EGENKAPITAL OG GJELD		185 306 000	191 339 000



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Board of Directors' report 2020

Corporate Overview

TCO AS (the "Company") is the parent company of the TCO Group. The TCO Group develops and provides products and services for the completion phase of onshore and offshore, exploration, production and injection wells for oil and gas. TCO Group also provides products and services for permanent plugging of wells and services such as TCP (Tubing Conveyed Perforation) and CI (Chemical Injection Systems).

The Company was founded in Norway in 2001. The TCO Group consists of fully owned operating companies in Norway, Scotland and USA and local presence in Abu Dhabi, UAE.

The TCO Group supplies products and services to customers operating on- and offshore gas and oil fields nationally and internationally.

The goal is to be the preferred partner in the oil and gas industry delivering advanced well completion technologies cost effectively. A further strengthening of presence in existing markets and entering new markets have the highest priority.

Developing the existing product portfolio and, at the same time, evaluating new products and services, were also high on the priority list in 2020 and will be in the years to come. The CI product portfolio has become an important part of the TCO offering in 2020 and the relaunch of the APRS (Annulus Pressure Release System) in a new version has proven successful.

Despite the Covid-19 outbreak and reduced oil price, 2020 was a busy year for TCO with high activity in Norway and the Middle East. The market in USA faced reduced activity in 2020.

TCO has 31 patent families consisting of 163 single patents worldwide.

Environmental and Social Governance

TCO aims to be a responsible company regarding working conditions, human rights, the environment and anti-corruption. Environmental and Social Governance is regularly reported to the Board based on United Nations Global Impact.

The Company is focusing continuously to improve the health, safety and quality towards a zero-fault target. Throughout 2020 TCO continued its operations without any lost time injuries. The working environment is good with turnover and sickness absence on a low level.

TCO has implemented a Code of Conduct including anti-bribery and sexual harassment coverage. All new employees are introduced to the Code of Conduct and Training in the Code of Conduct is performed on a regularly basis. The Company emphasizes that all activities in the TCO Group shall comply with applicable legislation and the Code of Conduct. The personnel policy states that TCO shall recruit and keep staff based on competence, experience, and equal opportunities regardless of ethnicity, religion, gender, age, sexual orientation, marital status, or disability. The percentage of female employees increased from 15% to 17% in 2020.

The Company aims to minimize the impact of its activities on the environment and its operations are in accordance with ISO 14001. TCO keeps an environmental account to measure its environmental impact. The Company operates within current laws and legislation and has not recorded any spillage to the environment in 2020.



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TCO is an approved apprenticeship company for CNC operators and offers internships.

Consolidated accounts

The financial statements have been prepared based on the going concern assumption and in accordance with the Norwegian Accounting Act Section 3-3. The Board of Directors confirms this at the time the accounts were approved. The basis for the assumption is the positive status of the Company's equity, debt funding and the contract portfolio and prospects. The parent company and the TCO Group have a financial platform for further growth in all business areas.

Overall, TCO Group has not seen a significant market decline because of Covid 19 and reduced oil prices. The decline in parts of our markets has been offset by the upswing in other markets.

Other Operating cost has increased from MNOK 46.5 in 2019 to MNOK 58.9 in 2020. Mainly due to extra ordinary cost related to filed lawsuit for patent infringement, which the company judge baseless.

Sales revenues in 2020 MNOK 233.4 compared to MNOK 245.9 in 2019.

Profit before tax in 2020 MNOK 3.4 compared to MNOK 23.6 in 2019.

Balance Sheet Statement

Consolidated total assets amounted to MNOK 185.3 (2019: MNOK 191.3).

The TCO Group has capitalized Research and Development cost totaling MNOK 4.4 (2019: MNOK 4.8) which equals 1.9% of sales (2019: 1.8%)

Total current assets equaled MNOK 142.4 mill (2019: MNOK 147.2) of which cash was MNOK 14.9 (2019: MNOK 8.8). Total equity amounted to MNOK 77.2 (2019: MNOK 82.1)

Total equity and liabilities amounted to MNOK 185.3 (2019: MNOK 191.3). Current liabilities equaled MNOK 56.4 (2019: MNOK 63.1).

