

2014 Annual Report

Christian Michelsen Research AS is a technological and industrial research institute. The University of Bergen (UiB) is the company's principal shareholder, and has particular responsibility for commercial research and innovation in the interface between university and industry. The board sees this as a strong platform for further development.

Christian Michelsen Research AS is organized as a group (CMR), and consists of the research institute and its subsidiaries. Its vision is: "Research for industrial development". The purpose of the company is to benefit society, and it conducts research and development engagements for private and public enterprises. The company creates value for society and for domestic and international clients by transforming ideas and research findings into commercial products and industrial solutions.

In its 23rd year of operations, Christian Michelsen Research AS and the CMR group had a turnover of NOK 137.8 million and NOK 278.5 million respectively. Their losses for the year after tax were NOK 6.8 million and NOK 13.9 million respectively.

Wide-ranging activities

Most of the CMR group's contract work is in the sectors of oil and gas, renewable energy, energy technology, space, fisheries, the environment and security, and emergency preparedness. The group is active globally, but most of its turnover comes from the delivery of research and industrial projects in Norway and Europe. The main operations are based in Bergen.

The parent company Christian Michelsen Research AS conducts research on measurement science and instrumentation, computer technology/visualization and renewable/environmentally-friendly energy systems. The group works on explosion simulation, risk analyses, fuel cell technology, mechanical construction and design, product development and production through its subsidiaries GexCon AS and Prototech AS.

The underlying operations must be healthy and yield positive results, but successful technological development has higher priority than maximizing profits.

Quality and a good working environment

It is the CMR group's goal to be an attractive and renowned research group, offering high quality, diversity and equality. In 2014, group employees submitted 26 peer-reviewed publications to international journals and presented 46 papers at a range of academic conferences. Increasing the number of publications in the future is an important goal at the group.

The CMR group seeks to focus on quality at every stage, and uses the SolWay quality assurance system to achieve this. The group works systematically to improve quality.

The CMR group had 174 employees at year-end 2014, 20% of whom were women. 33 of the employees come from 19 different countries outside Norway. Turnover was at 8%. The proportion of women in management in 2014 was 30%. The group has 54 employees with doctorates. The working environment at the group is good.

Through systematic communication, it is the objective of the CMR group to be visible locally and nationally. Constant work is done to develop and build good relations with clients, and the feedback indicates that they are satisfied.

About the company

Research and product development were conducted within every area of operation at the CMR group in 2014. Industrial contracts represented 73% of the volume, compared with 72% in 2013. Foreign contracts amounted to 38% of the overall contract volume in 2014, compared with 32% in 2013. The global financial downturn and the decline in the oil and gas industry had an impact on the group's operations in 2014.

Strategic collaboration with universities and colleges is key to the CMR group's continued development and academic quality. The University of Bergen (UiB) and Bergen University College (HiB) are key partners in higher education.

In 2014, the CMR group had 7 academic additional positions. The CMR group had 3 additional positions at other institutions. The collaboration between UiB, HiB, UNI Research and the CMR group continued in 2014 through work in established central place systems and through collaboration on new research proposals and applications.

The CMR group also collaborates with other regional and national groups of experts and industrial actors. Locally, the CMR group is involved in NCE Subsea and the UPTIME Centre of Competence.

Christian Michelsen Research AS

In 2014, the parent company Christian Michelsen Research AS continued its collaboration with UiB and UNI Research, especially in connection with developing applications within the Centre for Research-based Innovation scheme. Christian Michelsen Research AS had a 2014 turnover of NOK 137.8 million, with an ordinary pre-tax loss of NOK 6.8 million. The loss is closely related to a decline in demand and engagements in the petroleum sector in 2014.

In 2014, the parent company Christian Michelsen Research AS received NOK 6.8 million as a basic allocation from the Research Council of Norway. The basic allocation provides the basic funding for the research institute sector, and is important for execution of long-term and strategic competency-building

technology projects and network activities at the institutes. Basic allocations to the Norwegian research institute sector are low, and the board believes that it is necessary to increase allocations to the institute sector to a level that allows substantially increased strategic competency-building and technological development.

In 2014, Christian Michelsen Research AS worked on 3 different research applications related to the announcement of new Centres for Research-Based Innovation. Unfortunately none of the applications were successful. Increasing the long-term funding of research at the parent company is a challenge.

Prototech AS

The subsidiary Prototech AS consolidated its activities in 2014. Prototech AS had a turnover of NOK 48.5 million, with an ordinary pre-tax profit of NOK 1.1 million

GexCon AS

The subsidiary GexCon AS strengthened its international position significantly in 2014, and has now established companies in China, India, Dubai and France. GexCon AS had a 2014 turnover of NOK 65.1 million, with an ordinary pre-tax profit of NOK 2.3 million. The GexCon group had a turnover of NOK 113.4 million, with an ordinary pre-tax profit of NOK 7.5 million.

