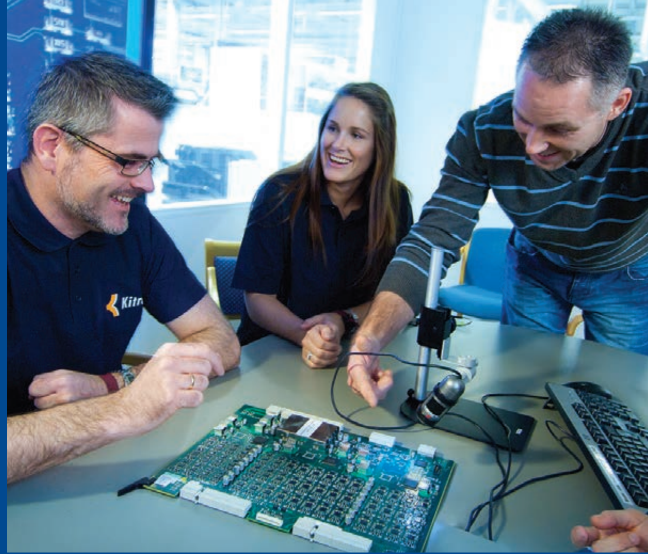
Annual Report 2014

Kitron

Your ambition. Our passion.





Content




Kitron in brief

Kitron is an international Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1200 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

Kitron's services are most competitive within complex manufacturing processes that require niche expertise. Kitron has chosen to focus its sales and marketing activities within five key sectors; Defence/Aerospace, Energy/Telecoms, Industry, Medical equipment and Offshore/Marine.

Kitron has a balanced sales mix among these sectors, which makes Kitron diversified and puts the group in a good position to handle shifting demands.

Kitron has strong relationships with large multinational companies.

Flexible turnkey supplier

Kitron's services range from development and design, through industrialisation, sourcing and logistics, to manufacturing, redesign and upgrading of products in order to extend their lifespan. Kitron endeavours to achieve a seamless integration with customers and suppliers.

Kitron is working to further enhance its competitiveness by expanding its range of services in those parts of the value chain that demand high levels of expertise. The group is constantly striving to optimise the sourcing function, manufacturing process and logistics in order to reduce its cost base.

Quality assurance

Kitron measures quality in all processes. Continuous quality improvement is achieved through training and the implementation of programs such as Six Sigma, LEAN Manufacturing, 5S and 7W. Kitron is striving to achieve superior quality and thereby create a competitive advantage relative to other EMS companies.

Global sourcing

Kitron's global sourcing is responsible for performing sourcing activities for the whole group, working in close connection with Kitron's local sourcing. Kitron's global sourcing consists of dedicated specialists working directly with carefully selected manufacturers and distributors. As a result of continuously monitoring the market globally, Kitron is able to negotiate competitive prices and ensure a reliable supply of components.

Vision and values

Kitron's vision is to provide solutions that deliver success for its customers. Kitron shall contribute to develop customers' businesses into leading companies within their respective markets.

Kitron's values are built upon reliability, creativity, an inclusive work environment and a positive and international mind-set.

Strategy

Kitron has an ambition for profitable growth in the Northern European, US and Chinese EMS markets targeting professional customers. For the time being Kitron is pursuing a strategy along the following dimensions: accelerate organic growth and continuous operational improvement

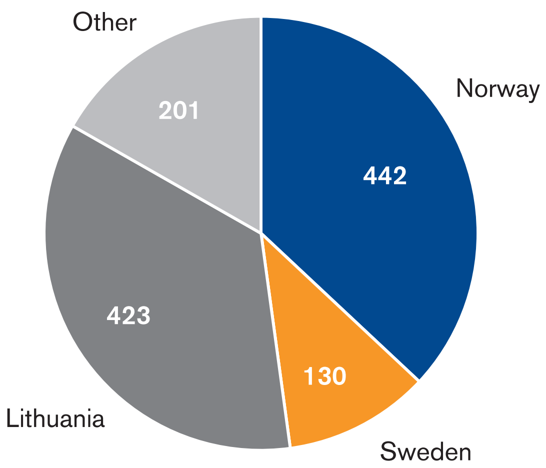
Accelerate organic growth

Kitron will continue to increase market shares in its Nordic home markets by leveraging its key competences and competitive edge. There will be a particular focus on gaining market share in Sweden.

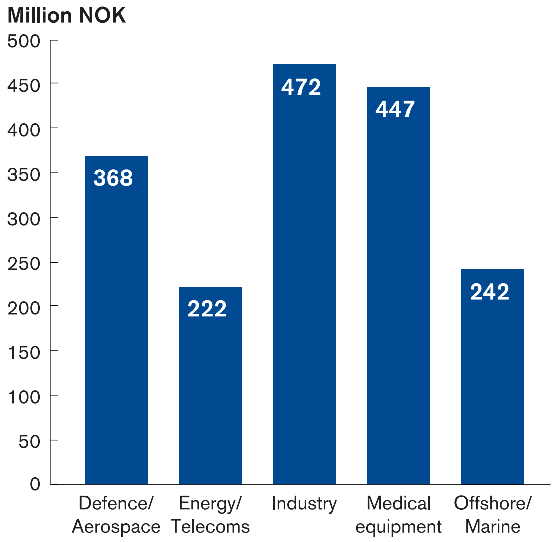
Germany, China & Asia and the US are large markets where Kitron sees attractive opportunities. The German operation is focusing on sales and technical services while the manufacturing mainly will be performed outside Germany. The expansion of the Kaunas factory and the factories in USA and China are Kitron's platform for market expansion and growth.

Continuous operational improvement

Kitron will focus on reducing the cost base through global sourcing, increased manufacturing efficiency, system and process improvements and transfer of manufacturing to lower-cost countries. Within all these areas there are on-going programs and clear targets. Kitron's employees and their competences are key factors in fulfilling the company's strategy.



Full time employees 2014
Geographical description



Revenue per market sector in 2014
Revenue in NOK million

Kitron's history

Kitron has its origin from the companies Stratonic and Electric Bureau, both of which were established in the 1960's in Arendal. The Kitron name was established in the 1980's, and Kitron's business idea changed to contract manufacturing of electronics. The business idea has since been extended to include the entire value chain relating to the manufacturing and assembly of electronics and industrial products containing electronics, including development, industrialisation, purchasing, logistics, maintenance/repair and redesign. Kitron was listed on the Oslo Stock Exchange in 1997.

In order to strengthen its market position and competence, Kitron has carried out several mergers and acquisitions. Most notably Sonec ASA and Kitron ASA merged in 2000. Today, Kitron consists of businesses that have their origin in Ericsson, Kongsberg Gruppen, Nera and Tandberg Data in Norway, in addition to Bofors and Saab in Sweden.

Kitron acquired UAB Kitron in Lithuania in 2001 and UAB Kitron Elsis in 2007. The same year Kitron established a sourcing organisation in Ningbo, China. In June 2009 Kitron divested its Microelectronics facility at Røros in Norway. In 2010 the development department in Oslo, Norway was divested, while a small German EMS company was acquired. In addition Kitron established Kitron Electronics Manufacturing in Ningbo, China and Kitron Inc. in USA in 2010. In 2012 Kitron's factory in Karlskoga, Sweden was closed down, and the business was moved to Kitron AB in Jonkoping.

In 2014 the facility at UAB Kitron in Lithuania was expanded with 5000 sqm. The small production facility in Germany was closed down and the business moved to UAB Kitron in Lithuania.

Board of directors' report 2014:

International footprint secures growth and profitability

Kitron's revenue for the year reached NOK 1 751.3 million (NOK 1 631.6 million), which represented a 7.3 per cent increase compared with 2013. There was considerable growth outside of Scandinavia and in the Swedish operations but a reduction in the Norwegian operations. EBITDA for the group reached NOK 64.7 million compared to NOK 64.1 million in 2013.

Profit for the year after tax amounted to NOK 24.3 million (NOK 8.3 million), corresponding to NOK 0.14 per share (NOK 0.05). The Board of Directors will, on this basis, propose to the Annual General Meeting an ordinary dividend per share of NOK 0.05 (NOK 0.00).

The business

Kitron's business model is to provide manufacturing and assembly services for products containing electronics. The business model covers the whole value chain from development, industrialisation, purchasing, logistics and maintenance/repair to redesign. For customers having Kitron as their professional manufacturing partner, this means increased flexibility, reduced costs and improved quality.

The growing competition among OEMs requires focus on manufacturing efficiency and cost reduction. Hence, an increasing share of OEMs focus on their own core competences and transfer a larger part of the value chain to specialised EMS providers like Kitron. When selecting an EMS partner geographical proximity and access to competitive manufacturing play a crucial role in the customer's choice of supplier. With its global presence, Kitron is well placed in this market.

The company has operations in Norway, Sweden, Lithuania, China, Germany and the US. All employees have been certified in accordance with international quality standards for the applicable manufacturing.

Market sectors

Kitron's services are most competitive within complex manufacturing processes that require niche expertise. Kitron has chosen to focus its sales and marketing activities within the Defence/Aerospace, Energy/ Telecoms, Industry, Medical equipment and Offshore/ Marine market sectors.

Defence/Aerospace

The Defence/Aerospace sector increased by 9.5 per cent in terms of revenue and ended at NOK 368.5 million in 2014 (NOK 336.4 million). The sector accounted for 21.0 per cent (20.6 per cent) of the group's total revenues. The increase in revenue is due to large defence orders from Kongsberg for the US and Norwegian markets. The long-term outlook for the Defence/Aerospace sector remains positive and the backlog has been increased by 66.6 per cent compared to 2013. Kitron is currently involved in defence programs with amongst others the Kongsberg Group and Lockheed Martin that have a large revenue potential for the years to come. For Kongsberg, Kitron are primarily involved in three areas, Communication, the Remote Weapon Station for the Crows program and NASAMS air defence program. For Lockheed Martin, supplies are for the JSF (Joint Strike Fighter) program. Defence/ Aerospace is also a prioritised area for our operation in Germany.

Energy/Telecoms

Revenue in the Energy/Telecoms sector was increased by 17.7 per cent to NOK 221.7 million in 2014 (NOK 188.3 million). This represented 12.7 per cent of the group's revenues (11.5 per cent). The increase is caused by stronger demand from existing customers. The sector is driven by larger individual customers and their projects and the niches that Kitron are involved in have shown a good positive trend in 2014.

Industry

The Industry sector increased revenue by 16.0 per cent to NOK 472.1 million (NOK 407.0 million), accounting for 27.0 per cent of the group's total revenue (24.9 per cent). The revenue growth from primarily explained by new customers and growth existing customers for the Swedish and German markets. Industry is the market sector within Kitron that is most closely correlated with the general economic development.

Medical equipment

Revenue in the Medical equipment sector increased by 5.7 per cent to NOK 446.8 million in 2014 (NOK 422.6 million), corresponding to 25.5 per cent of the group's revenues (25.9 per cent). The medical sector is less cyclical than other market segments and the demand quite stable. Kitron focuses on additional growth in this segment and expects a long-term positive development.

Offshore/Marine

The Offshore/Marine sector decreased by 12.7 per cent in terms of revenue from NOK 277.3 million in 2013 to NOK 242.2 million in 2014. The sector accounted for 13.8 per cent (17.0 per cent) of the group's total revenues. The decline in revenue is due to reduction in the Norwegian market, which is connected to the general adjustment in the oil service market.

Important events in 2014

Customer contracts

During the year, Kitron has secured several large contracts within the Defence/Aerospace sector from Kongsberg. The orders are partly related to electronic modules for Kongsberg Protech's Remote Weapon Station and connected to the Crows program in the United States and Canada, and partly military communications equipment for a contract Kongsberg has signed with Raytheon for supplying the NASAMS air-defence system to Oman. The orders will be fulfilled from 2014 until 2016.

Within the Industry sector, Kitron secured frame agreements with Sensys, a leading provider of road safety system solutions, for manufacturing of automatic speed surveillance and traffic light systems and with Speed Identity AB, a leading global provider of solutions for biometric data capture and enrollment, for production and related services for its biometric identification systems.

Kitron invests in its Arendal operations

During the year, the Arendal operation in Norway experienced a decline in revenue due to a weaker offshore sector and transfer of products and customers to other parts of Kitron. In addition, the profitability declined partly due to the development of the Norwegian krone. As a consequence, the operations were downsized by 85 full-time employees and actions to reduce the cost base were initiated.

In December it was announced that Kitron ASA's subsidiary Kitron AS will move its operations from Hisøy to Kilsund. Both locations are in Arendal, Norway. The Hisøy plant is a leased facility. The Kilsund plant is owned by Kitron and was Kitron's main production facility from 1985 until 2005. Kitron will make investments estimated at NOK 45 million in order to upgrade and expand the Kilsund facility and increase efficiency of the Arendal operations. The move is expected to take place early in 2016.

Change in management

The Chairman of the board Asa-Matti Lyytinen, resigned and was replaced by Tuomo Lähdesmäki in an Extraordinary General Meeting at the end of February 2014.

Peter Nilsson was appointed CEO in November 2014. Peter Nilsson has held several senior and executive leadership positions for Swedish and US companies: PartnerTech, Rimaster, Sanmina, and Ericsson, latest as President, Electronics Technology Division, at PartnerTech AB. Nilsson is trained in industrial business management and production engineering and has a degree in Industrial Management from Gävle University College (Gävle, Sweden).

Dag Songedal, who had been appointed Interim CEO from June 2013 until November 2014, stepped down to continue in his original position as managing director of Kitron AS.

Financial statements

The board of directors believes that the annual financial statements provide a true and fair view of the net assets, financial position and result of Kitron ASA and the Kitron group for the year. The group's consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by EU.

Profit and loss

Operating revenue for 2014 amounted to NOK 1 751.3 million, compared to NOK 1 631.6 million for 2013, which represents an increase of 7.3 per cent.

The order backlog at the end of 2014 amounted to NOK 868.4 million, compared to NOK 718.1 million in 2013. Kitron recognizes firm orders and four-month customer forecasts in the order backlog, while frame agreements and similar are not included (beyond the four-month forecast). The increase in order backlog is within the Defence/Aerospace and Energy/Telecoms sectors.

The number of full-time equivalents (FTE) increased from 1 188 at the end of 2013 to 1 196 at the end of 2014. Although the total number is relatively unchanged, there has been a reduction of 94 in Scandinavia and an increase of 102 outside of Scandinavia. The increase is related to the build-up of activity foremost in Lithuania but also in China and the US. 52 per cent of Kitron FTEs are now in low-cost countries. The group's payroll expenses decreased and amounted to NOK 442.8 million in 2014 compared with 443.4 million in 2013. The payroll expenses as a percentage of revenue was 25.3 per cent (27.2 per cent in 2013). The payroll expenses have been reduced during the last three quarters of the year, compared to 2013, as we see a reduction in the number of FTEs in high cost countries and an increase in low cost countries.

Kitron performs development, industrialization and manufacturing services for its customers. Kitron does not conduct any research activities. Kitron's development activities on the company's own account are limited and are primarily aimed at planning and implementing productivity improvements, building competency and enhancing quality. Such costs are expensed when incurred.

The group's net financial costs decreased from NOK 10.8 million in 2013 to NOK 0.4 in 2014. The main reason for the change was currency effects on intra-group financial loans.

Kitron's pre-tax profit for 2014 amounted to NOK 29.6 million (NOK 14.4 million), an increase of NOK 15.2 million in 2014. All tax loss carried forward in the businesses in Norway and Sweden are capitalised by December.

The group's net profit for the year amounted to NOK 24.3 million (NOK 8.3 million). This corresponds to earnings per share of NOK 0.14 (NOK 0.05). Diluted earnings per share were the same as basic earnings per share. Kitron's dividend policy corresponds to paying a dividend of 30-50 per cent profit for the year. On this basis, the Board proposes an ordinary dividend for the accounting year 2014 of NOK 0.05 per share (NOK 0.00), equivalent to a dividend ratio of 36.7 per cent.

Cash flow

In 2014, Kitron's cash flow from operating activities declined by NOK 36.6 million compared to 2013, to minus NOK 4.8 million (NOK 31.9 million).

The net cash flow from investing activities in 2014 is affected by the investment in capacity in Lithuania and ended at minus NOK 63.0 million (minus NOK 26.7 million),

The net cash flow from financing activities was minus NOK 16.5 million (minus NOK 23.6 million). Kitron enters into financial leasing agreements when applicable. The leasing obligation is recognised as debt.

Kitron expects to generate sufficient cash to finance the operation in the foreseeable future. A positive cash generation is expected in 2015 as a result of reduced working capital development and improved profitability.

Balance sheet and liquidity

Total assets at 31 December 2014 amounted to NOK 1 152.0 (NOK 1 088.7 million). At the same time equity amounted to NOK 494.7 million (NOK 473.7 million) and the equity ratio was 42.9 per cent (43.5 per cent).

Inventories increased by NOK 34.8 million during 2014 and ended at NOK 402.3 million at the end of the year (NOK 367.5 million). Inventory turns at 3.4 are at the same level as last year. The increase in inventory is explained by temporary build-up due to project deliveries. Accounts receivable ended at NOK 377.8 million (NOK 350.6 million). Overdue receivables are low and credit losses have been small during 2014.

At 31 December 2014, the group's interest-bearing debt was NOK 336.2 million (NOK 316.9 million). The debt is mainly related to factoring and financial leasing.

Cash and cash equivalents amounted to NOK 12.3 million at the balance sheet date (NOK 51.4 million). NOK 10.3 million of this amount was restricted deposits (NOK 11.3 million). The group's liquidity situation is satisfactory.

Risk Factors and Risk management

Kitron's business exposes the company to financial risks. The company's procedures for risk management are designed to minimise possibly negative effects caused by the company's financial arrangements.

The group is affected by exchange rate fluctuations as a significant share of its goods and services are sold in foreign currency. At the same time raw materials are purchased in foreign currency, while the foreign units' operating costs are incurred in the units' local currency. Exchange-rate gains and losses only arise in the period in which an asset denominated in a foreign currency is recognised. A larger proportion of revenue than costs is recognised in NOK and SEK. However, revenue and costs in foreign currencies are largely balanced in such a way that the net exchange rate risk over time is small. The group does not enter into significant hedging arrangements other than agreements with customers that allow Kitron to adjust the selling price when the actual exchange rate on the purchase of raw materials significantly deviates from the agreed base rate.

The company is exposed to price risk because raw materials follow international market prices for electronic and mechanical components, and because the company's goods and services are exposed to price pressure.

The credit risk for the majority of the company's customers is insured in accordance with the terms of the company's factoring agreement. The company is therefore only exposed to credit risk on customers where the credit risk is uninsured. Kitron has only incurred immaterial bad debt costs.

Kitron's debt is largely short-term and related to factored accounts receivable. This means that fluctuations in revenue impact the company's liquidity. A small share of the external capital is long-term. The group has overdraft facilities that cover expected liquidity fluctuations during the year. The board considers the group's liquidity to be sufficient.

The group's interest-bearing debt attracts interest cost at the market-based rate. Kitron has no financial instruments related to interest rates. The group does not hold any significant interest-bearing assets.

Social responsibility
Kitron has implemented Ethical guidelines that reflect Kitron core values and Kitron corporate social responsibility. Kitron has implemented an ethical advisory committee whose task is to review and suggest updates of ethical guidelines, decide and/or advice in ethical dilemmas, conduct risk analysis and implement relevant actions and make periodical reviews.

The boards review on Corporate Social Responsibility is presented in the Annual report.

Health, safety and Environment
At the end of 2014 the group employed a total of 1 176 people and adjusting for part time employees and hired-ins this translates to 1 196 full-time equivalents. The figures have not been adjusted for sick leave. The competence of our employees represents a major asset and competitive advantage for Kitron.

There was no serious work-related accident in 2014. Sick leave in Kitron was reduced from 4.2 per cent in 2013 to 3.8 per cent in 2014. The board considers that the working environment is good and special measures in this regard have not been deemed necessary.

Kitron does not pollute the external environment to any material extent. Several of the group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards. Kitron AS in Norway is a UN climate partner.

Personnel and organisation
In 2014 Kitron continued to focus on competence development. Most of the basic training for technical, quality, safety and manufacturing skills is done locally at each site and is a combination of class room training and on the job learning. In 2014 about 22 163 hours were spent on training, which equals about 18.9 hours per employee. 12 924 hours were spent on Manufacturing/Technical subjects, and 2 481 hours on Leadership/Project management.

Equal opportunities
Kitron's basic 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 Kitron. The company's manufacturing factories have traditionally employed a higher proportion of women. Women represented 53 per cent of the Kitron work force in 2014. Out of 93 managers (manager having direct reports) 30.1 per cent are female and 69.9 per cent are male.

Kitron is taking its social responsibility seriously. In addition to ensuring that the work is carried out safely this involves respecting the freedom of association and not accepting any form of forced labour, child labour or work related discrimination.

The average pay (basic salary and allowances) of women working directly in manufacturing in the Norwegian and Swedish companies was approximately 91.4 per cent of the average pay for men. The average pay for men and women vary due to differences in job categories and years of service, not because of gender.

Indirect functions include management employees, staff and other support functions. The employees in the company management teams are predominantly male. The corporate management team consist of 7 males and 1 female. No gender-based differences exist with regard to working hour regulations or the design of workplaces.

The composition of the board complies with the requirements in the Norwegian Public Limited Companies Act regarding gender balance.

Corporate governance
The Kitron board has adopted policies for 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. Kitron endeavours to have in place procedures that comply with the Norwegian code for corporate governance. The board's review of corporate governance is presented in the annual report.

Salaries and other remuneration to senior executives
The Board of Directors has a separate Remuneration Committee, which deals with all significant matters related to wages and other remuneration to senior executives before the formal discussion and decision by the Board of Directors. In line with the Norwegian

Companies Act, the Board of Directors has also prepared a statement on the Group CEO and Executive Management remuneration included in Note 27 to the consolidated financial statements.