Cash Flow Statement

Cash Flow from operating activities amounted to MNOK 35.2 (2019: MNOK 5.8)

Cash and cash equivalents at 31.12 are MNOK 14.9 (2019: MNOK 8.8)

Risk factors

TCO provides a portfolio of products and services for the oil and gas industry. The industry has historically been cyclical. Fluctuations in the oil price influence the activity in the industry, but also regulatory issues related to operational safety and environmental hazards. In some markets the political risk will also be an element – i.e. currency risk.

The TCO Group seeks to mitigate risk by securing long term contracts with reputable customers. All contracts within the oil and gas industry are associated with significant risk and responsibilities, including technical, operational, commercial and political risk. TCO will always aim to have adequate insurance coverage to mitigate risk.

A lawsuit has been filed against TCO for patent infringement in connection with sales and production in and for the U.S. market. As of the end of the 2020 financial year, no provisions have been made for future costs, on the basis that the Company believes the lawsuit will have a positive outcome. A clarification is expected in spring 2022.



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TCO has established contingency plans to reduce the potential consequences of virus outbreaks.

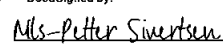
Outlook

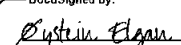
The North Sea is still an important market for TCO. The market in UK saw significant recovery for TCO. The onshore market in USA faced reduced activity and the market in Middle East has become increasingly important for TCO.

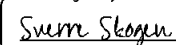
The budget for 2020 was optimistic based on the high activity in 2019. The Covid-19 outbreak and the falling oil price have created uncertainty in the market. The number of land rigs in USA was reduced significantly. TCO is in the completion segment of the market. We expect to see increased activity for TCO in the US market, stable activity in the North Sea, stable activity in the Middle East and increased activity in the UK sector.

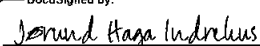
Despite the Covid-19 outbreak, TCO has been able to maintain activity in all areas of the business.

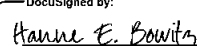
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Nils-Petter Sivertsen
CEO

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Øystein Elgan
Chairman of the Board

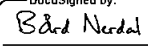
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Board Member

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Jørund Haga Indrehus
Board Member

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Board Member



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Consolidated Financial Statement

TCO AS

2020



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Income Statement

TCO AS		TCO Group			
2019	2020	(Amounts in 1000 NOK)	Note	2020	2019
		OPERATING REVENUE			
159 599	166 669	Sales revenue	1	233 357	245 881
159 599	166 669	Total operating revenue		233 357	245 881
		OPERATING EXPENSES			
52 096	51 443	Cost of material		79 922	81 433
69 982	72 134	Salary and personnel expenses	2	78 345	77 825
13 711	14 320	Depreciation and impairment	9, 10	14 757	14 299
33 816	31 249	Other operating expenses	3, 4, 5, 16	58 912	46 476
169 604	169 146	Total operating expenses		231 935	220 034
-10 005	-2 477	OPERATING PROFIT		1 422	25 847
		Write down of loan to group company			
2 363	170	Other financial income		12 350	13 343
14 906	13 976	Other financial expenses		10 347	15 550
17 922	11 790				
-5 379	2 016	Net financial income / - (cost)	15	2 003	-2 207
-15 384	-461	EARNINGS BEFORE TAXES		3 425	23 640
-2 732	-22	Taxes	7	6 280	2 155
-12 652	-439	PROFIT OR LOSS FOR THE YEAR		-2 855	21 485
		Transferred to other equity		-2 855	21 485
-12 652	-439	Total allocated		-2 855	21 485