Tecom AS

The subsidiary Tecom AS was established with the purpose of handling commercialization and attending to IPR at the group. Tecom AS had a 2014 turnover of NOK 0.2 million, with an ordinary pre-tax profit of NOK 0.6 million.

Innovation

Innovation is at the core of the CMR group. In 2014, it helped companies ZEG Power AS and XSENS AS move forwards. The company Offshore Sensing AS was established at the same time.

HSE (the CMR group in Norway)

Eleven incidents and one near-incident were reported at the CMR group in Norway in 2014. Three incidents resulted in simple medical treatment. Three of the incidents resulted in short periods of sick leave (0.5–1 day). The group's activities have not resulted in accidents that have damaged the external environment. The enterprise is not required to hold a licence; nor is it under an obligation to hold a discharge permit. However, the group has rules and established practices in order to prevent harm to the external environment. The board will continue to concentrate on its long-term HSE work. Sick leave in 2014 was 2.68%. This is below the industry average. The group will work actively to maintain a low level of sick leave also in the future.

It is important to the board that the enterprise is run according to high ethical standards, and the CMR group has drawn up dedicated ethical guidelines.

Gender equality

The CMR group works actively and in a purposeful and planned manner to promote gender equality within the enterprise. Professional qualifications are prioritized in recruiting processes, both when recruiting staff from within the organisation, and when recruiting external candidates. The under-represented gender will be encouraged more actively to apply to vacant positions. The company will thereby attempt to increase the proportion of women in roles where it is particularly low.

Actions to prevent discrimination, etc.

The CMR group also works actively and methodically to promote the purpose of the Anti-discrimination Act at our business. The purpose of the Act is to promote gender equality, ensure equal opportunities and rights, and prevent discrimination based on functional capacity, ethnicity, national origin, descent, skin colour, language, religion or belief. These activities include recruitment, salary and working conditions, promotions, development opportunities, and protection from harassment.

Ownership and organization

As at 31.12.2014, Christian Michelsen Research AS had the following shareholders: University of Bergen 50%, UNI Research AS 35%, Statoil Technology Invest AS 5%, Sparebanken Vest 5% and CGG Services (NORWAY) AS 5%. The shareholder agreement and articles of association stipulate that the CMR group cannot disburse dividends.

Future developments

The CMR group's personnel and capacity increased in 2014. The business prospects for the group going forward are marked by greater uncertainty, associated, in particular, with the decline in the oil and gas industry. In relation to our owners, clients and surrounding industry, competence in all of the group's core areas continues to be needed. It is especially important to strengthen competency and organization in environmentally-friendly energy and energy technology.

The CMR group works actively with other relevant centres of expertise in Bergen to increase the interaction, by laying the groundwork for research collaboration in selected fields.

Financial position

In its 23rd year of operations, the CMR group's turnover was NOK 278.5 million, a 2% decline compared with the previous year. The operating loss was NOK 17.1 million and the loss for the year after tax was NOK 13.9 million.

The cash flow from operational activities at the group was NOK -3.2 million. Current assets were NOK 224.4 million as at 31.12.2014; NOK 121.2 million of this was cash and securities. The group's liquidity is considered to be good. Group equity was NOK 133.2 million, which corresponds to a 48.3% equity ratio.

Christian Michelsen Research AS received notification of a possible tax liability in 2009. In 2014, the company received a new letter from the Directorate of Taxes regarding 2012 and 2013. The letter stated that the previous notification had been abandoned. The company argues that acquisition is not our purpose, and that it is thus a tax-free institution. See note no. 13 for further details.

The board believes that the annual accounts provide a correct picture of the CMR group. The group has a solid financial basis, but the operational situation in 2015 will be challenging. In accordance with section 3-3a of the Accounting Act, the conditions for continued operations are present, and this has been taken into account when drawing up the annual accounts.

Financial risk

The credit risk associated with clients' financial capacity to meet their obligations has historically been low, and continues to be regarded as low at the end of 2014. The CMR group is exposed to fluctuations in exchange rates.

At the end of 2014, the CMR group had placed NOK 78.3 million in securities funds. The management strategy is based on a low risk profile, with most of the funds placed in short-term interest-bearing instruments with low risk and a lesser share in unit trust funds.

Result for the year and allocations

The board proposes that the year's deficit be covered by other equity.

Bergen, 9 April 2015

Ivar Aasheim
(Chair)

Anne Marit Blokhus
(Deputy chair)

Camilla Sætre

Gro Hatleskog

Ørjan Knudsen

Nora-Lise Kristiansen

Terje Weisser

Hans Petter Sejrup

Geir Omdal

Arvid Nøttvedt
(President and CEO)