Net profit (loss) of the parent company

The parent company Kitron ASA recorded a profit of NOK 2.6 million for 2014 (NOK 12.6 million). The board of directors proposes the following allocations for Kitron ASA:

Dividend	NOK	8.6 million
Transferred from other equity	NOK	(6.0 million)
Total allocations	NOK	2.6 million

The proposed dividend accounts for approximately 36.7 per cent of the group's net profit and is in line with the group's dividend policy. The group's liquidity and financial position is satisfactory, and the future prospects are improving.

Going concern

There have been no events to date in 2015 that significantly affect the result for 2014 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 2014 have been prepared on the basis of this assumption.

Outlook

For 2015, Kitron expects growth and a clear improvement in profitability. Growth is driven by increased demand in Defence sector for US and Norwegian markets, as well as increases in Energy/Telecoms and Industry. Offshore/Marine will have reduction due to oil service market in Norway. Kitron continue to monitor the volatile currency markets and its effect on our operations.

The board emphasizes that every assessment of future conditions necessarily involves an element of uncertainty.

Oslo, 17 March 2015

Tuomo Lähdesmaäki
Chairman

Arne Solberg
Deputy chairman

Martynas Cesnavicius

Siri Hatlen

Liv Johansen
Employee elected board member

Elisabeth Jacobsen
Employee elected board member

Päivi Marttila

Bjørn Gottschlich
Employee elected board member

Lars Peter Nilsson
CEO

Consolidated annual accounts and notes

Consolidated income statement

(Amounts in NOK 1000)	Note	2014	2013
Revenue			
Sales revenues	5	1 751 300	1 631 598
Operating costs			
Cost of materials		1 114 612	998 069
Payroll expenses	7, 18, 22	442 817	443 428
Depreciation and impairments	11, 12, 13	34 675	38 971
Other operating expenses	24, 26	127 640	126 338
Total operating costs		1 719 744	1 606 806
Other gains/(losses)	6	(1 514)	331
Operating profit/(loss)		**30 041**	**25 123**

Financial income and expenses

	Note	2014	2013
Finance income	8	18 647	10 485
Finance expenses	8	(19 081)	(21 235)
Net financial items		(434)	(10 750)
Profit/(loss) before tax		29 607	14 373
Tax	9	5 319	6 045
Net profit/(loss)		**24 289**	**8 328**

Allocation

	Note	2014	2013
Shareholders		24 289	8 328

Earnings per share for that part of the net profit/(loss) allocated to the company's shareholders (NOK per share)

	Note	2014	2013
Basic earnings per share	10	0.14	0.05
Diluted earnings per share	10	0.14	0.05

The notes on pages 13 to 47 are an integral part of the consolidated financial statement.

Consolidated statement of comprehensive income

(Amounts in NOK 1000)	2014	2013
Net profit/(loss)	24 289	8 328
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Actuarial gains / losses	(4 337)	(502)
	(4 337)	(502)
Items that may be subsequently reclassified to profit and loss		
Currency translation differences	(234)	16 399
	(234)	16 399
Total other comprehensive income	**(4 571)**	**15 897**
Total comprehensive income	**19 718**	**24 225**

Items in the statement above are diclosed net of tax.

Allocation		
Shareholders	19 718	24 225

Consolidated balance sheet

(Amounts in NOK 1000)	Note	31.12.2014	31.12.2013
Assets			
Non-current assets			
Goodwill	12	26 786	26 786
Other intangible assets	13	32 409	36 360
Property, plant and equipment	11	162 147	123 810
Deferred tax assets	21	105 407	101 824
Total non-current assets		**326 750**	**288 781**
Current assets			
Inventory	15	402 260	367 454
Accounts receivable	14, 27	377 824	350 653
Other receivables	14, 27	32 823	30 386
Cash and cash equivalents	16	12 337	51 387
Total current assets		**825 244**	**799 879**
Total assets		**1 151 994**	**1 088 660**

The notes on pages 13 to 47 are an integral part of the consolidated financial statement.

Consolidated balance sheet (cont.)

(Amounts in NOK 1000)		31.12.2014	31.12.2013
Equity and liabilities			
Equity			
Equity attributable to owner of the parent			
Share capital and share premium reserve	17	473 354	473 354
Other equity unrecognised in the profit and loss		(27 585)	(24 271)
Retained earnings		48 914	24 626
Total equity		**494 683**	**473 709**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	21	1 081	1 072
Loans	20	15 277	36 966
Pension commitments	22	12 241	8 552
Total non-current liabilities		**28 599**	**46 589**
Current liabilities			
Accounts payable	19, 27	214 611	196 310
Other payables	19, 27	84 895	88 979
Tax payable		68	87
Loans	20	320 938	279 902
Other provisions	24	8 200	3 084
Total current liabilities		**628 712**	**568 362**
Total liabilities		**657 311**	**614 952**
Total liabilities and equity		**1 151 994**	**1 088 660**

The notes on pages 13 to 47 are an integral part of the consolidated financial statement.

Oslo, 17 March 2015

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Chairman

Arne Solberg
Deputy chairman

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Siri Hatlen

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Employee elected board member

Elisabeth Jacobsen
Employee elected board member

Päivi Marttila

Bjørn Gottschlich
Employee elected board member

Lars Peter Nilsson
CEO

Consolidated statement of changes in equity

(Amounts in NOK 1000)	Share capital and share premium reserve	Actuarial gains and losses	Currency conversion unrecognised in the profit and loss	Other equity unrecognised in the profit and loss	Retained earnings	Total
	Equity attributable to owner of the parent					
Equity at 1 January 2013	**629 020**	**(4 485)**	**(31 956)**	**(4 319)**	**(122 073)**	**466 188**
Net profit					8 328	8 328
Paid dividends					(17 296)	(17 296)
Change nominal value share	(155 666)				155 666	-
Effect from options				592		592
Other comprehensive income		(502)	16 399			15 897
Equity at 31 December 2013	**473 354**	**(4 987)**	**(15 558)**	**(3 727)**	**24 626**	**473 709**
Equity at 1 January 2014	**473 354**	**(4 987)**	**(15 558)**	**(3 727)**	**24 626**	**473 709**
Net profit					24 289	24 289
Effect from options				1 257		1 257
Other comprehensive income		(4 337)	(234)			(4 571)
Equity at 31 December 2014	**473 354**	**(9 324)**	**(15 791)**	**(2 470)**	**48 914**	**494 683**

Consolidated statement of cash flow

(Amounts in NOK 1000)	Note	2014	2013
Cash flow from operational activities			
Cash flow from operations	25	9 161	47 098
Interest received		1 598	2 105
Interest paid		(12 497)	(13 355)
Income taxes paid		(3 025)	(3 915)
Net cash flow from operational activities		**(4 763)**	**31 933**
Cash flow from investment activities			
Aquisition of tangible fixed assets	11	(63 422)	(23 454)
Aquisition of other intangible assets	13	(3 162)	(5 383)
Sale of other assets		3 207	2 025
Currency conversions		418	86
Net cash flow from investment activities		**(62 959)**	**(26 725)**
Cash flow from financing activities			
Repayment of loans		(16 521)	(6 308)
Dividends paid		-	(17 296)
Net cash flow from financing activities		**(16 521)**	**(23 604)**
Change in cash, cash equivalents and bank overdraft		**(84 244)**	**(18 396)**
Cash, cash equivalents and bank overdraft at 1 January	16	(27 586)	(5 815)
Exchange gains (losses) on cash and cash equivalents		(10 832)	(3 375)
Cash, cash equivalents and bank overdraft at 31 December		**(122 662)**	**(27 586)**

The notes on pages 13 to 47 are an integral part of the consolidated financial statement.

Notes to the consolidated financial statements

Note 1 General information

Kitron ASA and its subsidiaries (the group) comprise one of Scandinavia's leading enterprises in the development, industrialisation and manufacturing of electronics for the energy/telecoms, defence/aerospace, offshore/marine, medical equipment and industry sectors. The group has operations in Norway, Sweden, Lithuania, Germany, US and China. Kitron ASA has its head office at Billingstad outside Oslo in Norway and is listed on the Oslo Stock Exchange. The consolidated accounts were considered and approved by the company's board of directors on 17 March 2015.

Note 2 Summary of the most significant accounting principles

The most significant accounting principles applied in the preparation of the consolidated financial statements are detailed below. These principles have been applied uniformly in all the periods unless otherwise stated.

Basis for preparations

The consolidated financial statements of Kitron ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as approved by the European Union (EU). The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. The consolidated financial statements are prepared based on a going concern assumption.

Changes in accounting policy and disclosures

a) New and amended standards adopted by the group
The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the group:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

(b) New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Consolidation principles

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 over 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 group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the 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 measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associated companies

The group has no joint ventures or associated companies.

Segment reporting

The Corporate management has evaluated that the group operates in only one segment; Electronics Manufacturing Services (EMS). There is therefore no separate segment reporting in Kitron.

Translation of foreign currencies

Functional and presentation currencies

The accounts of the individual units are compiled in the principal currency used in the economic area in which the unit operates (the functional currency). The consolidated accounts are presented in NOK, which is both the functional and the presentation currency for the parent company.

Transaction and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'Financial income and expenses'. All other foreign exchange gains and losses are presented in the income statement within 'Other gains/(losses)'.

Group companies

The income statements and balance sheets for group units (none of which are affected by hyperinflation) in functional currencies which differ from the presentation currency are translated as follows:

- The balance sheet is translated at the closing exchange rate on the balance sheet date
- The income statement is translated at the average exchange rate
- Translation differences are recognised in OCI and specified separately
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

Property, plant and equipment

Tangible fixed assets primarily embrace buildings and land, machinery, equipment, and fixtures and fittings. They also include leased buildings, machinery and equipment where the lease is considered to be a financing method (financial leasing). Tangible fixed assets are stated at historical cost less accumulated depreciation and impairments. They are recognised in the balance sheet and depreciated on a straight-line basis to their residual value over their expected useful life, which is:

- Buildings: 20-33 years
- Machinery and operating equipment: 3-10 years

Land is not depreciated. The useful life of fixed assets and their residual value are reassessed on every balance sheet date and amended if necessary. When the carrying amount of a fixed asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount.

On-going maintenance of fixed assets is charged as an operating cost, which upgrading or improvements are added to the historical cost of the asset and depreciated accordingly. Gain and loss on disposals is recognised in the income statement as the difference between the sales price and the carrying amount.

Fixed assets subject to depreciation are tested for impairment when conditions arise.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. When assessing impairment, fixed assets are grouped at the lowest level for which identifiable independent cash inflows exist (cash generating units). At each reporting date, an assessment is made of the opportunity for reversing earlier impairment charges on fixed assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses)' in the income statement.

Intangible assets

Goodwill

Goodwill is the difference between the acquisition of a business and the fair value of the group's share of net identifiable assets in the business at the acquisition date. Goodwill is tested annually for impairment and recognised in the balance sheet at its acquisition cost less impairment charges. Impairment losses on goodwill are not reversed. When assessing the need to make an impairment charge on goodwill, the goodwill is allocated to relevant cash-generating units. The allocation is made to those cash-generating units or groups of such units which are expected to benefit from the acquisition. The group allocates goodwill to cash- generating units in each country in which it operates.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met: – it is technically feasible to complete the software product so that it will be available for use;

- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Computer software is depreciated on a straight-line basis to their residual value over their expected useful life, which is 7 years.

Financial assets

The group classifies its financial assets in the following categories based on the purpose for which the financial assets were acquired: loans and receivables, and available for sale. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments which are not traded in an active market. They are classified as current assets unless they mature more than 12 months after the balance sheet date. When maturing more than 12 months after the balance sheet date, loans and receivables are classified as non-current assets. Loans and receivables are classified as accounts receivable and other receivables in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Inventory

Inventory comprises purchased raw materials, work in progress and finished goods. It is stated at the lower of average acquisition cost and net realisable value. Cost is determined using the weighted average method. Acquisition costs for work in progress are direct material costs and payroll expenses plus indirect costs (based on normal activity).

Accounts receivable

Accounts receivable are recognised initially in the balance sheet at their fair value. Provision for bad debts is recognised in the accounts when objective indicators suggest that the group will not receive a settlement in accordance with the original terms. Significant financial problems at the customer, the probability that the customer will go into liquidation or undergo financial reconstruction, and postponements of or shortfalls in payment are regarded as indicators that a receivable needs to be written down. The provision represents the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows discounted by the effective interest rate. Changes in the provision are recognised in the profit and loss account as other operating expenses.

Cash and cash equivalents

Cash and cash equivalents include cash and deposits in bank accounts. Amounts drawn on overdraft facilities are included in loans under current liabilities.

Share capital

The share capital comprises the number of shares multiplied by their nominal value, and are classified as equity. Expenses which can be attributed directly to the issue of new shares or options (less tax) are recognised in equity as a reduction in the proceeds received.

Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans using the effective interest method. Borrowing costs are charged to the profit and loss. Loans 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 balance sheet date.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries 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 tax is calculated using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. If, however, deferred tax arises when initially recognising a liability or asset in a transaction which is not the integration of a business and which at the transaction date has no effect on the income statement or on tax, it is not recognised. Deferred tax is determined using tax rates and laws which have been substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, and that the temporary differences can be deducted from this profit. Deferred tax is calculated on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the group and it is probable that they will not be reversed in the foreseeable future.

Pension commitments, bonus schemes and other compensation for employees

Pension commitments

Group companies have various pension schemes. These schemes are generally funded through payments to insurance companies or pension funds based on periodic actuarial calculations. The group has both defined contribution and defined benefit plans. A defined contribution plan is one under which the group pays fixed contributions to a separate legal entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is one that is not a defined contribution plan, and typically defines an amount of pension benefit an employee will receive on retirement. That benefit is normally dependent on one or more factors such as age, years of service and pay. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. An independent actuary calculates the pension commitment annually. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. Estimated payroll tax on the net pension commitment calculated by an actuary is added to the carrying amount of the obligation. Changes in pension plan benefits are recognised immediately in the income statement. Actuarial gains and losses are recognised in other comprehensive income. For defined contribution plans, the group pays contribution to publicly- or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

The group operates an equity settled share-based compensation plan under which the entity receives services from employees as consideration from equity instruments (options) for the group. The compensation plan comprises senior management only. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value). The social security contribution payable in connection with the grant of the share options is considered as an integral part of the grant itself, and the charge will be settled as a cash-settled transaction. Further details around the arrangement are described in note 18.

Bonus schemes
Certain senior executives have bonus agreements related to the attainment of specified targets for the business (budgets and activities). Obligations (provisions) and costs (pay) are recognised for bonuses in accordance with the company's contractual obligations.

Severance pay
Severance pay is given when the contract of employment is terminated by the group before the normal age of retirement or when an employee voluntarily agrees to leave in return for such a payment. The group recognises severance pay in the accounts when it is demonstrably obliged either to terminate the contract of employment for existing employees in accordance with a formal, detailed plan which the group cannot rescind, or to make a payment as a consequence of an offer made to encourage voluntary resignations. Severance pay which falls due more than 12 months after the balance sheet date is discounted to present value.

Provisions
The group makes provisions when a legal or constructive obligation exists as a result of past events, it is more likely than not that an transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be estimated with a sufficient degree of reliability. Provisions relate primarily to restructuring costs. Obligations falling due more than 12 months after the balance sheet date are discounted to present value.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are reducing cost price of the related assets.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliable measured and when it is probable that future economic benefits will flow to the entity.

Sales of goods
The group manufactures and sells a range of products in the EMS market. Sales of goods are recognised when a group entity has delivered products to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contact.

Sales of services
Sales of services embrace development assignments and services related to industrialisation. Service deliveries are partly project-based and partly hourly-based. Sales of project-based services are recognised in the period in which the services are rendered, based on the degree of completion of the relevant project. The degree of completion is determined by measuring the services provided as a proportion of the total services to be rendered. Hourly-based services are recognised in the period when the service is rendered.

Interest income
Interest on bank deposits is recognised in the period when it is earned.

Leasing
Leases where a significant portion of the risks associated with the fixed asset are retained by the lessor are classified as operating leasing. Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement 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 property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Dividend payments
Possible dividend payments to the company's shareholders are recognised as a liability in the group's financial statements in the period when the dividend is approved by the general meeting.

Note 3 Financial risk

The company 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 endeavour to minimise potential negative effects arising from the company's financial dispositions.

Market risk

Currency risk: The group is exposed to changes in foreign exchange rates because a significant share of the group's goods and services are sold in such currencies. At the same time raw material are bought in foreign currency and the operating costs in foreign group entities are in local currency. To reduce the currency risk the company's standard contracts include currency clauses which allow the company to adjust the price when the actual exchange rate differs significantly from the agreed base rate. The group has not established other significant currency hedge arrangements over and above its standard contracts with customers. The most significant foreign currencies are SEK, LTL, EURO and USD. The group has significant investments in foreign operations whose net assets are exposed to foreign currency translation risk in SEK, LTL, EUR, USD and RMB. From 1 January 2015 EUR replaces LTL.

At 31 December, if the currency had weakened/strengthened by 1 per cent against the US dollar with all variables held constant, post –tax profit for the year would have been NOK 1.3 million (2013: NOK 0.5 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits, trade receivables and debt.

At 31 December, if the currency had weakened/strengthened by 1 per cent against the EURO with all variables held constant, post –tax profit for the year would have been NOK 1.3 million (2013: NOK 0.5 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EURO denominated bank deposits, trade receivables and debt.

Price risk: The company is exposed to price risk both because raw materials follow international market prices for electronic and mechanical components and because the company's goods and services are subject to price pressures. Routines have been established for procurement by the company's own sourcing organisation, which negotiates group contracts. The sourcing function allows Kitron to achieve improved material prices.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with bank and receivables. Accounts receivable in the Norwegian, Swedish, and Lithuanian operations are credit insured. Accounts receivable in these countries amounts to about 90 per cent of the group total. Kitron accordingly bears credit risk only for accounts receivable which are not insured. The company has routines to ensure that uninsured sales on credit are made only to creditworthy customers.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meetoperational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities.

Kitron's financing is primarily short-term and based on factoring finance for accounts receivable. This means that fluctuations in turnover affect the company's liquidity. In addition, drawing facilities have been established in banks which counteract the liquidity fluctuations related to turnover.

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.

Periods to maturity of financial liabilities incl. interest:

(Amounts in NOK 1000)	Less than one year	Between one and two years	Between two and five years	More than five years
At 31 December 2014				
Bank overdraft	129 692	-	-	-
Leasing	13 734	6 355	1 046	-
Factoring debt	190 349			
Other financial loans		-	8 774	-
Trade and other payables	299 573	-	-	-
At 31 December 2013				
Bank overdraft	70 382	-	-	-
Leasing	9 604	11 130	17 598	-
Factoring debt	212 357	-	-	-
Other financial loans	-	-	10 965	-
Trade and other payables	285 357	-	-	-

Interest rate risk

The group's interest rate risk arises mainly from short-term borrowings (factoring debt and bank overdraft). Only a minor part of the loans are long-term borrowings (leasing debt).The group's borrowings are mainly with variable rates which expose the group to cash flow interest rate risk.

Interest on the group's interest-bearing debt is charged at the relevant market rate prevailing at any given time (mainly one month interbank offered rate – Nibor , Stibor, Libor or Vilibor as the case may be – plus the agreed interest margin). There will not occur any gain/loss on the balance sheet amounts in case interest rates are increased or lowered. At 31 December 2014, if interest rate on NOK borrowings had been 1 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 1.4 million (2013: NOK 1.4 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2014, if interest rate on borrowings in foreign currency had been 1 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 2.0 million (2013: NOK 1.7 million) lower/higher. External financing for the group's operational companies takes place in the functional currency. No interest rate instruments have been established in the group. The company does not have significant interest-bearing assets, so that its income and cash flow from operational activities are not significantly exposed to changes in the market interest rate.

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.

The gearing ratios at 31 December 2014 and 2013 were as follows:

(Amounts in NOK 1000)	2014	2013
Total borrowings (note 20)	336 215	316 868
Cash and cash equivalents (note 16)	(12 337)	(51 387)
Net debt	323 878	265 481
Total equity	494 684	473 709
Total capital	**818 561**	**739 190**
Gearing ratio	40%	36%

Note 4 Important accounting estimates and discretionary assessments

Estimates and discretionary assessments are based on historical experience and other factors, including expectations of future events that are considered likely under present conditions. The group prepares estimates and makes assumptions about the future. Accounting estimates derived from these will by definition seldom accord fully with the outcome. Estimates and assumptions which represent a substantial risk for significant changes in the carrying amount of assets and liabilities during the coming fiscal year are discussed below.

Estimated value of goodwill

The group performs annual tests to assess the fall in value of goodwill. The recoverable amount from cash generating units is determined based on present-value calculations of expected annual cash flows. These calculations require the use of estimates for cash flows and the choice of discount rate before tax for discounting the cash flows. A 10 per cent reduction in the estimated contribution margin or increase in the discount rate before tax for discounting cash flows would not have generated an additional impairment charge for goodwill. Additional information is disclosed in note 12.

Deferred tax assets

The group performs annual tests for impairment of deferred tax assets. Part of the basis for recognising deferred tax assets are based on applying the loss carried forward against future taxable income in the group. This requires the use of estimates for calculating future taxable income.

Note 5 Geographical breakdown of sales, assets and investments

The revenues come from sales of goods and services in the fields of development, industrialization and production to customers involved in Defence/Aerospace, Energy/Telecoms, Industry, Medical equipment and Offshore/Marine.

Sales by lines of business

The table shows the EMS turnover by industry:

(Amounts in NOK 1000)	2014	2013
Defence/Aerospace	368 466	336 350
Energy/Telecoms	221 711	188 297
Industry	472 068	407 042
Medical equipment	446 847	422 597
Offshore/Marine	242 208	277 312
Total sales	**1 751 300**	**1 631 598**

Geographical breakdown sales

The geographical distribution is based on countries where the different customers are located.