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Balance Sheet

TCO AS						TCO Group	
31.12.2019	31.12.2020	(Amounts in 1000 NOK)	Note	31.12.2020	31.12.2019		
ASSETS							
NON-CURRENT ASSETS							
3 219	246	Patents, licenses, etc	9	246	3 219		
15 825	14 747	Products and technology Goodwill	9	14 747	15 825		
8 046	8 068	Deferred tax asset	7	8 068	8 046		
27 090	23 061	Total intangible assets		23 061	27 090		
13 159	16 806	Equipment, tools etc.	6, 10, 14	18 958	15 899		
1 148	801	Properties and buildings	10, 14	801	1 148		
14 307	17 607	Total fixed assets		19 759	17 047		
1 757	1 757	Investments in subsidiaries	11				
1 757	1 757	Total financial assets					
43 154	42 425	Total non-current assets		42 820	44 138		
CURRENT ASSETS							
68 238	85 447	Inventory	14	95 528	80 095		
27 868	16 384	Trade receivables	14	24 111	51 067		
6 364	5 756	Other receivables	8	7 994	7 234		
	9 211	Loan to group companies	12				
34 232	31 351	Total trade and other receivables		32 105	58 301		
2 696	2 661	Cash and cash equivalents	13	14 854	8 805		
105 165	119 459	Total current assets		142 486	147 202		
148 320	161 884	Total assets		185 306	191 339		



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Cash Flow Statement

TCO AS		(Amounts in 1000 NOK)	TCO Group	
31.12.2019	31.12.2020		31.12.2020	31.12.2019
-15 384	-461	Cash flow from operating activities		
		Earnings before taxes	3 425	23 640
		Change in tax payable	-4 752	
13 711	14 320	Depreciation and impairment	14 757	14 299
-10 370	11 484	Change in trade receivables	26 956	-18 178
-779	16 902	Change in trade payables	15 666	271
-9 798	-17 210	Change in inventory	-15 433	-17 660
1 560	-494	Other adjustments	-5 460	3 427
		Options recognized in equity		
-21 060	24 542	Net cash flow from operating activities	35 158	5 799
		Cash flow from investing activities		
		Proceeds from sales of fixed assets	176	
-7 961	-13 576	Payments for purchase of fixed assets and R&D	-13 576	-8 078
		Investment in subsidiaries		
-7 961	-13 576	Net cash flow from investing activities	-13 400	-8 078
		Cash flows from financing activities		
	3 615	Proceeds from issuance of long term debt	1 615	
10 287		Proceeds from issuance of short term debt		10 287
-3 701		Repayment of long term debt		-3 701
	-17 324	Repayment of short term debt	-17 324	
22 471	2 710	Change in loan to Group companies		
		Issue of share capital		
29 057	-11 000	Net cash flows from financing activities	-15 710	6 586
37	-34	Net change in cash and cash equivalents	6 048	4 308
2 659	2 696	Cash and cash equivalents at 01.01.	8 805	4 498
2 696	2 661	Cash and cash equivalents at 31.12.	14 854	8 805



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Accounting principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles (GRS)

Consolidation

Basis for consolidation

The consolidated financial statements comprise the parent company TCO AS and the subsidiaries where TCO AS has a controlling interest. A controlling interest is normally achieved when the Group owns more than 50% of the shares in the company and is also in the position to exercise control over the company. The minority share of the equity is included in the consolidated equity. The consolidated accounts are prepared such that the group of companies are presented as a single economic entity. Intercompany transactions have been eliminated from the consolidated accounts, such as intercompany receivables and payables. The consolidated accounts are prepared according to the same accounting principles for both parent and subsidiary.

Subsidiaries

Acquired subsidiaries are valued in the financial statements using the cost method. If the fair value of the subsidiary is lower than the book value, and the impairments is not expected to be temporary, a write down is recognized to reflect the fair value in the financial statements. Subsidiaries are presented under financial assets in the balance sheet. Dividends earned in the period of ownership is recognized as financial income in the year the dividend is allocated.

Sales revenue

Sales revenues are recognized at the time of delivery. Revenue from services are recognized when the service is rendered. The share of revenue associated with future services are recorded in the balance sheet as deferred sales revenue, and are recognized at the time when the services is rendered.

