

2009 Annual Report

Christian Michelsen Research AS is a technology research company that focuses on commercial research and innovation. The University of Bergen (UiB) is the company's largest owner, and has particular responsibility for technology research and innovation in close association with the university. The board sees this as a good platform for further growth.

Christian Michelsen Research AS is organized as a group (CMR). Its vision is to conduct "research for industrial development". The company's purpose is to be beneficial to society, and it performs engagements for private and public enterprises. The company creates value for Norwegian and international clients, and for society through its ability to translate ideas and research results into commercial products and industrial solutions.

In its 18th year of operations, Christian Michelsen Research AS and the CMR group had a turnover of, respectively, NOK 93.4 million and NOK 171.2 million. The annual result after tax was, respectively, NOK 7.5 million and NOK 9.1 million.

Wide-ranging activities

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

Parent company Christian Michelsen Research AS has two research units that focus on industrial instrumentation and computer technology/visualization: CMR Instrumentation and CMR Computing. A third research unit, CMR Energy, was established on 01.01.2010, and focuses on renewable and environmentally-friendly energy. The group works on explosion simulation, risk analyses, development of energy systems, mechanical construction and design, product development and production through its subsidiaries GexCon AS and Prototech AS.

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

Quality and good working environment

It is CMR's goal to be an attractive and renowned research group, with high quality, diversity and equality. CMR's research profile is shown, among others, in scientific publications in international journals. In 2009, group employees published 37 items in international journals, and made 54 presentations to different academic conferences.

CMR is attempting to focus on quality in every stage through the SolWay quality system. Constant work is done on developing and building good relations with clients, and the feedback indicates that they are satisfied on whole.

CMR had 147 employees in 2009. 30 are women and 13 of the employees come from outside Norway. Three women were part of management in 2009. The group has 31 employees (21 %) with doctorates. Three employees left during the year (2 % turnover). The group's working environment is generally good.

CMR's goal is to become more visible, both locally and nationally. In 2009, the group had good press coverage in different media.

About the organization

Good and interesting research and product development were conducted within every area of operation at CMR in 2009. Industrial contracts represented 68 % of the volume, compared with 63 % in 2008, and were directed towards the product and processing industry, with main emphasis on oil and gas. The foreign contract volume in 2009 was 25 %, compared with 18 % in 2008. The global financial downturn had some effect on CMR operations in 2009, in that the order volume was somewhat more variable than in previous years.

Strategic collaboration with universities and colleges is key to CMR's continued development and academic quality. The University of Bergen (UiB) is the most important partner in the higher education sector. A total of 5 Master students, 6 doctoral students and 4 academic advisors worked on these projects.

Collaboration between the UiB, UNI Research and CMR was further strengthened in 2009, among others through funding through the new state scheme of Centres for Environment-friendly Energy Research (FME). On 4 February 2009, CMR was assigned the role of host to two FME centres for offshore wind energy (NORCOWE) and CO₂ storage (SUCCESS). NORCOWE received an annual grant from NFR of NOK 15 million, and is a joint-venture between CMR, UNI Research, and the universities of Bergen, Stavanger, Agder and Århus, Denmark. SUCCESS received an annual grant from NFR of NOK 10 million. This centre is a joint-venture between CMR, IFE, NGI, NIVA, UNI Research, UNIS, and the universities of Bergen and Oslo.

CMR has also been given the role of host to the Centre for Geothermal Energy Research (CGER), a joint-venture between a number of different institutions and businesses in Norway, including the UiB and UNI Research. The role of host is initially for a 3-year period. Together with the FME grants, there is a basis for an expanded focus on renewable and environmentally-energy at CMR.

In 2009, one scientific advisor was associated with the collaboration with Bergen University College. CMR also collaborates with other regional and national groups of experts, like NCE Subsea.

Christian Michelsen Research AS

In 2009, parent company Christian Michelsen Research AS received NOK 3.75 million as a basic allocation and NOK 3.6 million in strategic funds from NFR. The basic allocation and strategic funds are important for execution of long-term and strategic competency-building technology projects and network activities at the Institute. The board believes that it is necessary to raise the Norwegian allocations to a level that is closer to that of other European institutions. Starting in 2009, a new result-based system was introduced for awarding basic allocations (basic allocation and strategic funds), among others through prizes for scientific publication, international activity and contract revenue. Christian Michelsen Research AS focuses on these parameters in its disposal of the basic allocation.

Christian Michelsen Research AS had a 2009 turnover of NOK 93.4 million, with an operating result of NOK -4.2 million.

Prototech AS

Subsidiary Prototech AS' main area of expertise is energy technology, mechanical design, product development and production. In 2009, the company worked on several pilot deliverables, among others developing a new environmentally-friendly progress system for the MF Vågen, a ferry that runs in Bergen harbour. Prototech AS had a turnover of NOK 50.5 million, with an operating result of NOK 0.1 million in 2007.