(Amounts in NOK 1000)	2014	2013
Norway	742 682	786 899
Sweden	829 338	690 762
Rest of Europe	91 164	81 581
USA	82 460	69 702
Other	5 656	2 654
Total sales	**1 751 300**	**1 631 598**

One customer counts for 10.8% of sales, the others are below 10% each.

Geographical breakdown of assets and investments

	Norway		Sweden		Lithuania	
(Amounts in NOK 1000)	2014	2013	2014	2013	2014	2013
Assets	68 505	80 543	12 853	15 786	89 731	41 501

	China		Germany		USA	
(Amounts in NOK 1000)	2014	2013	2014	2013	2014	2013
	17 386	15 018	307	1 073	5 774	6 248

Included in assets under geographical segment is property, plant and equipment and intangible assets excluding deferred tax asset.

Note 6 Other gains / (losses)

(Amounts in NOK 1000)	2014	2013
Currency gains	2 370	7 144
Currency losses	(3 884)	(6 813)
Other gains/(losses)	**(1 514)**	**331**

Note 7 Employee benefit

(Amounts in NOK 1000)	2014	2013
Payroll	325 233	329 451
Payroll tax	62 443	62 856
Net pension costs defined benefit plans (note 22)	199	185
Pension costs defined contribution plans	12 577	11 676
Other remuneration	42 365	39 260
Total	**442 817**	**443 428**
Average number of man-years (including hired-ins)	1 203	1 166
Average number of employees (including hired-ins)	1 260	1 216

Note 8 Financial income and expenses

(Amounts in NOK 1000)	2014	2013
Interest income	1 598	2 105
Other financial income	17 049	8 381
Finance income	**18 647**	**10 485**
Interest expenses	(12 497)	(13 355)
Other financial expenses	(4 481)	(4 564)
Disagio	(2 103)	(3 316)
Finance expenses	(19 081)	(21 235)
Net financial items	**(434)**	**(10 750)**

Note 9 Income tax expense

(Amounts in NOK 1000)	2014	2013
Tax payable	2 799	3 151
Deferred tax (Note 21)	2 520	1 071
Change in tax rate	-	1 823
Income tax expense	**5 319**	**6 045**

The tax on the group's profit before tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits of the consolidated entities as follows:

(Amounts in NOK 1000)	2014	2013
Ordinary profit before tax	29 607	14 373
Tax calculated at the domestic rate (27%)	7 994	4 024
Expenses not deducible for tax purposes	369	2 825
Tax loss for which no deferred income tax asset was recognised	615	548
Effect on deferred tax asset due to change in tax rate	-	1 823
Change in deferred tax asset booked against equity	1 604	185
Adjustment in respect of prior years	(1 477)	-
Effect on different tax rates in countries in which the group operates	(3 786)	(3 360)
Tax cost	**5 319**	**6 045**

The income tax expense is calculated using the domestic tax rate. The tax rate is 27.0% in Norway, 22.0% in Sweden, 15.0% in Lithuania, 25.0% in China, 16.5% in Hong Kong, 45.8% in USA and 15.0% in Germany.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2014			2013		
(Amounts in NOK 1000)	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gain / losses pensions	5 941	(1 604)	4 337	687	(185)	502
Currency translation differences	234	-	234	(16 991)	-	(16 991)
Other comprehensive income	6 175	(1 604)	4 571	(16 304)	(185)	(16 489)
Current tax		-			-	
Deferred tax		1 604			185	

Note 10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by weighted avarage number of ordinary shares in issue during the year. The company has no own shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one category, which is share options, of dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to share options. The number of shares calculated is compared with the number of shares that would have been issued assumeing the exercise of the share options.

(Amounts in NOK 1000)	2014	2013
Profit attributable to equity holders of the company	24 289	8 328
Profit used to determine basic and diluted earnings per share	24 289	8 328
Weighted average number of ordinary shares in issue (thousands)	172 962	172 962
Adjusted for share options (thousands)	-	31
Weighted average number of ordinary shares for diluted earnings per share (thousands)	172 962	172 992
Basic earnings per share	0.14	0.05
Diluted earnings per share	0.14	0.05

Note 11 Property, plant and equipment

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	Total
At 1 January 2013			
Acquisition cost	741 241	81 245	822 486
Accumulated depreciation/impairment	(642 750)	(52 568)	(695 319)
Accounting carrying amount	**98 490**	**28 677**	**127 168**
Fiscal 2013			
Opening balance	98 490	28 677	127 168
Conversion differences	5 156	2 656	7 812
Additions	20 703	2 751	23 454
Disposals	(274)	(1 751)	(2 025)
Depreciation	(26 510)	(1 975)	(28 485)
Impairment charge	(1 941)	(2 172)	(4 113)
Closing balance	**95 624**	**28 186**	**123 810**
At 31 December 2013			
Acquisition cost	764 884	82 729	847 613
Accumulated depreciation/impairment	(669 260)	(54 543)	(723 803)
Accounting carrying amount	**95 624**	**28 186**	**123 810**
Fiscal 2014			
Opening balance	95 624	28 186	123 810
Conversion differences	4 221	1 278	5 499
Additions	26 371	37 051	63 422
Disposals	(3 574)	367	(3 207)
Depreciation	(25 398)	(1 979)	(27 377)
Impairment charge	-	-	-
Closing balance	**97 244**	**64 904**	**162 147**
At 31 December 2014			
Acquisition cost	791 902	121 426	913 328
Accumulated depreciation/impairment	(694 658)	(56 522)	(751 181)
Accounting carrying amount	**97 244**	**64 904**	**162 147**

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 20.

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 63.3 million and NOK 4.0 million (2013: NOK 82.1 million and NOK 4.9 million), see note 20.

Note 12 Goodwill

(Amounts in NOK 1000)	Goodwill
At 1 January 2013	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
Accounting carrying amount	**26 786**
Fiscal 2013	
Opening balance	26 786
Closing balance	**26 786**
At 31 December 2013	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
Accounting carrying amount	**26 786**
Fiscal 2014	
Opening balance	26 786
Closing balance	**26 786**
At 31 December 2014	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
Accounting carrying amount	**26 786**

The company's cash-generating units are identified by country.

Allocation of carrying amount of goodwill by business area and by country

(Amounts in NOK 1000)	2014	2013
Norway	715	715
Sweden	3 555	3 555
Lithuania	20 062	20 062
Germany	2 454	2 454
Total	**26 786**	**26 786**

The recoverable amount for a cash-generating unit is based on a calculation of value in use.

The cash flow assumption is based on financial budgets approved by the company's board. These calculations are based on growth assumptions which correspond with industry expectations of growth in the EMS market in the coming years and no significant changes in margins. The calculations are based on cash flows for the next five years and a discount rate of 9 per cent.

Note 13 Other intangible assets

(Amounts in NOK 1000)	ERP System	MES System	Other intangible assets	Total
At 1 January 2013				
Acquisition cost	41 020	5 448	-	46 468
Accumulated depreciation	(9 558)	(22)	-	(9 580)
Accounting carrying amount	**31 462**	**5 426**	**-**	**36 888**
Fiscal 2013				
Opening balance	31 462	5 426	-	36 888
Conversion differences	464	-	(2)	462
Additions	3 623	1 396	364	5 383
Depreciation	(5 903)	(431)	(40)	(6 373)
Closing balance	**29 646**	**6 391**	**322**	**36 360**
At 31 December 2013				
Acquisition cost	45 107	6 844	362	52 313
Accumulated depreciation	(15 461)	(453)	(40)	(15 953)
Accounting carrying amount	**29 646**	**6 391**	**322**	**36 360**
Fiscal 2014				
Opening balance	29 646	6 391	322	36 360
Conversion differences	185	-	-	186
Additions	2 853	309	-	3 162
Depreciation	(6 219)	(1 008)	(71)	(7 298)
Closing balance	**26 465**	**5 692**	**252**	**32 409**
At 31 December 2014				
Acquisition cost	48 145	7 153	362	55 660
Accumulated depreciation	(21 680)	(1 461)	(110)	(23 251)
Accounting carrying amount	**26 465**	**5 692**	**252**	**32 409**

The MES system was operational in 2013 and are depreciated over 7 years, the same number of years as for the ERP system. Remaining amortisation period for the MES system is 5 years and for the ERP system 3 years. Other intangible assets consists of salary system for Kitron AB.

Note 14 Accounts receivable and other receivables

(Amounts in NOK 1000)	2014	2013
Accounts receivable	318 497	286 486
Provision for bad debts	-	(158)
Receivable from related parties (note 27)	59 327	64 325
Accounts receivable - net	**377 824**	**350 653**

(Amounts in NOK 1000)	2014	2013
Earned non-invoiced income	1 909	1 403
Prepaid costs	2 695	2 668
Other	28 218	26 314
Other receivables	**32 823**	**30 386**

Fair value of accounts receivable and other receivables

(Amounts in NOK 1000)	2014	2013
Accounts receivable - net	318 497	286 328
Receivable from related parties (note 27)	59 327	64 325
Accounts receivables - net	**377 824**	**350 653**

(Amounts in NOK 1000)	2014	2013
Earned non-invoiced income	1 909	1 403
Prepaid costs	2 695	2 668
Other receivables	28 218	26 314
Other receivables	**32 823**	**30 386**

For current receivables, the carrying amount is virtually identical with the fair value.

As of 31 December 2014 accounts receivables of NOK 377.8 million were fully performing. (2013: 350.7 million).

As of 31 December 2014 accounts receivables of 23.7 million (2013: NOK 30.4 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

(Amounts in NOK 1000)	2014	2013
Up to 3 months	23 461	24 839
3 to 6 months	247	5 526
Total	**23 708**	**30 365**

As of 31 December 2014 no trade receivables were impaired and provided for (2013: NOK 0.2 million).

The ageing analysis of these trade receivables is as follows:

(Amounts in NOK 1000)	2014	2013
Up to 3 months	-	-
3 to 6 months	-	-
Over 6 months	-	158
Total	**-**	**158**

The carrying amount of the group's trade and other receivables are denominated in the following currencies:

(Amounts in NOK 1000)	2014	2013
CNY	17 899	7 530
EUR	128 236	73 251
LTL	7 528	11 257
NOK	35 339	112 131
SEK	94 259	95 641
USD	127 386	81 229
Total	**410 647**	**381 039**

Movements on the group provision for impairment of trade receivables are as follows:

(Amounts in NOK 1000)	2014	2013
Provision at 1 January	(158)	(1 277)
Provision for receivables impairment	-	-
Receivables written off during the year as uncollectable	158	1 119
Provision at 31 December	**-**	**(158)**

The creation and release of provision for impaired receivables have been included in other operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The group does not hold any collateral as security. However, the company has credit insurance that reduces the credit risk on account receivables. Accounts receivable in the Norwegian, Swedish, and Lithuanian operations are credit insured. Accounts receivable in these countries amounts to about 90 per cent of the group total.

No impairment charge were recognised in the profit and loss account for the year. (2013: NOK 0.0 million).

No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 Desember 2014 provided security for NOK 231.8 million (2013: 212.6 million), see note 20.

Note 15 Inventories

(Amounts in NOK 1000)	2014	2013
Raw materials and purchased semi-manufactures	289 465	248 358
Work in progress	69 030	77 359
Finished goods	43 765	41 736
Total inventory	**402 260**	**367 454**

For 2013 there was not recognised any impairment charges in the income statement. For the year 2014 there was recognised a change of NOK (4.2) million. Inventory at 31 December 2014 provides security for NOK 331.2 million, see note 20.

Note 16 Cash, Cash Equivalents and Bank Overdraft

(Amounts in NOK 1000)	2014	2013
Cash and cash equivalents	12 337	51 387

Cash, cash equivalents and bank overdraft in the cash flow statement comprise:

(Amounts in NOK 1000)	2014	2013
Cash and cash equivalents	12 337	51 387
Overdraft drawn down (Note 20)	(124 704)	(67 675)
Locked-in bank deposits	(10 294)	(11 298)
Total	**(122 662)**	**(27 586)**

(Amounts in NOK 1000)	2014	2013
Bank overdraft facilities 31 December	197 400	186 300
Net drawn on overdraft facilities 31 December	(124 704)	(67 675)
Locked-in bank deposits 31 December		
Security for tax withholding	-	160
Security for factoring receivables	10 294	11 138
Total	**10 294**	**11 298**

Kitron ASA has established a group account agreement with the company's principal banks.

This embrace Kitron ASA and Norwegian, Swedish, German and US subsidiaries.

Note 17 Share capital and premium reserve

Share capital and share premium reserve

(Amounts in NOK 1000)	Number of shares (thousands)	Ordinary shares	Premium reserve	Total
At 1 January 2013	172 962	172 962	456 058	629 020
Change nominal value share		(155 666)		(155 666)
At 31 December 2013	172 962	17 296	456 058	473 354
At 31 December 2014	172 962	17 296	456 058	473 354

In 2013 a share capital reduction were resolved by the annual general meeting on 22 April 2013 by reduction of the nominal value per share from NOK 1 to NOK 0.10. The Company's share capital is after completion of the share capital reduction NOK 17 296 162.50 divided into 172 961 625 shares, each with a nominal value of NOK 0.10. Each share carries the right to cast one vote in a general meeting of the Company.

Shares and shareholder information

The company's share capital at 31 December 2014 comprised 172 961 625 shares with a nominal value of NOK 0.10 each.
Each share carries one vote. There were 2 459 shareholders at 31 December 2014.

The 20 largest shareholders in Kitron ASA at 31 December 2014

Shareholder	Number	Percentage
Nordea Bank Plc Finland 1)	57 141 000	33.04%
Kongsberg Gruppen ASA	33 439 153	19.33%
UBS AG Zurich 2)	29 862 542	17.27%
MP Pensjon PK	10 792 537	6.24%
SES AS	3 650 000	2.11%
VPF NORDEA SMB	2 821 159	1.63%
Hybrid AS	1 368 447	0.79%
Bjørn Håheim	1 117 968	0.65%
Capreca AS	1 000 000	0.58%
JAH AS	1 000 000	0.58%
Swedbank AS	857 548	0.50%
Kjell Løite	812 880	0.47%
AB SEB Bankas Clients	800 465	0.46%
JP Morgan Luxembourg SA	697 360	0.40%
Stein Ole Vrenne	688 000	0.40%
Petter Torgersen	636 000	0.37%
Jørgen Teigen	605 300	0.35%
Gems Global Electronic	600 000	0.35%
Helge Hareland	550 000	0.32%
Odd Morten Langsæter	498 080	0.29%
Total 20 largest shareholders	**148 938 439**	**86.11%**
Total other shareholders	**24 023 186**	**13.89%**
Total outstanding shares	**172 961 625**	**100.00%**

1) Sievi Capital plc.: 57 000 000 shares and 32.96%, others: 0.08%.
2) Amber Trust II SCA: 23 822 000 shares and 13.77%, KJK Fund SICAV-SIF 6 013 908 shares and 3.47%, others: 0.03%

Authorized share capital

Increasing the share capital

The ordinary general meeting of 23 April 2014 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 23 April 2014. The total amount by which the share capital may be increased is NOK 1 729 616.20. The authority applies until the ordinary general meeting in 2015, but no longer than 30 June 2015. The authorization is limited to encompass capital requirements or issuance of consideration shares in relation to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, incentive programs for employees, and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2014. The Authorized Share capital of the Company is therefore NOK 17 296 162.50.

Treasury shares

The ordinary general meeting on 23 April 2014 authorised the board to acquire own shares, for a total nominal value of up to NOK 1 729 616.20, which is equal to 10 per cent of Kitron's registered share capital at 23 April 2014. Under this authorization the company shall pay minimum NOK 1 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the maximum amount does not exceed NOK 25 per share. The authority is valid until the ordinary general meeting in 2015 but no longer than 30 June 2015. The authority had not been exercised at 31 December 2014.

Note 18 Share based payments

Share-Based Payments

Kitron ASA established in 2013 a new management option program. The Board of Directors was authorised to increase the share capital with NOK 548 500, which corresponds to 5 485 000 shares (approximately 3% percent of the market cap of the company), each with a par value of NOK 0.10.

The Company utilizes a Monte Carlo simulation to determine the impact of stock option grants in accordance with IFRS 2, Share-based payment, on the Company's net income. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimates the likelihood of performance fulfillment and takes this into account in the valuation.

During the period ended 31 December 2014, the Company has had share-based payment arrangements for employees, as described below.

Management Option Program

Granted	2013	2014
Type of arrangement	Equity Settled	Equity Settled
Dates of Grant	02.07.2013	04.05.2014
Options granted for the year	3 975 000	1 500 000
Contractual life (from grant date)	3 years	2.16 years
Vesting conditions	100% of the options will vest 3 years after grant date. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period	100% of the options will vest 2.16 years after grant date. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period
Expiry date	30.06.2016	30.06.2016

Granted	2013	2014
Exercise price	0.10 NOK	0.10 NOK
Share price at grant date	1.85 NOK	1.80 NOK
Expected life from grant date	3 years	2.16 years
Volatility	46.08%	39.82%
Risk free interest rate	1.56%	1.58%
Fair value per option	0.8869 NOK	0.6684 NOK

Expected volatility is based on historical volatility of the Kitron share. Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2014 arising from the option plan is NOK 1 258 413 (2013: NOK 591 860), and the total carrying amount per 31 December 2014 is NOK 1 823 646, not including social security.

Further details of the option plans are as follows:

	01.01.2014 - 31.12.2014	
	Shares	Weighted Average Exercise Price
Outstanding at the beginning of period	3 975 000	0.10 NOK
Granted	1 500 000	0.10 NOK
Forfeited	(400 000)	0.10 NOK
Outstanding at the end of period	5 075 000	0.10 NOK

Details concerning outstanding options as of 31 December 2014 are given below.

Exercise price	Outstanding Options Per 31.12.2014	Weighted average remaining Contractual Life	Weighted Average Exercise Price
0.10 NOK	5 075 000	1.50	0.10

The following directors and members of the corporate management team held shares in the company at 31 December:

Board	Number of shares 2014	2013	Number of options 2014	2013
Tuomo Lähdesmäki, chairman	100 000	-	-	-
Martynas Cesnavicius, board member (1)	-	-	-	-
Elisabeth Jacobsen, employee elected board member	1 600	1 600		

Corporate management team	Number of shares 2014	2013	Number of options 2014	2013
Peter Nilsson, CEO	47 000	-	1 500 000	-
Dag Songedal Vice President	-	-	550 000	550 000
Cathrin Nylander, CFO	-	-	600 000	600 000
Israel Losada Salvador, COO	-	-	600 000	600 000
Thomas Löfgren, Vice President	-	-	500 000	500 000
Mindaugas Sestokas, Vice President	-	-	500 000	500 000
Tommy P. Storstein, Vice President	-	-	425 000	425 000
Bengt Enbom, Vice President	10 000	10 000	400 000	400 000
Gard Eliassen, Vice President (2)	-	-	-	400 000

(1) Martynas Cesnavicius acts as investment advisor for KJK Fund SICAV-SIF, Amber Trust SCA and Amber Trust II SCA. At 31 December 2014 Amber Trust II SCA controlled 23 822 000 shares and KJK SICAV-SIF 6 013 908 shares in Kitron ASA.
(2) Gard Eliassen left the company in 2014.

Note 19 Accounts payable and other payables

(Amounts in NOK 1000)	2014	2013
Accounts payable	**214 611**	**196 310**

(Amounts in NOK 1000)	2014	2013
Public duties	22 728	25 820
Payable to related parties (note 27)	2 063	404
Costs incurred	60 104	62 754
Other payables	**84 895**	**88 979**

Note 20 Borrowings

(Amounts in NOK 1000)	2014	2013
Long-term loans		
Leasing	7 117	26 766
Other	8 160	10 200
Total	**15 277**	**36 966**
Current loans		
Bank overdraft 1)	124 704	67 675
Factoring debt 2)	183 028	204 189
Leasing	13 206	8 038
Total	**320 938**	**279 902**
Total loans	**336 215**	**316 868**

1) Kitron has established a group account agreement with the company's principle bank. This embraces the Norwegian, Swedish, German and US companies. The group's short term bank financing is a revolving facility, and includes covenants relating to such factors as the company's equity and earnings. The company complies with these covenants at 31 December 2014. Unrestricted bank deposits and unused credit lines amounted to NOK 76.8 million for the group at 31 December 2014 (NOK 158.7 million at 31 December 2013).

2) Kitron has factoring agreements for the Norwegian and Swedish entities.

Periods to maturity of long-term loans:

(Amounts in NOK 1000)	2014	2013
Between one and two years	6 071	9 926
Between two and five years	9 206	27 040
Total	**15 277**	**36 966**

Effective interest rate at the balance sheet date:

	2014		2013	
	NOK	Other	NOK	Other
Bank overdraft	3.7%	3.4% - 7.2%	4.0%	3.4% - 7.5%
Other loans	3.6% - 6.2%	3.4% - 7.2%	4.0% - 6.2%	3.4% - 7.9%

Carrying amount and fair value of long-term loans:

	Carrying amount		Fair value	
(Amounts in NOK 1000)	2014	2013	2014	2013
Leasing	7 117	26 766	6 714	24 312
Other	8 160	10 200	8 160	10 200
Total	**15 277**	**36 966**	**14 874**	**34 512**

Fair value is based on discounted cash flow with a discount rate of 6.0 per cent (2013: 6.0 per cent)
The carrying amount of current loans is virtually identical with fair value.

Carrying amount of the group's loans in various currencies:

(Amounts in NOK 1000)	2014	2013
NOK	136 125	144 383
SEK	51 728	64 588
EURO	31 165	21 802
USD	49 758	26 479
CNY	67 440	59 600
Other	-	16
Total	**336 215**	**316 868**

The company's financing agreements include covenants relating to such factors as the company's equity and earnings. The company complies with the covenants at 31 December 2014. Loans include NOK 336.2 million (2013: 316.9 million) in secured commitments (bank loans and other secured loans).