Balance sheet classification

Fixed assets are assets intended for permanent ownership or use by the company in the normal business cycle. Other assets are current assets. Current liabilities are due within one year or otherwise directly related to the business cycle.

Trade receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for probable write offs.

Receivables and payables in foreign currency

Cash and cash equivalents, trade receivables and trade payables in a foreign currency are presented in the financial statements using the year end exchange rates. Realized and unrealized currency gain/loss is recorded as financial income /loss.

Other current assets

Other current assets are valued at the lower of fair value or acquisition cost.

Fixed assets and depreciation

Fixed assets are capitalized and depreciated if they have an expected useful life of more than three years, and an acquisition cost of more than NOK 15 000. The fixed assets are recognized at acquisition cost, less ordinary depreciation. Ordinary depreciation is calculated on a linear basis over the economic life of the asset. Ordinary depreciation is presented under operating expenses in the income statement. If carrying value of a non current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Gains or losses on disposals of fixed assets are netted in revenues. Maintenance costs are expensed as incurred.

Intangible assets

Intangible assets acquired separately are capitalized at cost and depreciated over their estimated useful lives.

Research and development

Development costs are capitalized providing that a future economic benefit associated with development of the intangible asset can be identified and the cost incurred can be measured reliably. Otherwise, the costs are expensed as incurred. Research costs are expensed as incurred.

Inventory

The inventory is valued at the lowest of historical cost and fair value. The historical cost is valued using the FIFO method. Finished goods and work in process are valued at production cost. Management considers allowances for obsolescence.

Pensions

The company has established a defined contribution pension plan for all employees, and contributions to the plan are expensed as salary expenses in the income statement. The cost is expensed as incurred.



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Tax

Tax expenses in the income statement comprise both tax payable for the accounting period and changes in deferred tax asset / deferred tax. Deferred tax /- tax asset is calculated at 22% on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative, are balanced out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is likely to be utilized.

Currency

Transactions in foreign currency is recalculated using the exchange rate on the transaction date. Cash and cash equivalents in foreign currency are recalculated to NOK using the exchange rate at year end. Currency gains and -losses are recorded in the in the income statement throughout the accounting period using the exchange rate on the date of the transaction. Monetary items in foreign currency are valued at the exchange rate at year end.

Functional and presentational currency

The Group presents the financial statements in NOK, which is also the parent company's functional currency. Assets and liabilities of subsidiaries are recalculated using the exchange rate at year end. Revenue and expenses are recalculated using the average exchange rate. Currency exchange differences are recognized in equity.

Leases

Depending on the content of the agreement, leases are classified as financial or operational. If the significant part of the economic rights and obligations related to the underlying asset is transferred to the Group, the lease is classified as a financial lease. Assets held under financial leases are capitalized and depreciated over the useful life of the asset. The repayment of the lease obligation is included in interest bearing debt. Other leases are classified as operating leases and the annual leasing fee is expensed directly.

Estimates

Management has used estimates and assumptions which has affected assets, liabilities, revenues, expenses and disclosures of contingent liabilities. Future events could cause estimates to change. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period the changes occur.

Cash flow

The cash flow statement is prepared using the indirect method.
The liquid funds in the groups cash flow statement is defined as the sum of all bank deposits.



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Note 1 - Sales revenue (Amounts in 1000 NOK)

Parent Company 2019	2020	Geographical area	Group 2020	2019
97 659	131 774	Norway	131 774	97 659
4 170	1 512	Europe/Africa	12 610	9 077
42 689	26 354	Asia/Oceania	26 354	42 689
15 080	7 028	America	62 619	96 455
159 599	166 669	Total	233 357	245 881

The Group develops and provides products and services for the completion phase of onshore and offshore production and injection wells for oil and gas. The Group also provides products and services for permanent plugging of wells, as well as services such as TCP (Tubing Conveyed Perforating) and CI (Chemical Injection Systems).