GexCon AS

The operating year of 2009 was as expected for subsidiary GexCon AS, which has expertise and software in the fields of explosion simulation and risk analysis. GexCon AS had a 2009 turnover of NOK 43.5 million, with an operating result of NOK 2.8 million in 2009.

HSE

Four incidents and three near-incidents were reported at CMR in 2009. None of these incidents have entailed sick leave. One of the incidents resulted in light medical treatment. The group's activities have not led to accidents that have damaged the external environment. The activities are not subject to licence terms or a need for a discharge permit, but the group has guidelines and established practice to prevent damage to the external environment. Sick leave in 2009 was 3.15 %. This is below the industry average. The group will work actively to maintain a low level of sick leave in the future.

Gender equality

CMR works actively, and in a goal-oriented and methodical manner towards equality at the enterprise. When recruiting, both internally and externally, academic qualifications are prioritized above gender; the underrepresented gender will be encouraged to apply to a greater extent. The company will thus attempt to increase the share of women in roles where it is particularly low.

Actions to prevent discrimination, etc.

The group is also working 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 functionality, ethnicity, national origin, descent, skin colour, language, religion or belief. The activities include recruitment, salary and working conditions, promotions, development options, and protection against harassment.

Ownership and organization

As at 31.12.2009, Christian Michelsen Research AS had the following shareholders: University of Bergen 50%, UNI Research AS (previously Unifob AS) 35%, Statoil New Energy AS 5%, Sparebanken Vest 5% and CGG Veritas 5%. CMR cannot disburse dividends, pursuant to the shareholder agreement and bye-laws. Chairman of the board Jørgen C. Arentz Rostrup and board member Kari Tove Elvbakken stepped down from the board in 2009. Torunn Stranden Davidsen went from being a board member to being an alternate. The board thanks them for their years of commitment and work on the board of CMR. Hans Olav Lindal and Asbjørn Strand joined the board as members in 2009. Ingolf Søreide was elected new chairman of the board, while Anne Marit Blokhuis will continue as deputy chairman.

Future developments

CMR had an overall growth in staffing and increase in capacity in 2009. This provides a foundation for budget growth and expansion of the group's activities also in 2010. The business prospects for CMR in the future are relatively good, and preparations are being made for a further increase in capacity in 2010. In relation to our owners, clients and surrounding industry, all of the group's core areas need to expand their competency. With the awarding of the two FME centres and collaboration in the consortiums, it is also necessary to strengthen the competency and organization within environmentally-friendly energy and energy technology.

CMR is working actively with other relevant centres of expertise in Bergen to increase the interaction, by laying the groundwork for research clusters in selected fields.

It is essential to renew the national infrastructure for research laboratories. CMR and the UiB are working on an outline and plans for a new common technology building in Bergen.

Healthy finances

In its 18th year of operations, CMR's turnover was NOK 171.2 million, a 5.8 % increase, compared with the previous year. The operating result was NOK -2.6 million. The annual result after tax was NOK 9.1 million. The cash flow from operational activities at the group was NOK 44.2 million. Current assets were NOK 212.9 million as at 31.12.2009. NOK 129.9 million of this was cash and securities. The group's liquidity is considered to be good. The equity at CMR is NOK 126.0 million; corresponding to an equity level of 56.1 %.

Christian Michelsen Research AS received notification of a possible tax liability in 2009. The company argues that acquisition is not our purpose, and that it is thus a tax-free institution. Further reference is made to the discussion in note no. 14.

Christian Michelsen Research AS established two new subsidiaries in 2009. Tecom AS was established with the purpose of handling commercialization and attending to IPR at the group. CellPower AS' purpose is to commercialize SOFC technology (solid oxide fuel cells) which has been developed at Prototech over a period of several years.

The board believes that the annual accounts provide a correct picture of CMR. The group has a healthy financial position. 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 ability to meet their obligations has historically been low. At the end of 2009, it was still considered low. CMR is exposed to fluctuations in exchange rates. No futures contracts or other contracts have been entered into to reduce this risk.

At the end of 2009, CMR had placed NOK 99.9 million in securities funds. The management strategy is a low risk profile, with most of the funds placed in short-term interest-bearing instruments with low risk and a minor share in unit trust funds.

Annual result and allocations

The board proposes that the year's profit be added to other equity.

Bergen, 15 April 2010

Ingolf Søreide
(Chairman)

Anne Marit Blokhus
(Deputy chairman)

Stian Anfinsen

Cato Bolstad

Gro Hatleskog

Hans Olav Lindal

Asbjørn Strand

Ole Jacob Taraldset

Arvid Nøttvedt
(President and CEO)