Mortgages

(Amounts in NOK 1000)	2014	2013
Debt secured by mortgages	336 215	316 868

Carriying amount of assets provided as security:

(Amounts in NOK 1000)	2014	2013
Buildings and land	4 034	4 914
Machinery and equipment	63 319	82 097
Receivables	231 824	212 621
Inventory	331 169	322 849
Total	**630 346**	**622 481**

Debt secured by mortgages includes leasing liabilities for fixed assets treated for accounting purposes as financial leasing. The carrying amount of these fixed assets is included in the carrying amount of assets provided as security. Of the mortgage debt in the consolidated accounts, the commitment related to leasing recognised in the balance sheet amounted to NOK 20.3 million at 31 December 2014 (2013: NOK 34.8 million).

Conditions in the form of vendor's fixed charge are moreover related to deliveries from Kitron's suppliers of goods.

The group's receivables recognised in the balance sheet are provided as security (factoring mortgage) for obligations to DNB Finans.

The group's guarantee provider had provided guarantees at 31 December for leasing obligations and tax due but not paid.
These totalled NOK 6.4 million and NOK 16.0 million respectively for the group.

Financial lease agreements, non-current assets

(Amounts in NOK 1 000)	2014	2013
Machinery and equipment		
Carrying amount 31 December	57 902	68 204
Depreciation	12 975	12 239
Nominal rent	20 819	35 973
Present value of future rent	19 819	33 680
Remaining lease period	1-5 years	1-5 years

Specification of estimated lease payments falling due within:

(Amounts in NOK 1 000)		2014	2013
Nominal rent	<1 year	11 862	14 609
	1-2 years	7 324	14 508
	3-5 years	1 633	6 856
Present value of future rent	<1 year	11 423	13 973
	1-2 years	6 826	13 474
	3-5 years	1 570	6 233

Present value of future rent is based on a discount rate of 6.0 per cent (2013: 6.0 per cent).

Note 21 Deferred income tax

Deferred tax is recognised net when the group has a legal right to net deferred tax assets against deferred tax in the balance sheet and if the deferred tax is payable to the same tax authority.

(Amounts in NOK 1 000)	2014	2013
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	105 407	101 824
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	1 081	1 072
Deferred tax asset (net)	**104 326**	**100 752**

Change in carrying amount of deferred tax asset:

(Amounts in NOK 1 000)	2014	2013
Opening balance	100 752	98 868
Currency translation differences	4 490	4 593
Income statement	(2 520)	(1 071)
Other comprehensive income	1 604	185
Change in tax rate	-	(1 823)
Closing balance	**104 326**	**100 752**

Changes in deferred tax assets and deferred tax (with netting in same tax regime)

Deferred tax liabilities	Current assets	Gain and loss account	Total
At 1 January 2013	**323**	**1 304**	**1 627**
Profit/(loss) for the period	(60)	(125)	(185)
Other comprehensive income	-	-	-
Currency translation differences	25	135	160
Change in tax rate	-	(8)	(8)
At 31 December 2013	**288**	**1 306**	**1 594**
Profit/(loss) for the period	(202)	(113)	(315)
Other comprehensive income	-	-	-
Currency translation differences	25	77	102
At 31 December 2014	**111**	**1 270**	**1 381**

Deferred tax asset	Provision and current assets	Fixed assets and goodwill	Loss carried forward	Pension	Total
At 1 January 2013	**3 859**	**6 435**	**87 127**	**3 074**	**100 495**
Profit/(loss) for the period	(1 791)	(399)	1 798	(864)	(1 256)
Other comprehensive income	-	-	-	185	185
Currency translation differences	18	48	4 687	-	4 753
Change in tax rate	(69)	(199)	(1 478)	(85)	(1 831)
At 31 December 2013	**2 017**	**5 885**	**92 134**	**2 310**	**102 346**
Profit/(loss) for the period	1 942	(216)	(3 951)	(610)	(2 835)
Other comprehensive income	-	-	-	1 604	1 604
Currency translation differences	16	118	4 458	-	4 592
At 31 December 2014	**3 975**	**5 787**	**92 641**	**3 304**	**105 707**

Deferred tax assets related to tax loss carried forward is recognised in the balance sheet to the extent that it is probable that the group can apply this against future taxable profit.

The group did not recognise deferred tax assets of TNOK 3 913 (2013: TNOK 2 061) in respect of losses amounting to TNOK 26 085 (2013: TNOK 13 740).

There are no restrictions on the right to carry the tax loss forward.

Note 22 Post-employment benefits

Employees in Kitron's Norwegian entites are covered by pension plans which give the right to future benefits according to Norwegian mandatory service pension act. The plans include defined contribution plans for the Swedish and Norwegian entities, as well as early retirement schemes (AFP) for some Norwegian employees. Furthermore the pension obligations below include life-long benefits to a former CEO.

The new AFP-scheme, in force from 1 January 2011, is a defined benefit multi-enterprise scheme, but is recognised in the accounts as a defined contribution scheme 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 debt in the balance sheet.

The AFP-liability relates to previous employees which are now retirees under the former AFP-scheme.

The pension obligation at year end also includes a provision of TNOK 121 (2013: TNOK 568) to cover an expected payment relating to undercoverage in the former AFP-scheme. The provision has been recognised in the balance sheet as a pension obligation.

Kitron has in 2014 recognised a pension obligation of MNOK 4.8 related to a defined benefit scheme applicable for 178 retirees and disabled pensioners. The defined pension scheme related to retirees was settled in January 2015, reducing the pension obligation for the defined benefit sheme down to MNOK 1.0 million after the settlement.

20 disabled pensioners are still included in the defined pension scheme after the settlement.

Carrying amount of the obligation

	Funded	Unfunded		Total funded and unfunded	
(Amounts in NOK 1000)	**2014**	**2014**	**2013**	**2014**	**2013**
Pension commitments	4 761	7 480	8 552	12 241	8 552
Costs recognised in the income statement (incl in note 7)					
Pension costs defined benefit planes	(68)	267	185	199	185
Cost recognised in other comprehensive income					
Actuarial losses pensions	5 330	611	686	5 941	686

Defined pension benefit plans

	Funded	Unfunded		Total funded and unfunded	
((Amounts in NOK 1000)	**2014**	**2014**	**2013**	**2014**	**2013**
Carrying amount of the obligation is determined as follows					
Present value of pension obligation	(51 261)	(7 480)	(8 552)	(58 741)	(8 552)
Fair value of plan asset	46 500	-	-	46 500	-
Unrecognised actuarial gains and losses	-	-	-	-	-
Net commitments in unfunded defined benefit plans	**(4 761)**	**(7 480)**	**(8 552)**	**(12 241)**	**(8 552)**
Hereof payroll tax on the pension obligations	(588)	(924)	(1 057)	(1 513)	(1 057
Net pension commitment in the balance sheet	**(4 761)**	**(7 480)**	**(8 552)**	**(12 241)**	**(8 552)**

Net pension costs comprise

(Amounts in NOK 1000)	Funded 2014	Unfunded 2014	Unfunded 2013	Total funded and unfunded 2014	Total funded and unfunded 2013
Present value of pension earnings for the year	-	-	-	-	-
Interest cost	148	(267)	(185)	(119)	(185)
Service cost	(80)	-	-	(80)	-
Total, included in payroll costs	**68**	**(267)**	**(185)**	**(199)**	**(185)**

Change in carrying amount of pension commitments

(Amounts in NOK 1000)	Funded 2014	Unfunded 2014	Unfunded 2013	Total funded and unfunded 2014	Total funded and unfunded 2013
Opening balance	-	(8 552)	(10 983)	(8 552)	(10 983
Cost recognised in the income statement for the year	68	(267)	(185)	(199)	(185)
Cost reccognised in other comprehensive income	(5 330)	(611)	(686)	(5 941)	(686)
Benefits paid	501	1 950	3 302	2 451	3 302
Closing balance	**(4 761)**	**(7 480)**	**(8 552)**	**(12 241)**	**(8 552)**

The following assumptions have been applied in calculating pension commitments:

	Funded 2014	Unfunded 2014	Unfunded 2013
Discount rate	2.30%	2.30%	4.00%
Annual pay adjustment	2.50%	2.50%	3.25%
Annual pension adjustment	2.50%	2.50%	3.25%
Social security tax rate	14.10%	14.10%	14.10%
Assumptions on mortality rates are based on published statistics in Norway K2013		K2013	K2013

	Funded 2014	Unfunded 2014	Unfunded 2013
Number of employees in defined benefit plans	178	14	28

Note 23 Dividends per share

In 2013 no dividend was paid. For the year ended 31 December 2014 a dividend of NOK 0.05 per share will be proposed at the annual general meeting on 21 April 2015. The dividend is not included in the accounts for the group.

Note 24 Provisions

Classification in the income statement

(Amounts in NOK 1000)	2014	2013
Additional provisions made in period	6 937	2 868
Amounts incurred and charged against provision in period	(1 166)	(4 521)
Total charged in income statement	5 771	(1 653)

Classification in the balance sheet

(Amounts in NOK 1000)	2014	2013
Value at 1 January	3 084	4 269
Conversion differences	(558)	515
Additional provisions made in period	6 937	3 084
Amounts incurred and charged against provision in period	(1 263)	(4 784)
Total at 31 December	**8 200**	**3 084**

The provision at 31 December consists of

(Amounts in NOK 1000)	2014	2013
Termination of UAB Kitron Distribution Centre 1)	1 263	3 084
Relocation of Kitron AS' operation 2)	6 937	-
Total	**8 200**	**3 084**

1) Consists of personnel cost, rent and write down of machinery and equipment. It is expected that the provision will be used during 2015.
2) Consists of rent, reset cost for premises, relocation costs and other expenses. It is expected that the provision will be used during 2015 and 2016.

Note 25 Cash flow from operations

(Amounts in NOK 1000)	2014	2013
Ordinary profit/(loss) before tax	29 607	14 373
Depreciation and impairment	34 675	38 971
Change in inventory	(34 806)	(30 771)
Change in accounts receivable and other short term receivables	(27 239)	(45 962)
Change in factoring debt	(21 161)	(1 097)
Change in accounts payable and other short term payables	18 301	56 532
Change in pension funds/obligations	(648)	(2 430)
Change in other items	3 235	(13 656)
Change in restricted bank deposits	1 003	(161)
Interest cost - net	10 899	11 250
Foreign exchange losses / (gains) on operating activities	(4 705)	20 048
Cash flow from operations	**9 161**	**47 098**

Note 26 Commitments

Operating leases, non-current assets

(Amounts in NOK 1 000)	2014	2013
Machinery and equipment		
Rent	3 057	4 753
Remaining lease	1-4 years	1-4 years
Buildings and land		
Rent	20 129	21 786
Remaining lease	1-2 years	1-3 years

Buildings and land includes premises in Norway, Sweden, Germany, China and US.

Specification of estimated lease payments falling due within:

(Amounts in NOK 1 000)		2014	2013
Nominal rent	1 year	20 996	22 978
	2-5 years	12 383	22 187

With some leases for machinery and equipment, the company has a limited right to buy the leased object at the termination of the lease period. The buy-out price is the normal market price for the relevant leased object.

Note 27 Related parties

(Amounts in NOK 1000)	2014	2013
i) Sale of goods and services		
Sale of goods (1)	**251 547**	**231 064**
ii) Purchase of goods and services		
Purchase of goods (1)	**17 166**	**6 427**
iii) Remuneration of senior executives		
Pay and other short-term benefits (2)	**13 377**	**18 457**
iv) Balance items at 31 December resulting from purchase/sale of goods and services		
Receivable from related parties		
Shareholders (1)	**59 327**	**64 325**
Payable to related parties:		
Shareholders (1)	2 063	404
Senior executives (2)	-	-
Total	**2 063**	**404**

(1) Kongsberg Gruppen ASA owns 19.33 per cent of the shares in Kitron ASA. Purchase and sales of goods and services consist almost entirely of transactions with Kongsberg Gruppen ASA. All contracts and transactions between companies in the Kitron Group and Kongsberg Gruppen with subsidiaries are made on commercial terms at the market price for goods and services.
(2) Senior executives comprise the corporate management team at Kitron ASA. See table below for a more extensive description of remuneration of senior executives. The amount at 31 December comprises accrued bonuses to corporate management team.

Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)	2014	2013
Directors' fee:	**2 020**	**1 708**
- chairman	424	394
- board members	1 596	1 314
Auditors fee		
- statutory audit	1 362	1 318
- audit related services	4	170
- tax related services	393	276
- other services	141	59

Pay and other remuneration of senior executives in 2014:

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	10.11.2014-31.12.2014	352	-	43	395	-
Cathrin Nylander	CFO	01.01.2014-31.12.2014	1 572	-	275	1 847	110
Tommy Storstein	Vice president	01.01.2014-31.12.2014	1 159	-	191	1 350	62
Israel Losada Salvador	Vice president	01.01.2014-31.12.2014	2 074	-	249	2 323	150
Dag Songedal	Interim CEO/						
	Vice president	01.01.2014-31.12.2014	2 352	-	205	2 557	159
Bengt Enbom	Vice president	01.01.2014-31.12.2014	1 196	-	10	1 206	269
Thomas Løfgren	Vice president	01.01.2014-31.12.2014	1 259	-	46	1 305	293
Mindaugas Sestokas	Vice president	01.01.2014-31.12.2014	954	-	113	1 067	-
Zygimantas Dirse	Vice president	01.01.2014-31.12.2014	1 033	-	294	1 327	-
Total			11 952	-	1 426	13 377	1 043

(Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmaki	Chairman of the board	21.02.2014-31.12.2014	292	-	23	315
Asa-Matti Lyytinen	Chairman of the board	01.01.2014-20.02.2014	43	-	66	109
Arne Solberg	Deputy chair	01.01.2014-31.12.2014	161	-	30	191
Paivi Marttila	Board member	01.01.2014-31.12.2014	161	-	95	256
Martynas Cesnavicius	Board member	01.01.2014-31.12.2014	161	-	91	252
Siri Hatlen	Board member	01.01.2014-31.12.2014	161	-	18	179
Maire Laitinen	Board member	01.01.2014-20.02.2014	14	-	40	54
Lisbeth Gustafsson	Board member	01.01.2014-20.02.2014	14	-	66	80
Liv Ester Johansen	Employee representative	01.01.2014-31.12.2014	161	-	40	201
Bjørn Gottschlich	Employee representative	01.01.2014-31.12.2014	161	-	10	171
Elisabeth Jacobsen	Employee representative	23.04.2014-31.12.2014	128	-	-	128
Geir Vedøy	Employee representative	01.01.2014-23.04.2014	32	-	10	42
May Britt Gundersen	Employee representative	01.01.2014-23.04.2014	32	-	10	42
Total			1 521	-	499	2 020

*) Bonuses earned in 2014. The bonuses will be paid in 2015.

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

Pay and other remuneration of senior executives in 2013:

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Jørgen Bredesen	CEO	01.01.2013-31.10.2013	2 737	-	315	3 052	167
Dag Songedal	Interim CEO/ vice president	01.01.2013-31.12.2013	1 683	-	614	2 297	157
Bjørn Wigstrøm	CFO	01.01.2013-30.06.2013	1 097	-	115	1 212	184
Cathrin Nylander	CFO	12.08.2013-31.12.2013	615	-	105	720	52
Leif Tore Smedås	Vice president	01.01.2013-31.10.2013	814	-	131	945	45
Jan Liholt	Vice president	01.01.2013-31.12.2013	1 448	-	340	1 788	96
Gard Eliassen	Vice president	01.01.2013-31.12.2013	1 363	-	193	1 556	89
Tommy Prøitz Storstein	Vice president	01.01.2013-31.12.2013	1 067	-	202	1 269	66
Israel Losada Salvador	Vice president	01.02.2013-31.12.2013	1 705	-	245	1 950	141
Bengt Enbom	Vice president	01.01.2013-31.12.2013	1 147	-	45	1 192	277
Thomas Løfgren	Vice president	01.01.2013-31.12.2013	1 221	-	84	1 305	301
Mindaugas Sestokas	Vice president	01.01.2013-31.12.2013	1 074	-	98	1 171	-
Total			15 970	-	2 487	18 457	1 575

(Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Asa-Matti Lyytinen	Chairman of the board	01.01.2013-31.12.2013	309	-	85	394
Arne Solberg	Deputy chair	01.01.2013-31.12.2013	103	-	30	133
Lisbeth Gustafsson	Board member	01.01.2013-31.12.2013	103	-	83	186
Siri Hatlen	Board member	01.01.2013-31.12.2013	103	-	16	119
Maire Laitinen	Board member	01.01.2013-31.12.2013	103	-	87	190
Martynas Cesnavicius	Board member	01.01.2013-31.12.2013	103	-	60	163
Päivi Marttila	Board member	23.04.2013-31.12.2013	71	-	0	71
Harri Takanen	Board member	01.01.2013-23.04.2013	0	-	15	15
Liv Ester Johansen	Employee representative	01.01.2013-31.12.2013	103	-	25	128
Geir Vedøy	Employee representative	01.01.2013-31.12.2013	103	-	0	103
May-Britt Gundersen	Employee representative	01.01.2013-31.12.2013	103	-	0	103
Bjørn Gottschlich	Employee representative	01.01.2013-31.12.2013	103	-	0	103
Total			1 307	-	401	1 708

*) Bonuses earned in 2013 and paid in 2014.

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

Declaration of remuneration to senior executives

The table above includes information on all individuals covered by the disclosure obligation at any time during the year, while the following declaration is limited to the CEO and the vice presidents.

The Board proposes that the following guidelines be applied for 2015 and until the Annual General Meeting in 2016. The executive remuneration policy for Kitron ASA applies to all units in the group.

Executive remuneration

Kitron group remuneration policy

The Kitron group general remuneration policy is described in the HR policy and states that salaries are diversified depending on level or responsibility, complexity of tasks, competence, ability and performance. Kitron strives to have fair employment conditions following legal requirements and practice in each country. The remuneration should, together with other employment related conditions make it possible for Kitron to recruit, develop and retain the best possible employees supporting the growth and development of the Kitron group. The policy naturally also forms the basis for salary and benefit levels among senior executives in Kitron.

Executive remuneration

The current compensation and benefit system for senior executives in Kitron is divided in several parts. These parts together are competitive and based on market conditions. The total remunerations consist of fixed annual compensation that includes annual base salary and other benefits (such as pension plan and company car). The total compensation also includes a short term incentive scheme (STI) and a long term incentive scheme (LTI).

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like are linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, incentivise performance and are based on quantifiable factors over which the employee in question can influence. Performance related remuneration is subject to an absolute limit.

Fixed compensation

The actual level of annual base salaries (ABS) is based on market conditions and salary levels related to the actual position in the country in question. Kitron uses the Hay tool for determining market levels on an annual basis. The executive positions are evaluated using the Hay positioning grading tool.

Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. The CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that applies to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2014 the Norwegian based members of the Corporate Management Team (except the CEO) have received an additional pension contribution corresponding to 20 per cent of the base salary between 12G and 24G. The CEO receives an additional yearly pension contribution of the NOK equivalent of SEK 1.200.000.

Other benefits are according to company policy and regulations in country of residence.

Short term incentive scheme

The STI system has specific targets and defined maximum payouts and is set on annual basis. The possible maximum payout is 50 per cent of annual basic salary.

Long-term incentive scheme

From 2013 the Board implemented an option based program with a three-year validity (2013-2016). Separate agreements describing the LTI systems and related conditions are in place for each senior executive. Maximum possible share options are defined per individual among the senior executives. Any possible payout will be depending on the Kitron group share price at the start of the program in comparison with the share price at the time of the expiry.

The share option program entails that executive management, on certain terms, may be granted the right to subscribe new shares in the Company at NOK 0.10 per share after a vesting period of three years. The number of options vested is inter alia linked linearly to the development of the quote of the Company's shares on Oslo Børs. Per 31 December 2014, 5 075 000 options have been allocated to executive management. The share option program is described in more detail in note 18.

New Long-term incentive scheme

The board of directors proposes to introduce a new share option program for executive management running for three years from the start of the second calendar quarter 2016. The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron after a vesting period of three years.

Regular salary reviews

Annual salary reviews are performed in accordance with the employment contract and with reference to the Hay market review as well as to the Kitron group financial performance.

Note 28 Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2014. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their place of principal place of business.