Note 2 - Salary and personnel expenses

Parent Company 2019	2020		Group 2020	2019
54 050	57 843	Salary	62 981	63 069
8 771	7 950	Social security tax	8 315	8 771
3 886	3 549	Pension contribution	3 672	3 893
3 275	2 973	Other benefits	3 376	2 092
69 982	72 314	Total	78 345	77 825

In the financial statements for 2020, a total of NOK 375 000 is recorded as board fees. Managing Director has received a salary totaling NOK 2 623 971, and other benefits totaling NOK 16 101 for the whole year. Further, the Managing Director is a member of the Company's defined contribution pension plan.

Number of full-time employees employed during the accounting period:

	2020	2019
Parent	75	75
Group	83	83

The Company has not provided loans or pledges to senior executives or shareholders.

The Company is required to have a pension scheme by law that supports mandatory occupational pension. The Company's pension scheme meets the requirements of this Act.

Note 3 - Audit Fee

Parent Company		Group
397	Statutory audit	499
128	Other services	128
525	Total	627

The numbers are presented exclusive of VAT

Note 4 - Other operating expenses

Parent Company 2019	2020		Group 2020	2019
9 551	9 520	Rent and other expenses	13 655	13 555
4 180	1 299	Travel expenses	1 429	4 384
895	827	Rent of machines and other expenses	869	1 105
3 327	3 792	Supplies, telephone and IT	4 274	3 773
15 862	15 811	Other operating expenses	38 685	23 660
33 816	31 249	Total	58 912	46 476



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Note 5 - Rental agreements

The Company's rental facilities	Agreements expires	Yearly rent
Storaneset Næringspark, Indre Arna	01.01.2023	5 685
Vestre Svanholmen 4, Forus	02.01.2022	696
NCC lager, Ytre Arna	01.04.2022	64

The Company's rental of plots of land

gnr. 51, bnr 41 Hå kommune	01.01.2022	108
gnr. 51, bnr 29 Hå kommune	01.01.2022	58
gnr. 51, bnr 7, Hå kommune	01.01.2022	10

The company has an option to extend the lease relating to Storaneset Næringspark and NCC when the rent agreement expires.

The Group's rental facilities	Agreements expires	Yearly rent
Unit 5, Minto Commercial Park, Aberdeen, Scotland (TCO UK)	31.12.2023	£ 230
1417 Vanderwil Ln, Houston, USA (TCO Products Inc., USA)	19.12.2021	\$ 131

Note 6 - Leasing

Finance lease commitments amounts to NOK 8 203 696 at year end.

In 2020 there are expensed rental costs of NOK 211 718 for lease agreements assessed as financial lease.

Estimated lease payment	< 1 year	1-5 years	> 5 years	Total
Nominal value payments	2 146	4 638	1 723	8 506
Net present value*	2 044	3 998	1 350	7 392

* Discount rate: 5%



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Note 7 - Taxes and deferred tax

Current year tax expense comprises:

Parent Company 2019	2020		Group 2020	2019
-	-	Taxes payables	4 569	5 327
-2 732	-22	Change in deferred tax	-22	-3 171
-	-	Effect of tax accrual US 2019	1 734	-
-2 732	-22	Total current year tax	6 280	2 155

Effect of tax accrual US 2019 is due to recognition of prior year temporary changes in TCO Products Inc.

Calculation of current year tax base:

-15 384	-461	Earnings before taxes	-1 982	23 640
2 967	363	Permanent differences	-2 001	603
-	-	Income from foreign subsidiaries	-	-
6 304	6 062	Change in temporary differences	6 062	6 304
-	-	Effect of tax accrual US 2019	7 895	-
-	-	Tax prepayments	-1 571	-
-6 114	5 964	Current year tax base	8 403	30 547
-	5 964	Use of tax loss carried forward	5 964	-
-	-	Taxes payable	2 440	5 327

Temporary differences:

Parent Company 2019	2020		Group 2020	2019
-18 982	-20 615	Fixed assets	-20 615	-18 982
2 883	9	Accounts receivables	7 162	2 883
-	-	Provisions for liabilities	-	-
-9 539	-11 094	Inventory	-11 094	-9 539
-10 935	-4 971	Losses carried forward	-4 971	-10 935
-36 573	-36 671	Total	-29 518	-36 573
-8 046	-8 068	Deferred tax asset (22 % last year, 22 % this year)	-6 494	-8 046

Explanation to why the current year tax expense is not equal to 22 % of earnings before taxes (22% last year)

Parent Company 2019	2020		Group 2020	2019
-3 385	-101	22 % of earnings before taxes	-436	5 201
653	80	22 % of permanent differences	-440	133
-	-	Effect of change in tax rate	-	-
-	-	Tax loss carried forw. not recognised	-3 670	-3 178
-	-	Effect of tax accrual US 2019	-1 734	-
-2 732	-22	Calculated tax expense	-6 280	2 155

Note 8 - Contingent assets

Tax credit claim - Skattefunn

The Company has received approval for R&D projects in "Skattefunn" by the The Research Council of Norway. The amount for 2020 totaling TNOK 1 043 is recorded in the financial statements as a reduction in fixed assets and taxes payables. The final approval will be made by the tax authorities in connection with The Company's tax return.



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Note 9 - Intangible assets

Parent Company

	Products and Technology	Patents, Licences etc.	Total
Aquisition cost 01.01	30 998	21 207	52 205
Additions	4 449		4 449
Aquisition cost 31.12	35 447	21 207	56 654
Accumulated depreciation 01.01	15 172	17 988	33 160
Current year depreciation	5 527	2 973	8 500
Current year write down			
Accumulated depreciation 31.12	20 699	20 961	41 660
Net book value 31.12.	14 747	246	14 994

Economic life 3-5 years 5 years
Depreciation plan Linear Linear

The Parent Company has capitalized Research and development cost totaling TNOK 14 747
Depreciation of R&D is calculated on a linear basis over the economic life at the time completion.
In 2020 there has been additions of TNOK 4 449, and depreciations of TNOK 5 527

Group

	Products and Technology	Patents, Licences etc.	Total
Aquisition cost 01.01	30 998	21 207	52 205
Additions	4 449		4 449
Aquisition cost 31.12	35 447	21 207	56 654
Accumulated depreciation 01.01	15 172	17 988	33 160
Current year depreciation	5 527	2 973	8 500
Current year write down			
Accumulated depreciation 31.12	20 699	20 961	41 660
Net book value 31.12.	14 747	246	14 994

Economic life 3-5 years 5 years
Depreciation plan Linear Linear

The Group has capitalized Research and development cost totaling TNOK 14 747
Depreciation of R&D is calculated on a linear basis over the economic life at the time completion.
In 2020 there has been additions of TNOK 4 449, and depreciations of TNOK 5 527

Note 10 - Fixed assets

Parent Company

	Fixed assets	Property development	Total
Aquisition cost 01.01	62 147	2 896	65 043
Additions	9 127		9 127
Disposals			
Aquisition cost 31.12	71 273	2 896	74 169
Accumulated depreciation 01.01	48 988	1 748	50 735
Current year depreciation	5 480	347	5 827
Accumulated depreciation 31.12	54 467	2 095	56 562
Net book value 31.12.	16 806	801	17 607

Economic life 3-5 years 8 years
Depreciation plan Linear Linear

Net book value at year end (31.12) for fixed assets considered as financial lease: TNOK 7 531
Current year depreciation for fixed assets considered as financial lease: TNOK 1 906



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Group	Fixed assets	Property development	Total
Aquisition cost 01.01	62 584	5 559	68 143
Additions	9 128		9 128
Disposals	171		171
Aquisition cost 31.12	71 541	5 559	77 100
Accumulated depreciation 01.01	45 571	4 411	49 982
Current year depreciation	5 939	347	6 286
Eliminated on disposal	-18		-18
Accumulated depreciation 31.12	51 491	4 758	56 250
Accumulated write down 01.01	1 114		1 114
Current year write down			
Accumulated write down 31.12	1 114		1 114
Net book value 31.12.	18 958	801	19 759
<i>Economic life</i>	<i>3-8 years</i>	<i>8 years</i>	
<i>Depreciation plan</i>	<i>Linear</i>	<i>Linear</i>	