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
Kitron AS	Arendal / Norway	100%	100%	EMS manufacturing
Kitron Sourcing AS	Oslo / Norway	100%	100%	Sourcing services
Kitron Karlskoga AB	Karlskoga / Sweden	100%	100%	EMS manufacturing (dormant)
Kitron AB	Jönköping / Sweden	100%	100%	EMS manufacturing
Kitron Flen AB	Flen / Sweden	100%	100%	EMS manufacturing (dormant)
Kitron Hong Kong Ltd	Hong Kong	100%	100%	Trading, sourcing
Kitron GmbH	Grossbetlingen / Germany	100%	100%	EMS manufacturing
Kitron Inc	Johnstown, Pennsylvania / USA	100%	100%	EMS manufacturing
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	Property
UAB Kitron	Kaunas, Lithuania	100%	100%	EMS manufacturing
UAB Kitron Distribution Centre	Kaunas, Lithuania	100%	100%	Logistic services (dormant)

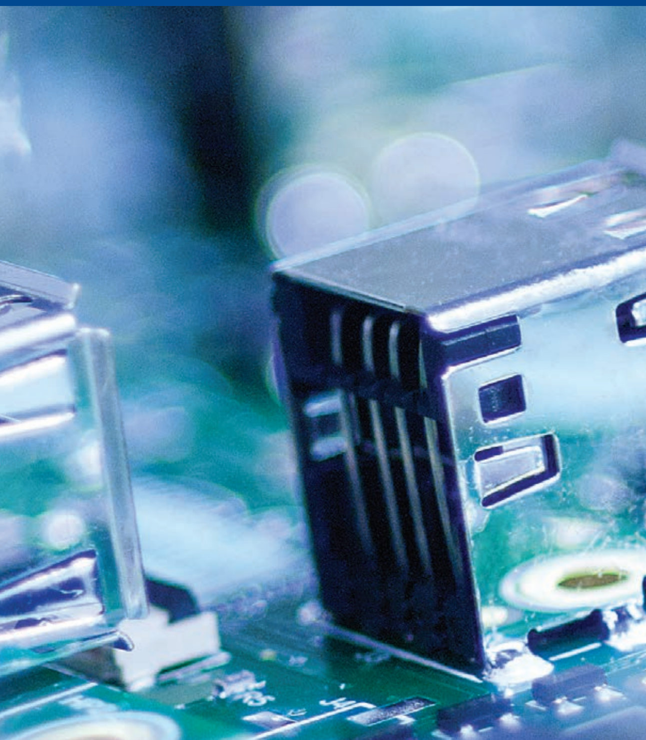
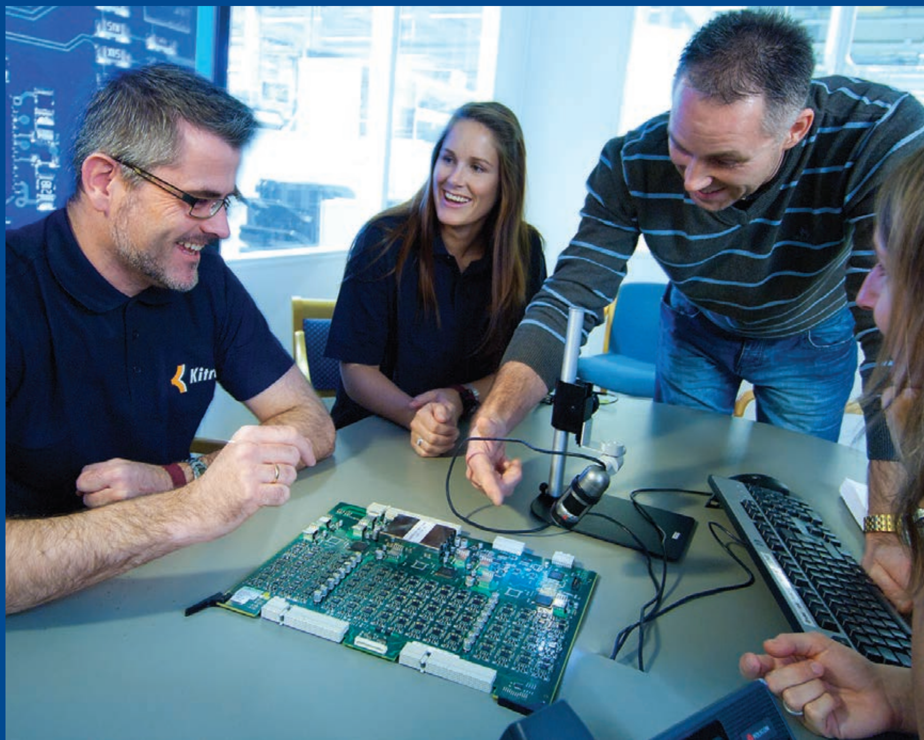
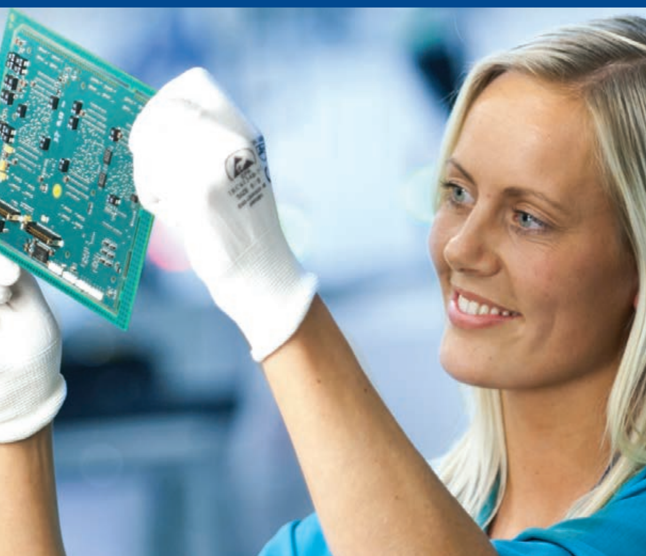
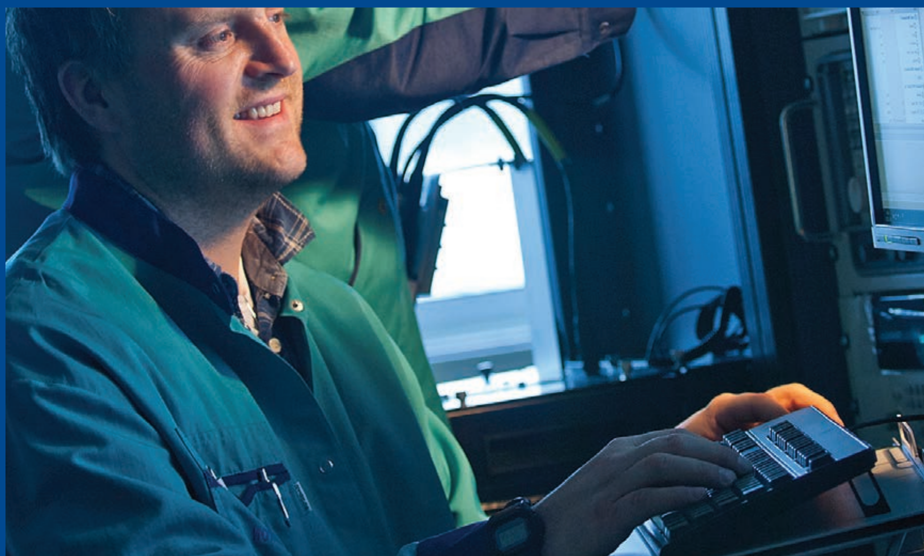
The Kitron Hong Kong Ltd subsidiary owns shares in the following subsidiaries:

Company name	**Country of incorporation**	**Shareholding**	**Voting share**	**Principal activities**
Kitron Electronics Manufacturing (Ningbo) CO., Ltd.	Ningbo China	100%	100%	EMS manufacturing
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	Purchasing

Note 29 Government grants

Kitron in Lithuania has received EU-grants in 2014 of TNOK 2 266 for building expansion (2013: 0). The amount has reduced cost price of assets correspondingly.



Kitron


Annual accounts and notes
Kitron ASA

Income statement, Kitron ASA

(Amounts in NOK 1000)	Note	2014	2013
Revenues			
Sales revenues	2, 7	59 685	61 963
Total revenues		59 685	61 963
Operating costs			
Payroll expenses	3, 4, 7, 13	31 410	34 050
Depreciation and impairments	5, 6	7 078	7 501
Other operating expenses		28 407	30 596
Total operating costs		**66 895**	**72 147**
Operating profit / (loss)		**(7 210)**	**(10 184)**
Financial income and expenses			
Intra group interest income	7	1 398	1 229
Other interest income		683	613
Other financial income	18	15 732	35 995
Interest expenses		1 256	1 857
Other financial expenses	18	4 144	10 540
Net financial items		**12 413**	**25 440**
Profit before tax		5 203	15 256
Tax	8	2 617	2 658
Net profit / (loss)		**2 586**	**12 598**

Balance sheet at 31 December, Kitron ASA

(Amounts in NOK 1000)	Note	2014	2013
Assets			
Fixed Assets			
Intangible fixed assets			
Deferred tax	8	41 101	43 554
Other intangible assets	6	26 036	29 166
Total intangible fixed assets		**67 137**	**72 720**
Tangible fixed assets			
Machinery, equipment etc.	5, 16	1 706	2 570
Financial fixed assets			
Investment in subsidiaries	9, 16	363 140	363 140
Intra-group loans	7, 14	97 290	76 635
Total financial fixed assets		**460 430**	**439 775**
Total fixed assets		**529 273**	**515 065**
Current Assets			
Receivables			
Accounts receivables	7, 16	22 862	23 233
Other receivables	7	17 456	33 246
Total receivables		**40 318**	**56 479**
Bank deposits, cash in hand etc.	17	12 206	12 381
Total current assets		**52 524**	**68 860**
Total assets		**581 797**	**583 925**

Balance sheet at 31 December, Kitron ASA (cont.)

(Amounts in NOK 1000)	Note	2014	2013
Liabilities and equity			
Equity			
Paid-in equity			
Share capital (172 961 625 shares at NOK 0.10)	10, 12	17 296	17 296
Share premium reserve	10	242 827	242 827
Total paid-in equity		**260 123**	**260 123**
Other Equity		257 502	262 753
Total equity		**517 625**	**522 876**
Liabilities			
Long-term liabilities			
Pension commitments	4	7 038	6 676
Other long-term debt	15	-	10 178
Total long-term liabilities		**7 038**	**16 854**
Current liabilities			
Liabilities to financial institutions	16, 17	28 662	27 189
Accounts payable	7	2 988	5 512
Dividend		8 648	-
Other current liabilities		16 836	11 494
Total current liabilities		**57 134**	**44 195**
Total liabilities		**64 172**	**61 049**
Total liabilities and equity		**581 797**	**583 925**

Oslo, 17 March 2015

Tuomo Lähdesmaäki Chairman	Arne Solberg Deputy chairman	Martynas Cesnavicius
Siri Hatlen	Liv Johansen Employee elected board member	Elisabeth Jacobsen Employee elected board member
Päivi Marttila	Bjørn Gottschlich Employee elected board member	Lars Peter Nilsson CEO

Cash Flow Statement, Kitron ASA

(Amounts in NOK 1000)	2014	2013
Cash flows from operational activities		
Profit before tax	5 203	15 256
Ordinary depreciation	7 078	7 501
Change in accounts receivables	371	8 724
Change in accounts payables	(2 524)	(746)
Change in pension funds/ obligations	(250)	235
Change in other accrual items	1 736	19 629
Net cash flow from operational activities	**11 614**	**50 599**
Cash flows from investment activities		
Acquisition of fixed assets	(3 084)	(6 040)
Purchases of financial assets	-	(21)
Net cash flow from investment activities	**(3 084)**	**(6 061)**
Cash flows from financing activities		
Net change in overdraft facilities	(3 053)	(21 367)
Repayment of borrowings	(5 652)	(5 242)
Payment of dividend	-	(17 296)
Net cash flow from financing activities	**(8 705)**	**(43 905)**
Net change in cash and cash equivalents	(175)	633
Cash and cash equivalents at 1 January	12 381	11 748
Cash and cash equivalents at 31 December	**12 206**	**12 381**

Notes to the financial statements
Kitron ASA

Accounting principles
The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP). All amounts are in NOK 1 000 unless otherwise stated.

Revenue recognition
Income from the sale of goods and services is recognised at the time of delivery.

Classification and recognition of assets and liabilities
Assets intended for long-term ownership or use, are classified as fixed. Other assets are classified as current. Accounts receivable which fall due within one year are always classified as current assets. Analogue criteria are applied in classifying liabilities. Current assets are recognised at the lower of cost price and fair value. Current liabilities are recognised in the balance sheet at the nominal value on the establishment date. Fixed assets are recognised at their acquisition cost. Tangible fixed assets which decline in value are depreciated on a straight-line basis over their expected useful lifetime. Fixed assets are written down to their fair value where this is lower than the cost price and the decline in value is not considered to be temporary. Long-term debt in Norwegian kroner, with the exception of other provisions, is recognised at the nominal value on the establishment date. Provisions are discounted if the interest element is significant.

Intangible fixed assets
Intangible fixed assets, excluding deferred tax benefit, consist of goodwill and activated costs. Goodwill is amortised on a straight-line basis over its expected useful life.

Tangible fixed assets
Tangible fixed assets are recognised in the balance sheet and depreciated on a straight line basis over their expected useful lifetime if they have an expected lifetime of more than three years and a cost price which exceeds NOK 15 000. Maintenance costs for tangible fixed assets are recognised as an operating expense as they arise, while upgrades or improvements are added to the cost price of the asset and depreciated accordingly. The distinction between maintenance and upgrading/ improvement is calculated in relation to the condition of the asset when it was acquired. Leased fixed assets are recognised in the balance sheet as tangible fixed assets if the lease is regarded as financial.

Subsidiaries
Subsidiaries are recognised in the company accounts using the cost method. The investment is written down to its fair value when the fair value is lower than the cost price and this fall in value is not expected to be temporary.

Accounts receivables
Accounts receivable from customers and other receivables are recorded at their nominal value after deducting a provision for bad debts. The latter is based on an individual assessment of each receivable. An unspecified provision is made for minor receivables to cover estimated bad debts.

Foreign currencies
Holdings in foreign currencies are translated at the rates prevailing at the balance sheet date.

Pensions
Pension costs and obligations are calculated on a linear earning of pension rights, based on assumptions concerning the discount rate, future pay adjustments, state pensions and other social security benefits, the expected return on pension fund assets, and actuarial assumptions on mortality, voluntary retirement and so forth. Pension funds are recognised in the balance sheet at their fair value less net pension commitments. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity. The pension commitment is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rate of high-quality corporate bonds.

Payroll tax is expensed for funded (collective) pension plans, and accrued in accordance with changes in the pension commitment for unfunded pensions.

Tax
Tax cost in the profit and loss account comprises the sum of tax payable for the period and changes to deferred tax or deferred tax assets. Deferred tax is calculated at a rate of 27 per cent on the basis of temporary differences between accounting and tax values, plus possible tax loss for carrying forward at the end of the fiscal year. Tax increasing and reducing temporary differences which reverse or could reverse in the same period are eliminated, and are recorded net in the balance sheet. Recognition of deferred tax assets on net tax-reducing differences which have not been eliminated, and tax loss for carrying forward, is based on expected future earnings. Deferred tax and tax assets which can be recognised in the balance sheet are stated net.

Tax on group contribution paid which is recognised as an increase in the cost price of shares in other companies, and tax on group contribution received which is recognised directly against equity, is recognised directly against tax in the balance sheet (against tax payable if the group contribution has an effect on tax payable and against deferred tax if the group contribution has an effect on deferred tax).

Cash flow statement
The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other short-term liquid placements which immediately and with insignificant currency risk can be converted to known amounts of cash and with a maturity which is less than three months from the acquisition date.

Note 1 Financial risk

Interest rate risk

Interest on the group's interest-bearing debt is charged at the relevant market rate prevailing at any given time (base rate plus interest margin). No interest rate instruments have been established in the company. The company does not have significant interest-bearing assets, so that its income and cash flow from operational activities are not significantly exposed to changes in the market interest rate.

Currency risk

Exchange rate developments represent a risk for the company both directly and indirectly. No contracts which reduce this risk had been concluded at 31 December 2014.

Price risk

The business of Kitron ASA is administration of its subsidiaries, and revenues consist primarily of group contributions. The company is not exposed to significant commodity price risk.

Note 2 Sales revenues

Kitron provides development, industrialisation and manufacturing services to the electronics industry in various geographical areas and market segments. Given that the parent company's revenues cannot be said to relate to significant different segments, the sales revenues are not broken down further into segments. The business of Kitron ASA is administration of its subsidiaries, and revenues consist primarily of fees and group contributions.

Sales revenues by geographical area

(Amounts in NOK 1000)	2014	2013
Norway	29 176	28 505
Sweden	8 624	10 975
Lithuania	17 668	17 286
Rest of Europe	575	937
Other	3 642	4 260
Total	**59 685**	**61 963**

Note 3 Payroll expenses

Payroll costs

(Amounts in NOK 1000)	2014	2013
Pay	14 499	17 487
Payroll taxes	2 113	2 521
Pension costs	848	777
Other remuneration	13 950	13 265
Total	**31 410**	**34 050**
Average number of FTEs	24	26

Note 4 Pension costs, funds and commitments

Employees in Kitron ASA are covered by pension plans which give the right to future benefits according to Norwegian law (Norwegian mandatory service pension act). The plans embrace 11 employees. The plans comprise defined contribution plans, as well as early retirement schemes (AFP) for some employees.

The new AFP-scheme, in force from 1 January 2011, is a defined benefit multi-enterprise scheme, but is recognised in the accounts as a defined contribution scheme 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 debt in the balance sheet.

The AFP-liability relates to previous employees which are now retirees under the former AFP-scheme.

The pension obligation at year-end also includes a provision of TNOK 3 (2013: TNOK 12) to cover an expected payment relating to undercoverage in the former AFP-scheme. The provision has been recognised in the balance sheet as a pension obligation. Furthermore the pension obligations below include life-long benefits to a former CEO. All pension plans are unfunded.

Defined pension benefit plans

(Amounts in NOK 1000)	**2014**	**2013**
Carrying amount of the obligation is determined as follows:		
Present value of accrued pension commitments in unfunded benefit plans	7 038	6 676
+/- unrecognised actuarial gains and losses	-	-
Net commitments in unfunded defined benefit plans	**7 038**	**6 676**
Hereof payroll tax on the pension obligation	870	825
Pension costs comprise:		
+ Present value of pension earnings for the year	-	-
+ Interest costs	248	142
+ Amortisation actuarial gains and losses	-	-
+ Service cost	-	-
- Curtailment of the old AFP scheme	-	-
Net pension cost for unfunded plans	**248**	**142**
Net pension cost for contribution based pension plans	**600**	**635**
Net pension costs included in note 3	**848**	**777**
Actuarial losses pensions	611	615

The following assumptions have been applied in calculating pension commitments

	2014	**2013**
Discount rate	2.3%	4.0%
Annual pay adjustment	2.5%	3.25%
Annual pension adjustment	2.5%	3.25%
Social security tax rate	14.1%	14.1%

Note 5 Tangible fixed assets and depreciation

Tangible fixed assets and depreciation

(Amounts in NOK 1000)	Machinery and equipment
Acquisition cost at 1 January	16 292
Additions during the year	482
Disposal during the year	-
Acquisition cost at 31 December	**16 774**
Accumulated depreciation 1 January	13 722
Depreciation during the year	1 346
Disposal during the year	-
Accumulated depreciation at 31 December	**15 068**
Book value 31 December	**1 706**
Useful lifetime	3 - 5 years
Depreciation plan	Linear

Annual lease of fixed assets unrecognised in the balance sheet

Fixed asset	Length of lease	Annual rent
Premises	>2015	796
Company cars	>2015	582

Note 6 Other intangible assets

Other intangible assets

(Amounts in NOK 1000)	System software
Acquisition cost at 1 January	41 788
Additions during the year	2 603
Disposal during year	-
Acquisition cost at 31 December	**44 391**
Accumulated depreciation at 1 January	12 622
Depreciation during the year	5 733
Accumulated depreciations at 31 December	18 355
Book value 31 December	**26 036**
Depreciation plan	Linear
Useful lifetime	7 years

Note 7 Related parties

(Amounts in NOK 1000)	2014	2013
Sales revenues		
From subsidiaries (1)	59 685	61 963
Purchase of goods and services		
From subsidiaries (1)	15 739	16 217
Remuneration of senior executives		
Pay and other short-term benefits (2)	7 650	11 321
Financial income		
Interest income from subsidiaries (1)	1 398	1 229
Dividend and group contribution from subsidiaries	-	29 266
Total	**1 398**	**30 495**

Balance items at 31 December resulting from transactions with related parties

Receivables and loans		
Subsidiaries (1)	133 820	114 203
Total	**133 820**	**114 203**
Payables		
Subsidiaries (1)	1 495	1 519
Total	**1 495**	**1 519**

(1) Revenues from subsidiaries consist primarily of fees and group contributions. Purchase and sales of goods and services from subsidiaries consist primarily of services from corporate personnel employed in subsidiaries Interest income from subsidiaries consist of interest on long-term loans.
(2) Senior executives comprise member of corporate management team employed in Kitron ASA. See table in note 13 for a more extensive description of remuneration of senior executives.

No loans/security have been provided for the chief executive, the chairman or other related parties. No single loan/security totals more than five per cent of the company's equity.

Note 8 Taxes

Taxes

(Amounts in NOK 1000)	2014	2013
Tax cost for the year breaks down into:		
Tax payable		
Change in deferred tax	2 452	1 045
Deferred tax charged to equity	165	-
Change in tax rate	-	1 613
Total tax cost	**2 617**	**2 658**
Calculation of tax base for the year:		
Profit before tax	5 203	15 256
Permanent differences *)	3 738	(19 801)
Change in temporary differences	537	847
Group contribution	-	7 686
Change in tax loss carried forward	(9 479)	(3 987)
Tax base for the year	**-**	**-**
Overview of temporary differences		
Fixed assets	(3 187)	(3 753)
Pensions	(7 038)	(6 677)
Other temporary differences	(880)	(230)
Gain and loss account	369	462
Total	**(10 735)**	**(10 198)**
Loss carried forward	(141 489)	(151 111)
Total	**(152 225)**	**(161 309)**
Deferred tax asset (27%)	**41 101**	**43 554**
Explanation of why tax cost for the year does not equal 27% of pre-tax result		
27% (28%) of loss before tax	1 405	4 271
Permanent differences 27% (28%)	1 009	(5 378)
Tax effect of actuarial gains and losses charged to equity	165	-
Adjustment in respect of prior years	38	-
Group contribution	-	2 152
Change in tax rate	-	1 613
Calculated tax cost	**2 617**	**2 658**
Effective tax rate **)	50.3%	17.4%

*) Includes non-tax-deductible costs such as entertainment, group contribution and dividend.
**) Tax cost in relation to pre-tax result.