Note 11 - Subsidiaries

Company	Acquired	Business location	Ownership	Voting rights
TCO Products Inc.	2009	Texas, USA	100 %	100 %
TCO In-Well Tech. Ltd.	2009	Aberdeen, Scotland	100 %	100 %

The shares are recorded in the financial statements using the cost method

Company	Share capital	Net book value in Parent	Equity	Earnings
TCO Products Inc.	1 000 USD	TNOK 1 755	4 791 TUSD	62 TUSD
TCO In-Well Tech. Ltd.	2 GBP	TNOK 0	-4 270 TGBP	-350 TGBP
Total		TNOK 1 755		

Note 12 - Transactions and intercompany balances with companies within the Group

Transactions with companies within the Group

	2020	2019
Sales to TCO Products Inc.	1 919	2 430
Sales to TCO In-Well Tech. Ltd.	503	2 019
Management fee to subsidiaries	4 886	6 520
Interest income from TCO In-Well Tech. Ltd.	1 626	1 423
Interest income from TCO Products Inc.		139
Total income	8 934	12 531
Goods purchased from TCO In-Well Tech. Ltd.		894
Hired labor from TCO In-Well Tech. Ltd.	4 465	2 494
Goods purchased from TCO Products Inc.	3 720	4 153
Total costs	8 185	7 541

Intercompany balances with companies within the Group

Parent Company		Group	
2019	2020	2020	2019
Long term receivables/ payables			
-10 236	-22 156	-	-
-	-	-	-
-10 236	-22 156		
Short term receivables/ payables			
-	-	-	-
-	9 211	-	-
	9 211		



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Note 13 - Restricted funds

Restricted bank deposits as of 31.12.20 amounts to TNOK 2 660

Note 14 - Collaterals and guarantees

Net book value for assets pledged as security for long term debt:

Parent Company		Group		
2019	2020		2020	2019
13 159	16 806	Operating assets	16 806	13 159
68 238	85 447	Inventory	85 447	68 238
27 868	16 384	Trade Receivables	16 384	27 868
109 265	118 637	Total	118 637	109 265
6 500	39 500	Secured debt	39 500	6 500

TCO AS has drawn TNOK 17 521 of an overdraft facility of TNOK 45 000 as of 31.12.2020

Note 15 - Currency gains and losses

Parent Company		Group		
2019	2020		2020	2019
13 337	12 340	Currency gains	12 340	13 337
13 166	8 493	Currency losses	8 494	13 167
171	3 846	Net currency gain (loss)	3 846	171

Note 16 - Research and development

Expenses related to R&D recorded in the financial statements for 2020 total 15,6 MNOK . The expenses incurred have contributed to concept development related to new solutions and improving existing products.

Note 17 - Equity

Parent Company	Share capital	Own shares	Share premium	Other paid in capital	Other equity	Total
Equity 01.01.2020	210	-2	10 174	10 223	16 486	37 090
Profit or loss for the year					-439	-439
Correction of prior year deferred tax asset						
Equity 31.12.	210	-2	10 174	10 223	16 046	36 651

Group	Share capital	Own shares	Share premium	Other paid in capital	Other equity	Total
Equity 01.01.2020	210	-2	10 174	10 223	61 521	82 126
Profit or loss for the year					-2 855	-2 855
Translation differences					-2 077	-2 077
Correction of prior year deferred tax asset						
Equity 31.12.	210	-2	10 174	10 223	56 589	77 194



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Note 18 - Share capital and shareholder information

The share capital of TCO AS at 31.12.2020 consists of one class of shares:

	Number of shares	Face value	Carrying value
A-shares	2 102 776	0,1	210 278

Shareholders as of December 31st, 2020

Shareholder	Number shares	Percentage ownership and voting rights
Rieber & Søn AS	1 772 029	85,18 %
Atlantis Vest AS	265 458	12,76 %
AS Flu	30 000	1,44 %
TCO AS (own shares)	22 500	-
Others	12 789	0,61 %
Sum	2 102 776	100,0 %

In 2014 TCO AS acquired 22 500 of its own shares. TCO AS owns these shares as of 31.12.2020

The Chairman of the Board, Øystein Elgan, owns 1 612 shares in The Company.
Board member, Sverre Skogen, owns 1 500 shares in The Company.