Note 9 Investment in subsidiaries

Investment in subsidiaries

(Amounts in NOK 1000)	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron AS	Arendal	100%	100%	129 056	(11 531)	232 336
Kitron Sourcing AS	Oslo	100%	100%	10 099	(1)	11 400
Kitron Karlskoga AB	Karlskoga, Sweden	100%	100%	47 566	9 726	30 000
Kitron AB	Jönköping, Sweden	100%	100%	30 656	(188)	13 463
Kitron Flen AB	Flen, Sweden	100%	100%	6 959	219	31 332
Kitron Hong Kong Ltd	Hong Kong	100%	100%	(2 116)	(333)	1
Kitron GmbH	Grossbetlingen, Germany	100%	100%	(23 124)	(4 075)	2 403
Kitron Inc	Johnstown, US	100%	100%	(20 581)	340	583
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	3 917	(36)	12 421
UAB Kitron	Kaunas, Lithuania	100%	100%	138 954	23 203	29 180
UAB Kitron Distribution Centre	Kaunas, Lithuania	100%	100%	(10 978)	(474)	21
Total investment in subsidiaries						363 140

The Kitron Hong Kong Ltd. subsidiary owns shares in the following subsidiaries:

(Amounts in NOK 1000) Company	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron Electronics Manufacturing (Ningbo) Co., Ltd.	Ningbo China	100%	100%	3 668	1 758	33 830
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	2 398	437	1 344

Note 10 Equity

Equity

(Amounts in NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2013	**17 296**	**242 827**	**262 753**	**522 876**
Net profit	-	-	2 586	2 586
Effect from options	-	-	1 257	1 257
Actuarial gains and losses pensions	-	-	(446)	(446)
Dividend	-	-	(8 648)	(8 648)
At 31 December 2014	**17 296**	**242 827**	**257 502**	**517 625**

Note 11 Shares based payments

Share-Based Payments
Kitron ASA established in 2013 a new management option program. The Board of Directors was authorised to increase the share capital with NOK 548 500, which corresponds to 5 485 000 shares (approximately 3% percent of the market cap of the company), each with a par value of NOK 0.10.

The Company utilizes a Monte Carlo simulation to determine the impact of stock option grants in accordance with IFRS 2, Share-based payment, on the Company's net income. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimates the likelihood of performance fulfillment and takes this into account in the valuation.

During the period ended 31 December 2014, the Company has had share-based payment arrangements for employees, as described below.

Management Option Program

Granted	2013	2014
Type of arrangement	Equity Settled	Equity Settled
Dates of Grant	02.07.2013	04.05.2014
Options granted for the year	3 975 000	1 500 000
Contractual life (from grant date)	3 years	2.16 years
Vesting conditions	100% of the options will vest 3 years after grant date. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period	100% of the options will vest 2.16 years after grant date. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period
Expiry date	30.06.2016	30.06.2016

Granted	2013	2014
Exercise price	0.10 NOK	0.10 NOK
Share price at grant date	1.85 NOK	1.80 NOK
Expected life from grant date	3 years	2.16 years
Volatility	46.08%	39.82%
Risk free interest rate	1.56%	1.58%
Fair value per option	0.8869 NOK	0.6684 NOK

Expected volatility is based on historical volatility of the Kitron share. Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2014 arising from the option plan is NOK 1 258 413 (2013: NOK 591 860), and the total carrying amount per 31 December 2014 is NOK 1 823 646, not including social security.

Further details of the option plans are as follows:

	01.01.2014 - 31.12.2014	
	Shares	Weighted Average Exercise Price
Outstanding at the beginning of period	3 975 000	0.10 NOK
Granted	1 500 000	0.10 NOK
Forfeited	(400 000)	0.10 NOK
Outstanding at the end of period	5 075 000	0.10 NOK

Details concerning outstanding options as of 31 December 2014 are given below.

Exercise price	Outstanding Options Per 31.12.2014	Weighted average remaining Contractual Life	Weighted Average Exercise Price
0.10 NOK	5 075 000	1.50	0.10

The following directors and members of the corporate management team held shares in the company at 31 December:

Board	Number of shares 2014	2013	Number of options 2014	2013
Tuomo Lähdesmäki, chairman	100 000	-	-	-
Martynas Cesnavicius, board member (1)	-	-	-	-
Elisabeth Jacobsen, employee elected board member	1 600	1 600		

Corporate management team	Number of shares 2014	2013	Number of options 2014	2013
Peter Nilsson, CEO	47 000	-	1 500 000	-
Dag Songedal Vice President	-	-	550 000	550 000
Cathrin Nylander, CFO	-	-	600 000	600 000
Israel Losada Salvador, COO	-	-	600 000	600 000
Thomas Löfgren, Vice President	-	-	500 000	500 000
Mindaugas Sestokas, Vice President	-	-	500 000	500 000
Tommy P. Storstein, Vice President	-	-	425 000	425 000
Bengt Enbom, Vice President	10 000	10 000	400 000	400 000
Gard Eliassen, Vice President (2)	-	-	-	400 000

(1) Martynas Cesnavicius acts as investment advisor for KJK Fund SICAV-SIF, Amber Trust SCA and Amber Trust II SCA. At 31 December 2014 Amber Trust II SCA controlled 23 822 000 shares and KJK SICAV-SIF 6 013 908 shares in Kitron ASA.
(2) Gard Eliassen left the company in 2014.

Note 12 Shares and shareholders information

The company's share capital at 31 December 2014 comprised 172 961 625 shares with a nominal value of NOK 0.10 each.

Each share carries one vote. There were 2 459 shareholders at 31 December 2014.

The 20 largest shareholders in Kitron ASA at 31 December 2014

Shareholder	Number	Percentage
Nordea Bank Plc Finland 1)	57 141 000	33.04%
Kongsberg Gruppen ASA	33 439 153	19.33%
UBS AG Zurich 2)	29 862 542	17.27%
MP Pensjon PK	10 792 537	6.24%
SES AS	3 650 000	2.11%
VPF NORDEA SMB	2 821 159	1.63%
Hybrid AS	1 368 447	0.79%
Bjørn Håheim	1 117 968	0.65%
Capreca AS	1 000 000	0.58%
JAH AS	1 000 000	0.58%
Swedbank AS	857 548	0.50%
Kjell Løite	812 880	0.47%
AB SEB Bankas Clients	800 465	0.46%
JP Morgan Luxembourg SA	697 360	0.40%
Stein Ole Vrenne	688 000	0.40%
Petter Torgersen	636 000	0.37%
Jørgen Teigen	605 300	0.35%
Gems Global Electronic	600 000	0.35%
Helge Hareland	550 000	0.32%
Odd Morten Langsæter	498 080	0.29%
Total 20 largest shareholders	**148 938 439**	**86.11%**
Total other shareholders	**24 023 186**	**13.89%**
Total outstanding shares	**172 961 625**	**100.00%**

1) Sievi Capital plc.: 57 000 000 shares and 32.96%, others: 0.08%.
2) Amber Trust II SCA: 23 822 000 shares and 13.77%, KJK Fund SICAV-SIF 6 013 908 shares and 3.47%, others: 0.03%

Authorized share capital

Increasing the share capital

The ordinary general meeting of 23 April 2014 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 23 April 2014. The total amount by which the share capital may be increased is NOK 1 729 616.20. The authority applies until the ordinary general meeting in 2015, but no longer than 30 June 2015. The authorization is limited to encompass capital requirements or issuance of consideration shares in relation to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, incentive programs for employees, and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2014. The Authorized Share capital of the Company is therefore NOK 17 296 162.50.

Treasury shares

The ordinary general meeting on 23 April 2014 authorised the board to acquire own shares, for a total nominal value of up to NOK 1 729 616.20, which is equal to 10 per cent of Kitron's registered share capital at 23 April 2014. Under this authorization the company shall pay minimum NOK 1 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the maximum amount does not exceed NOK 25 per share. The authority is valid until the ordinary general meeting in 2015 but no longer than 30 June 2015. The authority had not been exercised at 31 December 2014.

Note 13 Remuneration of senior executives, directors and auditor

Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)	2014	2013
Directors' fee:	2 020	1 708
- chairman	424	394
- board members	1 596	1 314
Auditors fee*)		
- statutory audit	474	369
- audit related services	193	147
- tax related services	77	70
- other services		14

*) all figures without VAT

Pay and other remuneration of senior executives in 2014:

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	10.11.2014-31.12.2014	352	-	43	395	-
Cathrin Nylander	CFO	01.01.2014-31.12.2014	1 572	-	275	1 847	110
Tommy Storstein	Vice president	01.01.2014-31.12.2014	1 159	-	191	1 350	62
Israel Losada Salvador	Vice president	01.01.2014-31.12.2014	2 074	-	249	2 323	150
Dag Songedal	Interim CEO/ Vice president	01.01.2014-31.12.2014	2 352	-	205	2 557	159
Bengt Enbom	Vice president	01.01.2014-31.12.2014	1 196	-	10	1 206	269
Thomas Løfgren	Vice president	01.01.2014-31.12.2014	1 259	-	46	1 305	293
Mindaugas Sestokas	Vice president	01.01.2014-31.12.2014	954	-	113	1 067	-
Zygimantas Dirse	Vice president	01.01.2014-31.12.2014	1 033	-	294	1 327	-
Total			11 952	-	1 426	13 377	1 043

(Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lãhdesmaki	Chairman of the board	21.02.2014-31.12.2014	292	-	23	315
Asa-Matti Lyytinen	Chairman of the board	01.01.2014-20.02.2014	43	-	66	109
Arne Solberg	Deputy chair	01.01.2014-31.12.2014	161	-	30	191
Paivi Marttila	Board member	01.01.2014-31.12.2014	161	-	95	256
Martynas Cesnavicius	Board member	01.01.2014-31.12.2014	161	-	91	252
Siri Hatlen	Board member	01.01.2014-31.12.2014	161	-	18	179
Maire Laitinen	Board member	01.01.2014-20.02.2014	14	-	40	54
Lisbeth Gustafsson	Board member	01.01.2014-20.02.2014	14	-	66	80
Liv Ester Johansen	Employee representative	01.01.2014-31.12.2014	161	-	40	201
Bjørn Gottschlich	Employee representative	01.01.2014-31.12.2014	161	-	10	171
Elisabeth Jacobsen	Employee representative	23.04.2014-31.12.2014	128	-	-	128
Geir Vedøy	Employee representative	01.01.2014-23.04.2014	32	-	10	42
May Britt Gundersen	Employee representative	01.01.2014-23.04.2014	32	-	10	42
Total			1 521	-	499	2 020

*) Bonuses earned in 2014. The bonuses will be paid in 2015.

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

Pay and other remuneration of senior executives in 2013:

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Jørgen Bredesen	CEO	01.01.2013-31.10.2013	2 737	-	315	3 052	167
Dag Songedal	Interim CEO/ vice president	01.01.2013-31.12.2013	1 683	-	614	2 297	157
Bjørn Wigstrøm	CFO	01.01.2013-30.06.2013	1 097	-	115	1 212	184
Cathrin Nylander	CFO	12.08.2013-31.12.2013	615	-	105	720	52
Leif Tore Smedås	Vice president	01.01.2013-31.10.2013	814	-	131	945	45
Jan Liholt	Vice president	01.01.2013-31.12.2013	1 448	-	340	1 788	96
Gard Eliassen	Vice president	01.01.2013-31.12.2013	1 363	-	193	1 556	89
Tommy Prøitz Storstein	Vice president	01.01.2013-31.12.2013	1 067	-	202	1 269	66
Israel Losada Salvador	Vice president	01.02.2013-31.12.2013	1 705	-	245	1 950	141
Bengt Enbom	Vice president	01.01.2013-31.12.2013	1 147	-	45	1 192	277
Thomas Løfgren	Vice president	01.01.2013-31.12.2013	1 221	-	84	1 305	301
Mindaugas Sestokas	Vice president	01.01.2013-31.12.2013	1 074	-	98	1 171	-
Total			15 970	-	2 487	18 457	1 575

(Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Asa-Matti Lyytinen	Chairman of the board	01.01.2013-31.12.2013	309	-	85	394
Arne Solberg	Deputy chair	01.01.2013-31.12.2013	103	-	30	133
Lisbeth Gustafsson	Board member	01.01.2013-31.12.2013	103	-	83	186
Siri Hatlen	Board member	01.01.2013-31.12.2013	103	-	16	119
Maire Laitinen	Board member	01.01.2013-31.12.2013	103	-	87	190
Martynas Cesnavicius	Board member	01.01.2013-31.12.2013	103	-	60	163
Päivi Marttila	Board member	23.04.2013-31.12.2013	71	-	0	71
Harri Takanen	Board member	01.01.2013-23.04.2013	0	-	15	15
Liv Ester Johansen	Employee representative	01.01.2013-31.12.2013	103	-	25	128
Geir Vedøy	Employee representative	01.01.2013-31.12.2013	103	-	0	103
May-Britt Gundersen	Employee representative	01.01.2013-31.12.2013	103	-	0	103
Bjørn Gottschlich	Employee representative	01.01.2013-31.12.2013	103	-	0	103
Total			1 307	-	401	1 708

*) Bonuses earned in 2013 and paid in 2014.

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

Declaration of remuneration to senior executives

The table above includes information on all individuals covered by the disclosure obligation at any time during the year, while the following declaration is limited to the CEO and the vice presidents.

The Board proposes that the following guidelines be applied for 2015 and until the Annual General Meeting in 2016. The executive remuneration policy for Kitron ASA applies to all units in the group.

Executive remuneration

Kitron group remuneration policy

The Kitron group general remuneration policy is described in the HR policy and states that salaries are diversified depending on level or responsibility, complexity of tasks, competence, ability and performance. Kitron strives to have fair employment conditions following legal requirements and practice in each country. The remuneration should, together with other employment related conditions make it possible for Kitron to recruit, develop and retain the best possible employees supporting the growth and development of the Kitron group. The policy naturally also forms the basis for salary and benefit levels among senior executives in Kitron.

Executive remuneration

The current compensation and benefit system for senior executives in Kitron is divided in several parts. These parts together are competitive and based on market conditions. The total remunerations consist of fixed annual compensation that includes annual base salary and other benefits (such as pension plan and company car). The total compensation also includes a short term incentive scheme (STI) and a long term incentive scheme (LTI).

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like are linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, incentivise performance and are based on quantifiable factors over which the employee in question can influence. Performance related remuneration is subject to an absolute limit.

Fixed compensation

The actual level of annual base salaries (ABS) is based on market conditions and salary levels related to the actual position in the country in question. Kitron uses the Hay tool for determining market levels on an annual basis. The executive positions are evaluated using the Hay positioning grading tool. Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. The CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that applies to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2014 the Norwegian based members of the Corporate Management Team (except the CEO) have received an additional pension contribution corresponding to 20 per cent of the base salary between 12G and 24G. The CEO receives an additional yearly pension contribution of the NOK equivalent of SEK 1.200.000.

Other benefits are according to company policy and regulations in country of residence.

Short term incentive scheme

The STI system has specific targets and defined maximum payouts and is set on annual basis. The possible maximum payout is 50 per cent of annual basic salary.

Long-term incentive scheme

From 2013 the Board implemented an option based program with a three-year validity (2013-2016). Separate agreements describing the LTI systems and related conditions are in place for each senior executive. Maximum possible share options are defined per individual among the senior executives. Any possible payout will be depending on the Kitron group share price at the start of the program in comparison with the share price at the time of the expiry.

The share option program entails that executive management, on certain terms, may be granted the right to subscribe new shares in the Company at NOK 0.10 per share after a vesting period of three years. The number of options vested is inter alia linked linearly to the development of the quote of the Company's shares on Oslo Børs. Per 31 December 2014, 5 075 000 options have been allocated to executive management. The share option program is described in more detail in note 11.

New Long-term incentive scheme

The board of directors proposes to introduce a new share option program for executive management running for three years from the start of the second calendar quarter 2016. The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron after a vesting period of three years.

Regular salary reviews

Annual salary reviews are performed in accordance with the employment contract and with reference to the Hay market review as well as to the Kitron group financial performance.

Note 14 Receivables

NOK 97.3 million of the NOK 97.3 million in intra-group loans at 31 December 2014 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2014	2013
Kitron Hong Kong Ltd	35 852	24 528
Kitron Inc	44 580	36 480
UAB Kitron Real Estate	16 858	15 627
Total	**97 290**	**76 635**

Note 15 Information on long-term liabilities to financial institutions

The company has leasing debt to leasing company of NOK 4.5 million at 31 December 2014 (NOK 10.2 million at 31 December 2013). This is a 5 year finance agreement and will be fully settled during 2015. There is no long-term bank financing at 31 December 2014. The group's short-term bank financing includes covenants relating to such factors as the company's equity and earnings. The company complies with these covenants at 31 December 2014.

Note 16 Mortgages

Mortgages

(Amounts in NOK 1000)	2014	2013
Debt secured by mortgages:	24 136	27 189
Carrying amount of assets provided as security:		
Machinery and equipment	1 706	2 570
Investment in subsidiaries	363 140	363 140
Receivables	137 608	133 114
Total	**502 454**	**498 824**

The company's guarantee provider had provided guarantees of NOK 2.0 million for tax due but not paid in Kitron ASA.

Note 17 Liquid assets

Kitron ASA has established a group account agreement with the company's principal bank. This embraces Kitron ASA and its Norwegian, Swedish, German and US subsidiaries. Unused credit lines amounted to NOK 76.8 million at the end of 2014. The company has a cash deposit of NOK 10.3 million related to the group's factoring agreement with DNB Finans.

Note 18 Items consolidated in the accounts

Other financial income

(Amounts in NOK 1000)	2014	2013
Dividend and group contribution	-	29 266
Currency gain	15 732	6 729
Total other financial income	**15 732**	**35 995**
Financial expenses		
Loss on intra-group receivables	2 959	9 355
Currency loss	294	-
Other financial expenses	891	1 185
Total financial expenses	**4 144**	**10 540**

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To the Annual Shareholders' Meeting of Kitron ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Kitron ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2014, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Kitron ASA as at 31 December 2014, 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.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Kitron ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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, the going concern assumption and the proposal for the allocation of the profit 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, 17 March 2015
PricewaterhouseCoopers AS

Bjørn Lund
State Authorised Public Accountant (Norway)

(2)

Responsibility statement

"We confirm to the best of our knowledge that:

- the consolidated financial statements for 2014 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that
- the financial statements for the parent company for 2014 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway,

and that

- the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that
- the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the principle risks and uncertainties."

Oslo, 17 March 2015

Tuomo Lähdesmaäki Chairman	Arne Solberg Deputy chairman	Martynas Cesnavicius
Siri Hatlen	Liv Johansen Employee elected board member	Elisabeth Jacobsen Employee elected board member
Päivi Marttila	Bjørn Gottschlich Employee elected board member	Lars Peter Nilsson CEO

Corporate governance

Kitron's corporate governance principles clarify the division of roles between shareholders, the board of directors and the corporate management. The principles are also intended to help safeguard the interests of shareholders, employees and other stakeholders, such as customers and suppliers, as well as society at large. The primary intention is to increase predictability and transparency, and thereby reduce uncertainties associated with the business.

It is Kitron's intent to practice good corporate governance in accordance with laws and regulations and the recommendations of Oslo Børs under the 'comply or explain' concept. This review has been prepared by the board of Kitron based on Norwegian Code of Practice for Corporate Governance dated 30 October 2014 ("the Code"). The code is available at www.nues.no.

According to the Kitron's own evaluation, Kitron deviates from the code on the following points:

§6 General meetings

- Vote separately on each candidate.
  - Currently the three major shareholders represent approximately 70 per cent of the votes, and the same shareholders are represented in the nomination committee. For practical reasons in the voting, the candidates are grouped into one vote.
- All members of the Board of Directors, the nomination Committee and the auditor are present
  - The Chairman of the Board, The Chairman of the Nomination Committee and the auditor are always present to respond to any questions. From the Group perspective, this is considered sufficient.
- Independent chairman for the general meeting.
  - The Chairman of the Board normally chairs the General Meeting. The Board will make arrangements for an independent chair if the setting so requires.

§4 Nomination Committee

- The nomination committee should have contact with shareholders, the Board of Directors and the company's executive personnel as part of its work on proposing candidates.
  - The Mandate for the Nomination committee did not specify the interaction requirement. A proposal including the same phrase is included in a changed Mandate for the Nomination committee, to be resolved at the General Meeting on 21 April 2015.

§8 Corporate Assembly and the board of director's composition and independence.

- The chairman of the board of director's should be elected by the general meeting
  - A proposal including the same phrase is included in changed "Articles of association", to be resolved at the General Meeting on 21 April 2015.

1. Report on Corporate Governance

The report follows the structure of the Code of Practice. The Corporate Governance report is subject to annual evaluation and discussion by the Board. The following report was issued at the Board meeting on 17 March 2015.

Kitron's vision is to provide solutions that deliver success for its customers. Kitron's core values to support the vision are reliability, creativity, involvement and a positive and international mindset.

The group's current Ethical Code (Ethical Guidelines, Supplier Guidelines and Anti-Bribery policy) was approved by the Board 27 August 2014. It is based largely on international initiatives and guidelines related to social responsibility, including the ILO conventions.

The Ethical Code includes topics such as human rights, environment, relations with our customers and suppliers, corruption and confidentiality.

The Code applies to all Kitron board members, elected officers, permanent and temporary employees, hired staff, consultants and agents acting in or on behalf of Kitron. The Code also applies to all contractors, sub-contractors, suppliers and sub-suppliers. It includes all companies in the Kitron group.

2. Business

Kitron's business purpose clause is stated in the company's articles of association: Kitron's business purpose is manufacturing and development activities related to electronics. The business includes purchase and sale of shares and companies in the same or related business sectors. The business may also include related consultancy activities and other activities associated with the operation.

The company's main goals and strategies are presented in the annual report. It is the board's opinion that these objectives and strategies are within the scope of the business purpose clause.

3. Equity and dividends

The parent company's share capital at 31 December 2014 amounted to NOK 17.3 million (NOK 17.3 million).

Total equity for the group at 31 December 2014 was NOK 494.7 million, corresponding to an equity ratio of 42.9 per cent. Considering the nature and scope of Kitron's business, the board considers that the company has adequate equity.

Existing mandates granted to the board, to issue shares and to purchase its own shares, are presented in the shareholder information section of the annual report. The mandates are restricted to defined purposes and limited in time to no later than the date of the next annual general meeting.

Kitron's dividend policy implies an objective to pay a dividend of 30-50 per cent of net profit for the year, provided that the company's equity and liquidity position remains adequate after the dividend payment.

4. Equal treatment of shareholders and transactions with close associates

There is only one class of shares and all shares have equal voting rights. The nominal amount per share is NOK 0.10. The articles of association place no restriction on voting rights.

Kitron has issued an insider manual with guidelines and control procedures. According to the company's ethical guidelines, board members and the executive management must notify the board if they have any direct or indirect material interest in any transaction contemplated or entered into by the company.

All transactions with close associates are disclosed in the notes to the annual accounts. Kitron has a long-term supplier relationship with Kongsberg Gruppen ASA, which is also a significant shareholder in Kitron. All business activities are based on arm's length terms. In the event of transactions with insiders or close associates, such transactions will be carried out in accordance with the relevant recommendations in the Code.

5. Freely negotiable shares

The shares are freely negotiable. The articles of association include no form of restriction on negotiability.

6. General meetings

Shareholders exercise the ultimate authority in Kitron through the annual general meeting. All shareholders are entitled to attend a general meeting as long as they are recorded in the company's share register no later than the fifth business day before the date of the general meeting. Representatives of the board, the nomination committee, and the auditor are present.

The notice of the meeting, the agenda and detailed and comprehensive supporting information, including the nomination committee's justified recommendations, are made available on Kitron's website at least 21 days before a general meeting takes place. At the same time the notice and agenda is distributed to all shareholders. For administrative purposes, the shareholders must give notice of their attendance at the meeting minimum two working days before the meeting.

The general meeting deals with such matters as required by Norwegian law. Shareholders who cannot attend the meeting in person can vote by proxy, and voting instructions can be given on each item on the agenda. In addition shareholders may vote in advance, either in writing or by electronic means, up to 2 days prior to the general meeting.

The general meetings are opened by the chair of the board. Normally, the board proposes that the chair of the board shall also chair the general meetings. The board will propose an independent chair for the general meeting if any of the matters to be considered calls for such arrangement.

The notices and minutes of the general meetings are published in Oslo Børs' information system (www.newsweb.no, ticker: KIT) and on Kitron's website.

7. Nomination committee

Kitron's nomination committee is stated in the articles of association. The committee shall have three members, including the head of the committee. At the composition of the nomination committee, the interests of the shareholders will be taken into account, as well as the members' independence of the board and of the executive management. The general meeting elects the head and the members of the nomination committee and determines its remuneration. The general meeting has resolved a mandate and stipulated guidelines for the duties of the nomination committee that is compliant with the Code. The members of the nomination committee are elected for a period of two years. For the sake of continuity, one or two members stand for election each year.

The nomination committee shall propose and present to the general meeting: Candidates for election to the board, remuneration of the board, the nomination committee, and new members of the nomination committee.

Composition

The committee shall have three members, including the head of the committee. At the composition of the nomination committee, the interests of the shareholders will be taken into account, as well as the members' independence of the board and of the executive management.

The nomination committee members

- Hans-Jørgen Wibstad, voted chair of the nomination committee and elected until the annual general meeting in 2015
- Jarkko Takanen, elected until the annual general meeting in 2015
- Kustaa Äimä, elected until the annual general meeting in 2016

The committee's members are independent of the Kitron's management and the Board.

Submitting proposals to the nomination committee

Deadline for submitting proposals to the nomination committee is four weeks prior to General Meeting Notice.

8. Board of directors: composition and independence

According to the articles of association, the board shall consist of 7 to 11 members as resolved by the general meeting. The extraordinary shareholder meeting in February 2014 resolved to reduce the board from 11 to 8 members. It follows from the rules for employee representation that the board thus consists of 5 shareholder-elected members and three members elected by and among the employees.

Board members are elected for a period of two years. There is no corporate assembly in Kitron, and the board elects its own chair.

The board's composition shall ensure that it can effectively and proactively perform its supervisory and strategic functions. Furthermore, the board is composed to enable it to always act independently of special interests. The representation of shareholders was proposed by the nomination committee and unanimously resolved by the general meeting.

After the Annual General Meeting 23 April 2014 the board of directors consists of eight members and currently has the following composition:

- Tuomo Lähdesmäki (Chairman), elected for the period 2014-2016
- Arne Solberg; (Vice chairman), elected for the period 2014-2016
- Martynas Cesnavicius, elected for the period 2014-2016
- Bjørn M. Gottschlich, elected for the period 2014-2016
- Siri B. Hatlen, elected for the period 2014-2015
- Elisabeth Jacobsen, elected for the period 2014-2016
- Liv E. Johansen elected for the period 2014-2016 and
- Päivi Marttila, elected for the period 2014-2015.

All shareholder-elected directors are considered as independent of the management. The same applies in relation to important business relations and owners, except for Martynas Cesnavicius who is employed by one of the owners (Amber Trust). Further information about the board members is presented in the annual report and on the company's website.

Board members who own shares in Kitron

At 31 December 2014 Tuomo Lähdesmäki owned 100 000 shares and Elisabeth Jacobsen owned 1600 shares in Kitron. Päivi Marttila acquired 45 000 shares in Kitron on 17 February 2015.

9. The work of the board of directors

The board has an overall responsibility for safeguarding the interests of all shareholders and other stakeholders. Furthermore, it is the board's duty and responsibility to exercise overall control of the company, and to supervise the management and the company's operations. The division of roles between board and management is specified in Kitron's rules of procedure for the board. The board has approved an annual meeting plan for its work, which includes meetings with a special focus on strategy and budgeting. The board conducts a self-evaluation once a year.

Kitron's board shall also serve as a constructive and qualified discussion partner for the executive management. One of the board's key duties is to establish appropriate strategies for the group. It is important in this context that the board, in cooperation with the management, ensures that the strategies are implemented, that the results are measured and evaluated and that the strategies are developed in the most appropriate way. Kitron has defined performance parameters for the strategies and can thus measure its performance.

The board receives financial reports on a monthly basis from the administration. The underlying data for these reports are prepared at each reporting unit. The information is checked, consolidated, and processed by the group's corporate financial staff to produce the consolidated reports that are submitted to the board. The reports also include relevant operational matters. The group does not have a separate internal audit function. Account controls are exercised through segregation of duties, guidelines and approval procedures. The corporate financial staff is responsible for establishing guidelines and principles. The corporate financial staff handles the group's financial transactions. Each profit centre is responsible for the commercial benefit of manufacturing contracts. Responsibility for the commercial content of significant procurement contracts rests with the corporate sourcing organisation.

The board conducts annual evaluations of the executive managers and their performance. These evaluations also cover an assessment of cooperation between the board and the management. The results of these evaluations represent an important element in the remuneration and incentive programmes, which are described in the notes to the financial statements.
Tuomo Lähdesmäki was elected in to the board at the extraordinary general meeting 21 February 2014 and elected as chairman at a board meeting the same day. The members of the audit committee and the remuneration committee have changed during the year. The board had 12 meetings during 2014.

The board's audit committee

The board's audit committee is appointed by Kitron ASA's board of directors and is a sub-committee of the board. The audit committee will on behalf of the board supervise the financial reporting process to ensure the integrity of the financial statements. The audit committee will also go through: the company's internal supervisory/control routines and risk management system, the external audit process including a recommendation in the choice of an external auditor, the company's routines regarding compliance with laws and regulations affecting the financial reporting and the company's code of conduct.

The role of the audit committee is to prepare matters for consideration by the Board, to support the Board in its supervisory responsibilities and to ensure that the requirements made of the company in connection with its listing on the stock exchange are complied with.

The committee consists of two shareholder-elected board members and one employee-elected board member. The independent auditor usually attends the meetings. During 2014 there were five audit committee meetings.

Members of the audit committee

- Arne Solberg, voted chair of the audit committee and elected until the annual general meeting in 2016
- Päivi Marttila, elected until the annual general meeting in 2015
- Liv Johansen, elected until the annual general meeting in 2016

The board's remuneration committee

The Remuneration Committee is appointed by Kitron ASA's board of directors and is a sub-committee of the Board. The committee consists of three members elected among the members of the board.

The remuneration committee will on behalf of the board supervise remuneration and incentive schemes, mainly related to the CEO and the Corporate Management Team (CMT). During 2014 there was one remuneration committee meeting.

Members of the remuneration committee

- Tuomo Lähdesmäki, voted chair of the remuneration committee elected until the annual general meeting in 2016
- Martynas Cesnavicius, elected until the annual general meeting in 2016
- Siri B. Hatlen, elected until the annual general meeting in 2015

10. Risk management and internal control

Kitron's business model is to provide manufacturing and assembly of electronics and industrial products containing electronics, including development, industrialisation, purchasing, logistics, maintenance/ repair and redesign. The board sees no unusual risks beyond normal business risks that any light industry operation is exposed to.

EMS is a highly competitive industry, presenting the company with an inherent business risk related to Kitron's ability, firstly, to attract and retain customers who are and who will be predictable and successful in their respective markets and, secondly, to make a fair profit margin on its business. The group's customer portfolio consists of reputable companies operating in various segments. Several of the group's customers are world leaders in their respective fields. It is Kitron's perception that the customer portfolio is robust and well balanced. Kitron's value proposition to its customers includes flexibility, competence, quality, closeness and full value chain capability. The board is confident that Kitron is able to maintain a viable, leading and adaptive business. Kitron is organised in distinct manufacturing sites, each fully accountable for its own revenues, profitability and level of capital employed. The structure facilitates closeness between management and the operation, which in turn provides good oversight and adequate internal business control.

The group has established a decentralised management model featuring delegated responsibility for profits. As a result, the control function parallels the group's management model, and it is the individual unit's responsibility to make sure that it has the capacity and expertise it requires to carry out responsible internal control. Governing management documents have been adopted, describing the group's requirements for responsible internal control.

Management prepares monthly financial reports that are sent to the Board of Directors. When the group's quarterly financial reports are to be presented, the Audit Committee reviews the reports prior to the board meeting. The auditor participates in the Audit Committee meetings, and also meets with the entire Board in connection with the presentation of the annual financial statements.

The Board annually reviews the strategic plan. In addition, as part of the preparation to the strategic discussion, the Board also annually review the group risks. The group's financial position and risks are described in the Board of Directors' Report.

The health, safety, and environmental risks are limited and well managed, and Kitron's ISO quality systems are certified by certification agencies and also inspected and approved by several of the group's customers.

Kitron's customers are professional product-owning companies, which purchase the manufacturing and related services from Kitron. Kitron is not the product owner and the group's product liability risk is thus negligible.

The Board regularly reviews and amends the Group's key Governance documents. In 2014, The Ethical Guidelines were reviewed and updated. In addition, the Kitron supplier guidelines were established as well as an Anti-Corruption Policy.

Kitron has established routines for notification and follow-up on any alleged misconduct.

The Group has an Ethical Advisory Board whose task it is, on behalf of the management, to review Governance documents, decide and/or advise in Ethical dilemmas and conduct risk analysis and implement relevant actions.

11. Remuneration of the board of directors

The annual General Meeting approves the remuneration paid to the Board of Directors each year. The Proposal for the remuneration is made by the Chair of the Nominating committee.

The remuneration of the board members reflects responsibility, expertise, time spent and the character of Kitron's business. The remuneration is not linked to the company's performance or share price. The remuneration to the chairman is determined separately from the other members. Additional remuneration is made to the members of the board who are appointed to board committees, on a per meeting basis.

Board members are not encouraged to perform special assignments for the company in addition to their directorship. Such assignments, if any, are reported to the full board and disclosed in the annual report.

Information about each director's remuneration, including shares and subscription rights, is provided in the notes to the annual financial statements.

The members of the Board are encouraged to own shares in Kitron.

12. Remuneration of senior executives

The board has resolved guidelines to the CEO for remuneration to executive management. The terms are determined by the CEO in consultation with the Chairman of the board. The guidelines are communicated to the Annual general meeting.

The salary and other remuneration of the CEO shall be decided by the board.

The remunerations consist of fixed annual compensation that includes annual base salary and other possible benefits (such as pension plan). The total possible compensation also includes a short term incentive scheme (STI) and a long term incentive scheme (LTI).

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should incentivise performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

Fixed compensation

The actual level of annual base salaries (ABS) is based on market conditions and salary levels related to the actual position in the country in question. Kitron uses the Hay tool for determining market levels on an annual basis. The executive positions are evaluated using the Hay positioning grading tool.

Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. Other benefits are according to company policy and regulations in country of residence.

Short term incentive scheme
The STI system has specific targets and defined maximum pay-outs and is set on annual basis. The possible maximum pay-out is 50 per cent of annual basic salary.

Long-term incentive scheme
The LTI system is an option based program with a three-year validity (2013-2016). Separate agreements describing the LTI systems and related conditions are in place for each senior executive. Maximum possible share options are defined per individual among the senior executives. Any possible pay-out will be depending on the Kitron group share price at the start of the program in comparison with the share price at the time of the expiry. A more detailed description is provided in note 18 in the Consolidated Financial statements.

Kitron reports all forms of remuneration received by the chief executive and each of the other members of the executive management.

Details about remuneration of the executive management are provided in the notes to the annual financial statements. A more detailed description is provided in note 18 in the Consolidated Financial statements.

13. Information and communication

Kitron wants to maintain good communication with its shareholders and other stakeholders. The information practice is based on openness and will help to ensure that Kitron's shareholders and other stakeholders are able to make a realistic assessment of the company and its prospects. Guidelines have been established to ensure a flow of relevant and reliable financial and other information. The group endeavour to ensure that all shareholders have equal access to the same information. Kitron complies with Oslo Børs' Code of Practice for IR, dated June 2014.

All information distributed to the shareholders is published on Kitron's website (www.kitron.com) at the same time as it is sent to the shareholders. Furthermore, all announcements to the market are posted on Kitron's website following publication in Oslo Børs' company disclosure system www.newsweb.no, ticker: KIT. Public, webcasted presentations are held quarterly in connection with the interim reporting. Kitron presents a financial calendar every year with dates for important events. Kitron's guidelines for reporting of financial and other information as well as guidelines for the company's contact with shareholders, other than through the general meeting, are presented in the shareholder information section in the annual report.

14. Takeovers

There are no defence mechanisms against take-over bids in the Company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company.

The Kitron Board has established guiding principles in respect of take-over bid.

In a bid situation, the Board and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer

The Board should not hinder or obstruct the possibility of having take-over bids for the Company's activities or shares.

The Board should actively seek other offers upon the receipt of a take-over bid if considered to be in the best common interest of the Company and its shareholders.

Agreements entered into between the Company and the bidder, or significant terms and conditions thereof, that are material to the market's evaluation of the bid shall be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the Company's shares, the Board should not exercise mandates or pass any resolutions with the intention or effect of a disposal of the Company's activities, or material parts thereof, or otherwise obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

The Board and management shall refrain from implementing any measures intended to protect their personal interests at the expense of the interests of shareholders following an intention to make a take-over bid or announcement of a bid.

If an offer is made for the Company's shares, the Board shall issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the Board's statement. The statement shall include information as set out in section 6-16 of the Securities Act.

The Board should arrange for a valuation of the Company from an independent expert. The valuation should include an explanation, and shall be made public no later than at the time of the public disclosure of the Board's statement.

15. Auditor

The Group's auditor is elected by the General meeting.

The auditor participates in the meetings of Audit Committee, to whom they present the main features of the plan for the audit. The auditor also conducts a review of the company's internal control procedures, including identified weaknesses and improvement proposals, which are presented to the Audit Committee.

The auditor always participates in the meeting of the board that deals with the annual financial statements. In this meeting the auditor discusses any changes to the accounting principles, comments on any material estimated figures and reports any material matters where there has been a disagreement between the auditors and the executive management.

The board and the auditor will meet at least once a year without the CEO or any other members of the executive management present.

The auditor issues a written confirmation to the Board on compliance with the Statutory Audit Independence and Objectivity Requirements.

The board of Kitron has established guidelines in respect of the use of the auditor by the company's executive management for services other than mandatory audit.

The auditor annually provides the board with a summary of all services that have been undertaken for Kitron for the accounting year. The fees paid for audit work and fees paid for other specific assignments are specified in the notes to the financial statements.

PwC has been the company's auditor since 2005.

Corporate Social Responsibility

This report covers topics related to Corporate Social Responsibility that are of importance to Kitron and Kitron stakeholders. The Kitron documents that are the foundation for Kitron's work within Corporate Social responsibility are the Kitron Ethical Code of Conduct, Kitron Suppliers Code of Conduct and Kitron Anti-Corruption Policy.

The Kitron Group report on Corporate Social Responsibility has been reviewed and approved by the Board.

Kitron

The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1200 employees. The operations outside of Norway are growing and at the end of 2014, 63 per cent of our employees worked outside Norway, and 57 per cent of the Group's sales took place outside the country's borders.
Kitron production inputs can be divided into three parts: passive electronic components, mechanical drawing parts and PCB (Printed Circuit Boards), and the inputs are with few exceptions sourced and produced outside of Norway.

System for governance

Kitron's general system of governance is linked to the Norwegian Code of Practice for Corporate Governance.

Annual General Meeting (AGM)

The Annual General Meeting (AGM) is the Kitron Group's supreme governing body and where the shareholders can influence how corporate social responsibility is practiced.

The Board of Directors

The Group Board of Directors bears the ultimate responsibility for Kitron's Corporate Social Responsibility and the report on Corporate Social Responsibility is discussed and approved by the Board.

Corporate Executive Management

Corporate Executive Management bears the responsibility for the Group's strategy, development and day-to-day work. This means Corporate Executive Management is responsible for compliance with legislation and regulations and our Ethical code, as well as for the implementation of appropriate and effective initiatives to ensure that we reach our goals.

The Sites

The business areas are responsible for follow up and compliance with policy, strategy, targets and governance documents related to corporate social responsibility. The day-to-day work with corporate social and environmental responsibility is usually handled by the sites with support from the Corporate Executive Management.

Ethical Advisory Committee

Kitron ethical advisory committees mandate is to review and suggest updates of guidelines, decide and/or advise in ethical dilemmas, conduct risk analysis and implement relevant actions and make periodical reviews. The Ethical Advisory committee is made up of members of the corporate Executive management and Corporate Staff.

Financial value creation

Kitron creates value in countries in which we operate, directly through the payment of direct and indirect taxes, the payment of dividends to owners and wages to employees, and indirectly by buying goods and services from suppliers.

Kitron impacts a large number of stakeholders, many of them directly or indirectly involved in Kitron's value creation. Below is an overview of the values Kitron creates and the main stakeholders.

Payroll and social security expenses

In 2014, labour costs amounted to NOK 442.8 million (NOK 443.4 million). Payroll and social security expenses accounted for 26 (28) per cent of total operating expenses.

Procurement of goods and services

Kitron purchased goods and services valued at roughly NOK 1.242 million (NOK 1.124) million in 2014. The Group has registered more than 1700 suppliers that provide inputs.

Tax

The Group's tax expenses for 2014 came to NOK 5.3 million (NOK 6.0 million).

Tax expense by country

(Amounts in NOK 1000)	2014	2013
Norway	(1 611)	6 015
Sweden	2 805	1 739
Lithuania	2 527	3 130
Other	1 598	(4 839)

Dividends

The Board of Directors will propose a dividend for 2014 of NOK 0.05 (0.00) per share to the AGM. If the proposal is adopted at the AGM on 21 April 2015, dividends will be paid as follows, based on the Shareholder structure as at 20 February:

(Amounts in NOK 1000)	2014	2013
Organizations/Enterprises	2 410	-
Insurance/pension funds	543	-
Private Individuals	1 205	-
Foreign Owners	4 490	-
Total	8 648	-

Financial risk relative to compliance

Kitron has operations in industries and countries that are particularly susceptible to the risk of corruption. Kitron also does business in countries known for having problems associated with human rights, child labour, environmental pollution, etc.

We are aware that this presents challenges in regard to our corporate social responsibility, and that it can subject us to substantial financial risk. To deal with our corporate social responsibility and minimize our financial risk, we work systematically on CSR.

Ethics

Kitron's Ethical Code of Conduct presents Kitron's obligation and commitment to ethical business practices and describes the standards and requirements that Kitron employees must adhere to in their work. The Code was last revised and approved by the Board of Directors on 27 August 2014.

The Code applies to all Kitron board members, elected officers, permanent and temporary employees, hired staff, consultants and agents acting in or on behalf of Kitron. The Code also applies to all contractors, sub-contractors, suppliers and sub-suppliers. It includes all companies in the Kitron group.

Kitron also has a separate Supplier Code of Conduct, which applies to all suppliers.

Training

All Kitron personnel are required to attend periodic training in the Kitron Ethical Code of Conduct to ensure that Kitron's ethical values are understood and implemented at all levels.

Ethical Advisory Committee

Kitron has an Ethical Advisory Committee whose objective is to ensure that Kitron maintains a high-level focus on issues related to ethics and anti-corruption and a common understanding and practice regarding how best to address and follow up on these issues.

Firstly, it is in charge of the policy document itself and reviews or updates of the Ethical Code of Conduct. Secondly, the committee is an advisory board related to ethical dilemmas or questions from managers and employees in the group on difficult borderline issues. When in doubt, Kitron employees should consult immediate superior or the Kitron group Ethical Advisory Committee. It is also in the main scope of the committee to perform regular ethical audits mainly related to anti-corruption.

The Ethical Advisory Committee meets as needed but at least three times a year. Members of the Ethical Advisory Committee include: COO, CFO, HR Director, Sales and Marketing Director.
The head of the Ethical Advisory Committee reports to CMT (the Kitron Corporate Management Team) who in turn reports to the board of Kitron ASA.