Note 19 - Non-current interest bearing debt

Long term liabilities (more than five years maturity):

In 2019 and 2020 neither the company or the group have any non-current interest bearing debt to financial institutions with maturity more than five years except of financial lease agreements disclosed in note 6 .

As of 31.12.20 liabilities to financial institutions consist of interest bearing debt to Nordea of TNOK 39 500, which matures in 2021 and 2022.

The group entered into a loan agreement for a shareholder loan with AS Atlantis Vest at 1 January 2018 for a loan of TNOK 35 894. This replaced existing loan agreements between the parties.

The loan has been transferred to Nordea in January 2020 with scheduled repayments on 30.09.2021 and 30.01.2022

Note 20 - Current interest bearing debt

TCO AS has an overdraft facility of TNOK 45 000. As of 31 December 2020 the loan is classified as current interest bearing debt. The overdraft facility expires 12 September 2021.

Note 21 - Legal dispute

TCO Group has received legal action for infringement of patent rights in connection with sales and production in and for the US market. As of the end of the financial year 2020, no provisions have been made for future costs, this is due to the company believing that a positive outcome of the case is probable. In the event of a possible negative outcome, there is also great uncertainty regarding the calculation of potential costs. This is both in the calculation of the basis and the calculation methodology itself. Based on current experience, it is assumed that an outcome of the ongoing process will be clarified during the second quarter of 2022. Costs related to this case are expensed on an ongoing basis, and based on case law, the possibility of recourse in the event of a positive outcome is not assumed.

Note 22 - Covid-19

The outbreak of the Corona virus (COVID-19) in the first quarter of 2020 could continue to affect the Company's operations and financial results. The extent, duration and economic effect of these conditions are uncertain and depend on future developments that cannot be accurately estimated at present. The Company will continue to closely monitor the impact of the ongoing COVID19 outbreak. Throughout the pandemic, the Company has focused on infection prevention measures, and has maintained normal shifts throughout the pandemic. The oil price has been and is under pressure as a result of the pandemic, which has affected activity in some of the Company's markets.



Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of TCO AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TCO AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2020, the income statement and statements 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. 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 management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting, unless management either intends to liquidate the Company 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Bergen, 31 May 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Truls Nesslin
State Authorised Public Accountant (Norway)



Skattedirektoratet

Saksbehandler
Rune Tystad

Deres dato
05.05.2014

Vår dato
19.05.2014

Telefon
977 59 464

Deres referanse
Kenneth Tunes

Vår referanse
2014/319232

TCO AS
Postboks 23 Indre Arna
5888 BERGEN

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for TCO AS, org.nr. 983 532 845

— Vi viser til deres brev av 5. mai 2014 hvor dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for TCO AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering TCO AS tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at 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

TCO AS sin virksomhet er rettet mot internasjonale aktører og alle selskapets vesentlige samarbeidspartnere og interessenter er internasjonale. Kundemassen består i all hovedsak av store internasjonale operatørselskap som ConocoPhillips, Exxon, Total og Statoil. Videre er selskapets nøkkelleverandører også internasjonale. Selskapets hovedeier har eierinteresser i andre internasjonale virksomheter og grunnlag for innarbeidelse i regnskap for høyere enhet gjøres på engelsk.

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:

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

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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.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapets virksomhet er rettet mot internasjonale aktører og at alle selskapets vesentlige samarbeidspartnere og interessenter er internasjonale. Videre er det vektlagt at grunnlag for innarbeidelse i regnskap for høyere enhet gjøres på engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet

Rune Tystad