Reporting irregularities

All conditions that give raise to ethical issues or matters that could involve a breach of prevailing regulations and provisions or circumstances that may cause loss of value or reputation for Kitron should be raised with the staff member's immediate superior. Kitron staff who believe they have been offered bribes or been subject to inappropriate pressure or attempts to exert such pressure or who wish to report or advise on any legal and ethical non-compliance incidents, dilemmas or concerns should immediately do so to their immediate superior.

Environmental matters or issues relating to work place safety can be reported to the relevant representative, HSE-Manager and/or the company health service. Financial matters may be reported to the Finance Manager. It is the duty of all staff to report any criminal acts and circumstances where life or health might be in danger.

Reporting may be anonymous, but open reporting will normally facilitate expedient resolution of the matter. The name of a reporting person shall remain confidential to all but the recipient.

In 2014, the Ethical Advisory Committee dealt with two cases, which were resolved in collaboration with the sites in question.

Anti-Corruption

Kitron opposes any form for corruption and strives to prevent corruption in and as a result of Kitron's business activities. Kitron's Ethical Code of Conduct clearly expresses Kitron's obligation and commitment to ethical business practices authorities.

Risk assessment

Kitron operates in countries and in lines of business that are susceptible to corruption. To reduce risk, Kitron does not use agents or market representatives, as it constitutes a high risk for corruption.

Kitron work on anti-corruption

Kitron Ethical code of Conduct describes several areas of importance for preventing corruption. In 2014 Kitron implemented an Anti-Corruption Policy. The policy clearly describes Kitron's work on anti-corruption, including risk analysis, monitoring, responsibilities, follow-up and training.

Kitron is aware that suppliers, customers and other relevant business partners, such as acquisition targets or agents might expose Kitron to corruption risks. To reduce the risks, Kitron has introduced routines for a risk-based evaluation before entering into new such relationships. The Kitron Supplier Code of Conduct also defines Kitron's expectations regarding the suppliers' anti-corruption activities. Kitron also has in-house rules for gifts and representation as well as sponsorships.

Our Employees

Human Rights

All units of Kitron will comply with UN's Universal Declaration on Human Rights, The UN's Convention on Rights of the Child and International Labour Organization Conventions (ILO conventions).

Kitron shall not engage in or support any kind of child labour. If a young worker is employed, this needs to be controlled and arranged according to legal requirements in terms of safety, work hours and guidance and is not allowed to interfere with applicable compulsory schooling.

Kitron opposes discrimination in any form, e.g. due to race, nationality, gender, sexual orientation or religion. Kitron also opposes any form of trafficking and purchase of sexual services.

Employees, the working environment and employment
Fair employment practices following local norms, laws or collective bargaining agreements is the basic standard in all Kitron entities. No form of discrimination, harassment or bullying is tolerated.

Kitron values the competences employees are in possession of, and sharing of knowledge and information is an area of priority, as is on-the-job development. Kitron offers a working environment where it is possible to combine work, career, family life and spare time.

Health and safety in the working environment is very important to Kitron and is to be ensured to provide a safe, healthy and satisfactory work place. Kitron follows local and international norms and relevant legislation to provide such an environment.

Kitron opposes discrimination in any form, e.g. due to race, nationality, gender, sexual orientation or religion. Kitron also opposes any form of trafficking and purchase of sexual services.

Absence due to illness
Absence due to illness (as a percentage of total hours worked) was 3.8 (4.2) per cent for the group in 2014. This is a continuation of a favourable trend in the recent years. A good working environment and the possibility to develop are important factor to keep the absence due to illness at a low level.

Injuries
Injuries and work related accidents are registered at site level. The Kitron work environment proposes risks to the employees foremost in the manual mounting and in the processes where chemical liquids, nitrogen or lead is involved. There was no serious work-related accident in 2014.

Environment

Kitron internal value chain does not pollute the external environment to any material extent. Kitron Supplier Code of Conduct describes the requirements Kitron imposes on the Suppliers to minimize the adverse effects to community, environment and natural resources while safeguarding the health and safety of the public. They should have obtained all required environmental permits.

Also, Kitron's suppliers shall have policies to reasonably assure that the tantalum, tin, tungsten and gold in the products they manufacture do not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights in the Democratic republic of Congo or an adjoining country. Suppliers shall exercise due diligence on the source and chain of custody of these minerals.

Several of the Kitron group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards. Kitron AS in Norway is a UN climate partner.

Shareholder information

Share capital
Kitron ASA (Kitron) has one class of shares. Each share carries one vote at the company's general meeting. The shares are freely transferable. No form of restriction on transferability is included in the articles of association.

Kitron's registered share capital at 31 December 2014 was NOK 17 296 162.50 divided between 172 961 625 shares with a nominal value of NOK 0.10 each.

The Annual General Meeting in April 2013 approved the introduction of a share option program for executive management comprising up to 5 485 000 shares. The share option program entails that executive management, on certain terms, may be granted the right to subscribe to new shares in the Company at a price of NOK 0.10 per share after a vesting period of three years. The number of options vested is inter alia linked linearly to the development of the price of the Company's shares on Oslo Børs.

The share options were allocated to executive management with effect from 2 July 2013. As per date, 5 075 000 options have been allocated to executive management and 410 000 options remain un-allocated.

Stock market listing
The company's shares are listed on the Oslo Stock Exchange (ticker code: KIT) in the OB Standard sector.

During 2014 the share price moved from NOK 1.81 to NOK 1.70, a decrease of 6.1 per cent. The Oslo Børs Main Index increased by 5.3 per cent during the same period. The share price has varied between NOK 1.66 and NOK 2.05. At the end of 2014 the company's market capitalisation was NOK 294.0 million. A total of 6.3 million shares were traded during the year, corresponding to a turnover rate of 3.6 per cent.

Shareholder structure
At the end of 2014 Kitron had 2 459 shareholders, compared with 2 564 shareholders at the end of 2013. At the end of the year, the foreign shareholding amounted to 51.9 per cent. Sievi Capital plc. is the company's largest shareholder and held 32.96 per cent of the shares in Kitron at the balance sheet date. Kongsberg Gruppen ASA is the second largest shareholder, and held 19.33 per cent of the shares in Kitron ASA at 31 December 2014. Kongsberg Gruppen ASA is also one of the company's largest customers. Amber Trust II SCA is the third significant shareholder with 13.7 per cent of the shares. The 20 largest shareholders held a total of 86.11 per cent of the company's shares at the end of the year.

Mandates
Increasing the share capital

The ordinary general meeting of 23 April 2014 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 23 April 2014. The total amount by which the share capital may be increased is NOK 1 729 616.20. The authority applies until the ordinary general meeting in 2015, but no longer than 30 June 2015. The authorization is limited to encompass capital requirements or issuance of consideration shares in relation to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, incentive programs for employees, and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2014.

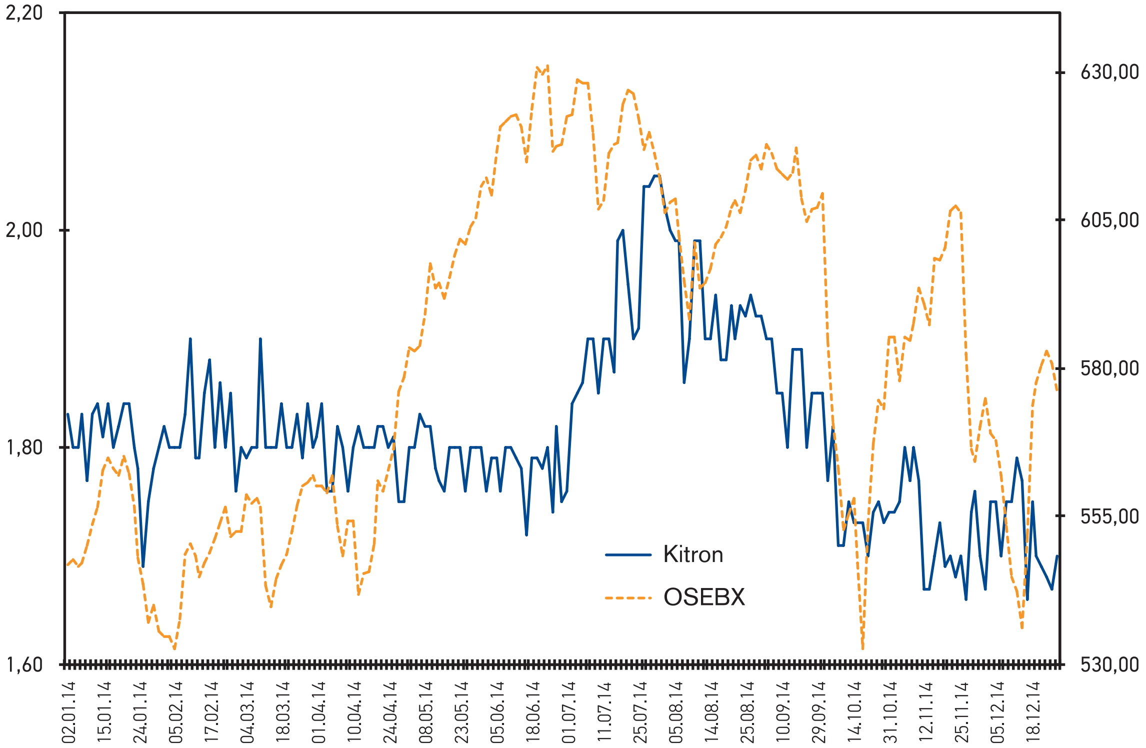
Own shares
The ordinary general meeting on 23 April 2014 authorised the board to acquire own shares, for a total nominal value of up to NOK 1 729 616.25, which is equal to 10 per cent of Kitron's registered share capital at 23 April 2014. Under the authorisation the company shall pay minimum NOK 1.00 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the amount does not exceed NOK 25.00 per share. The authority is valid until the ordinary general meeting in 2015 but no longer than 30 June 2015. The authority had not been exercised at 31 December 2014.

Dividend policy
Kitron ASA has as a policy of paying a dividend corresponding to between 30 and 50 per cent of net profit for the year, provided that the company's share capital and liquidity situation are acceptable after the dividend has been paid out.

Information and investor relations
Kitron wishes to maintain open communications with its shareholders and other stakeholders. Stakeholders are kept informed by announcements to the Oslo Børs and press releases. Kitron's website www.kitron.com provides information on Kitron's business and financial situation. Interim financial statements are presented at meetings open to the general public and are available as webcasts at www.kitron.com.

Kitron reports all manufacturing orders exceeding NOK 20 million. The group also reports smaller orders if these are of strategic importance or significant in any other way.

The corporate management is responsible for communication activities and investor relations, and also facilitates direct contact with the chairman of the board and other board members.



Share price Kitron vs Oslo Stock Exchange – 2014

Board and management

Board

Tuomo Lähdesmäki
Chairman of the board
Elected for the period 2014-2016
Tuomo Lähdesmäki was born in 1957 and is a Finnish citizen. He holds a Master of Science in Engineering from Helsinki University of Technology, a Master of Business Administration from INSEAD and has completed the Stanford Executive Program. He is a founding partner of Boardman Oy, "the leading network developing active ownership and board work competences" in Finland, and he has previously, inter alia, been President and CEO of Elcoteq Network Oyj and Leiras Oy, General Manager at Swatch Group and Vice President at Nokia Mobile Phones. He is a board member of Aspocomp Group Oyj, Apetit Oyj, Vaaka Partners Oy, Yliopiston Apteekki and Metsä Tissue Oyj. Mr Lähdesmäki was elected to the board at the extraordinary general meeting at 21 February 2014, and elected as chairman at the board meeting following the same day. Mr Lähdesmäki was also elected chairman of the remuneration committee from February 2014.

Arne Solberg
Vice Chairman of the Board
Elected for the period 2014–2016
Arne Solberg was born in 1953 and is a Norwegian citizen. He holds a Bachelor of Commerce and has diverse experience from administrative positions within finance and management including many years as CFO of Kongsberg Gruppen. Mr Solberg has been on the Kitron board since 2000, and is chairman of Kitron's audit committee.

Martynas Cesnavicius
Board member
Elected for the period 2014-2016
Martynas Cesnavicius was born in 1972 and is a Lithuanian citizen. He holds a diploma in Banking and Finances from Vilnius University. Presently Mr Cesnavicius serves as a board member of the management companies and acts as investment advisor for Luxembourg domiciled investment funds; KJK Fund SICAV-SIF, Amber Trust SCA and Amber Trust II SCA. In addition, Martynas serves as a chairman or board member of numerous companies related to these positions and privately including Litagra, Malsena and Rigas Dzirnavnieks among others. Previously, he has been a board member of Teo.lt, Sanitas and Snaige. At the end of 2014 Amber Trust II SCA controlled 23 822 000 shares in Kitron ASA and KJK Fund SICAV-SIF 6 013 908 shares. Martynas Cesnavicius has been on the Board since 2012 and has since April 2014 been a member of Kitron remuneration committee.

Siri B. Hatlen
Board member
Elected for the period 2014-2015
Siri Hatlen is born in 1957 and is a Norwegian citizen. She holds a Master of Science and an MBA. In her early career she worked with major offshore projects for Statoil, later she had various management positions and she has been board member/chair for numerous companies in Norway. From 2007 to 2009 she was Executive Vice President of Statkraft, and from 2009-2011 she was CEO of Oslo University Hospital. Currently Hatlen is chair of the board of Sevan Marine ASA; Entra ASA, NMBU (Norwegian University of Life Sciences), Ungdoms-OL 2016, Teknologirådet and DNT Oslo. She is also a board member of Norske Skog ASA and Eksportkreditt AS. Ms Hatlen has been part of the Kitron board since 2012. During 2014 she has been a part of the audit committee from January to March and was elected to be part of the remuneration committee from March 2014.

Bjørn Gottschlich
Board Member, elected by and among the employees
Elected for the period 2014–2016

Bjørn Gottschlich is born in 1966 and is a German citizen. He was employed as an unskilled production worker in 1996. In 2000 he was elected as a full time shop steward for Fellesforbundet (The Norwegian United Federation of Trade Unions) at Kitron AS in Arendal. He is now half redeemed from his position at Kitron to perform various duties within the trade union movement. Presently he is the chair of Fellesforbundet's local branch in Arendal and member of Fellesforbundet's Executive Board. Mr Gottschlich has been part of the Kitron board since 2012.

Elisabeth Jacobsen
Board Member, elected by and among the employees
Elected for the period 2014-2016

Elisabeth Jacobsen was born in 1962 and is a Norwegian citizen. She is working as a Quality and lean engineer at Kitron AS in Arendal, where she has been employed since 1995. Ms Jacobsen was elected to the Kitron board in 2014 and has attended 6 out of 12 board meetings in 2014.

Liv E. Johansen
Board Member, elected by and among the employees
Elected for the period 2014–2016

Liv Johansen is born in 1953 and is a Norwegian citizen. She holds a Craft certificate in electronics manufacturing, and is working as a production worker in Kitron AS in Arendal. Ms Johansen has been on the Kitron board since 2000 and is a member of the audit committee.

Päivi Marttila
Board Member
Elected for the period 2014-2015

Päivi Marttila was born in 1961 and is a Finnish citizen. She holds a Master of Economic Sciences from Helsinki School of Economics. She is the founding partner of QPR Software Plc and worked there in several leadership roles in Finland and USA between 1991 -2001. Afterwards she worked in the mobile ODM/EMS industry for another ten years as Business Unit Manager or Vice President of Sales and Marketing in Microcell, Flextronics and Jabil. Currently she is the Managing Director of the management consultancy company Midagon Ltd. Ms Marttila is the chairman of the board of Efore Plc and Aspocomp Group Plc. She joined the Kitron board in April 2013 and the audit committee in April 2014.


Kitron


HØYSPENNINGS
OMRÅDE

Management

Peter Nilsson
CEO and President
Peter Nilsson is born in 1964. He was appointed CEO in November 2014. With almost 25 years of experience in electronics manufacturing and related services, Mr Nilsson has held several senior and executive leadership positions for Swedish and US EMS companies. He is trained in industrial business management and production engineering and has a degree in Industrial Management. Mr Nilsson is a Swedish citizen.

Bengt Enbom
HR Director
Bengt Enbom is born in 1961 and is a Swedish citizen. He holds a Bachelor of Science in Human Resources, and has diverse experience from HR management in various industries. Mr Enbom has been with Kitron since 2007.

Cathrin Nylander
CFO
Cathrin Nylander is born in 1967 and is a Swedish citizen. She has extensive experience as CFO in various industries, among others in banking, cables production and food industry. She has a bachelor degree in social science from Lund University in Sweden. Ms Nylander came to Kitron in August 2013.

Mindaugas Sestokas
Managing Director, UAB Kitron, Lithuania
Mindaugas Sestokas is born in 1971 and is a Lithuanian citizen. He holds a Master of Business Administration and has diverse experience from sales and marketing in the beverage industry and general management of an appliance manufacturing company. Mr Sestokas has been with Kitron since 2008.

Tommy P. Storstein
Sales Director
Tommy P. Storstein is born in 1972 and is a Norwegian citizen. He holds a technical apprenticeship within telecommunications and a Master of Business and Economics. Mr Storstein has diverse international experience within sales and management positions from IT, telecoms and manufacturing companies. Mr Storstein has been working for Kitron since 2012.

Zygimantas Dirse
General Manager Kitron Electronics Manufacturing (Ningbo) CO Ltd., China
Zygimantas Dirse is born in 1980. He has been with Kitron since 2003. Mr Dirse has diverse experience as a supervision engineer, product engineer and technical manager, operations manager and started as a general manager of our facility in China in 2010. He holds a Master of Science in Informatics Technology. Zygimantas Dirse is a Lithuanian citizen.

Thomas Löfgren
Managing Director, Kitron AB, Sweden
Thomas Löfgren is born in 1966 and is a Swedish citizen. He is a graduate from a Swedish technical school and has prior to Kitron worked as a Business Area Manager for Saab. Mr Löfgren has been with Kitron since 2000 where he has held the positions of Manufacturing Manager, Site Manager and Managing Director of Kitron Microelectronics AB, now Kitron AB.

Israel Losada Salvador
COO
Israel Losada Salvador is born in 1973 and is a Spanish citizen. He holds a Master's degree in Finance & Administration from NHH (Norway) and a Master's degree in Engineering from the Polytechnic University of Valencia. Mr Salvador has extensive experience from operations within the oil & gas sector. He has been working for Kitron since February 2013.

Dag Songedal
Managing Director, Kitron AS, Norway
Dag Songedal is born in 1965 and is a Norwegian citizen. He holds a university degree in Finance and Auditing, and has extensive experience in organisational development, operational management, strategic and operative finance and mergers and acquisitions. Mr Songedal has been with Kitron since 2008. From 14 June 2013 Mr Songedal took on the role as interim CEO of Kitron ASA, in addition to being Managing Director of Kitron AS. At the appointment of Peter Nilsson as CEO in November 2014, Songedal stepped down from the role of Interim CEO to continue in his original position as managing director of Kitron AS.

Articles of Association

(latest update 22 April 2013)

§ 1

The company's name is Kitron ASA. The company is a public limited company.

§ 2

The company's registered office shall be located in the municipality of Asker.

§ 3

Kitron's business is manufacturing and development activities related to electronics. The business includes purchase and sale of shares and companies in the same or related business sectors. The business may also include related consultancy activities and other activities associated with the operation.

§ 4

The share capital of the company is NOK 17 296 162.50.- divided into 172 961 625 shares with face value NOK 0.10 each. The company's shares shall be registered at the Norwegian Central Securities Depository.

§ 5

The company's board of directors shall have from 7 to 11 members as resolved by the general meeting. The board elects its own chairman. Two board members can jointly sign for the company. The board can grant power of attorney.

§ 6

The ordinary general meeting is held each year before the end of the month of June. The ordinary general meeting shall:

1. Consider and approve the annual report, the profit and loss statement and the balance sheet for the preceding year
2. Consider and approve the application of profit or coverage of deficit according to the adopted balance sheet, as well as payment of dividend
3. Consider and resolve other matters that pertain to the general meeting according to Norwegian law

The company may hold its general meeting in the municipality of Oslo.

§ 7

Kitron shall have a nomination committee. The nomination committee shall have three members, including its chairman. Members of the nomination committee shall be elected for a term of office of two years.

The annual general meeting of Kitron shall elect the chairman and the members of the nomination committee. The mandate of the nomination committee shall be determined by the annual general meeting. The annual general meeting shall also determine the committee's remuneration.

The nomination committee shall submit proposals to the annual general meeting in respect of the following matters:
Propose candidates for election to the board of directors
Propose the fees to be paid to the members of the board of directors

§ 8

Any issue that has not been resolved in these Articles of Association shall be considered in accordance with the regulations in the existing laws applicable to limited companies.

§ 9

Documents concerning matters to be considered at the general meeting are not required to be sent to the shareholders if the documents are made available for the shareholders at the company's websites. This also applies for documents that pursuant to law shall be included in or attached to the notice of the general meeting. A shareholder may nonetheless require that documents concerning matters to be considered at the general meeting are sent to him/her.

§ 10

The right to participate in and vote at a general meeting can only be exercised if the acquisition of the shares in question has been recorded in the company's share register no later than the fifth business day before the date of the general meeting (the "record date").

§ 11

Shareholders may vote in advance, either in writing or by electronic means, up to 2 days prior to the general meeting. The board of directors determines further in the notice to the general meeting how such voting shall be carried out.

(Office translation)

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Kitron

Your ambition. Our passion.

Kitron ASA
Olav Brunborgs vei 4
P.O. BOX 97
NO-1375 Billingstad
Norway

Kitron is a medium-size Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Germany, China and the US and has about 1 200 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

Kitron offers all parts of the value chain: from design via industrialisation, manufacturing and logistics, to repairs. The electronics content may be based on conventional printed circuit boards or ceramic substrates.

Kitron also provides various related services such as cable harness manufacturing and components analysis, and resilience testing, and also source any other part of the customer's product. Customers typically serve international markets and provide equipment or systems for professional or industrial use.

www.kitron.com