

Your ambition. Our passion.  **Kitron**



Annual Report  
**2013**



HØYSPENNINGS  
OMRÅDE

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# Kitron in brief

Kitron is an international Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Germany, 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 market segments; Defence/Aerospace, Energy/Telecoms, Industry, Medical equipment and Offshore/Marine.

Kitron has a balanced sales mix among these market segments, which makes Kitron diversified and 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. A 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 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 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' business to become 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.

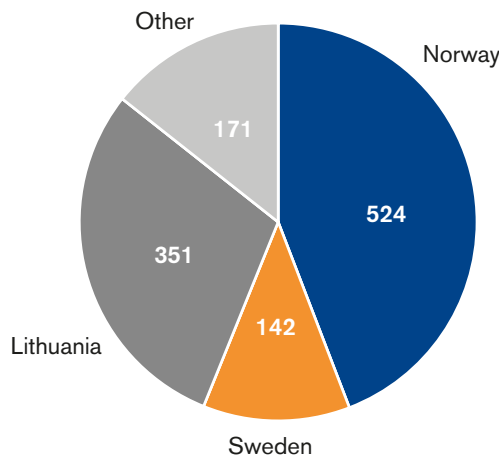
## **Strategy**

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 dimension, accelerate organic growth and continuous operational improvement.

## **Accelerate organic growth**

Kitron will continue to increase market shares in its Nordic home markets by leveraging on 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.



**Full Time Employees at 31 December 2013**  
Geographical distribution

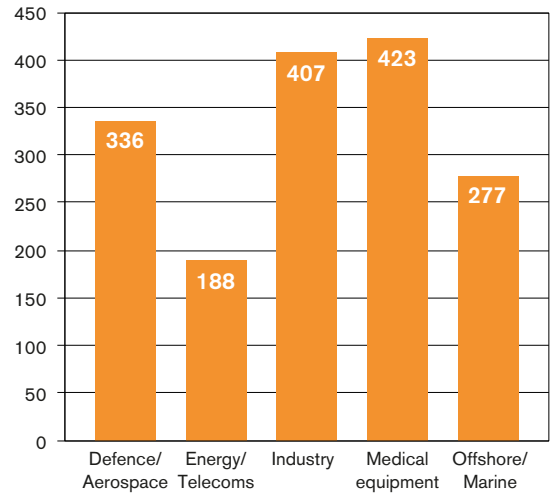
**Continuous operational improvement**

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.

**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 around 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.

Million NOK



**Revenue per market segment in 2013**  
Revenue in NOK million

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.



# Adapting to markets in a challenging environment

In 2013 Kitron began the year with decreased demand from key customers. The activity increased for the second half of the year and revenue ended 3.7 per cent lower than last year. During the year Kitron has experienced growth in both the Lithuanian and the Chinese operations, supporting the strategic direction for the group. In August 2013 it was decided to expand the operation in Lithuania by adding 5 000 sqm to the existing premises. This is an important strategic move to be able to handle the increasing demand for manufacturing in Lithuania from both Scandinavian and German customers.

The profitability level in 2013 has not been satisfactory, mainly due to lower volume than expected, but also due to increased margin pressure in the market.

During the previous years, important steps have been taken towards becoming a more global company, by establishing the factories in the US and China. In 2013 the organisation was changed to further facilitate the Kitron global development by introducing a customer centric-organisation.

Kitron's revenue for the year was NOK 1 631.6 million, which represented a 3.7 per cent decrease compared with 2012. The operating profit (EBIT) was NOK 25.1 million to be compared with NOK 72.0 million in 2012.

## 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' choice of supplier. With its global presence, Kitron is well placed in this market.

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

## Market segments

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 segments.

## Defence/Aerospace

The Defence/Aerospace segment increased by 7.1 per cent in terms of revenue from NOK 314.1 million in 2012 to NOK 336.4 million in 2013. The segment accounted for 20.6 per cent (18.5 per cent) of the group's total revenues. The long-term outlook for the Defence/Aerospace segment remains positive. Kitron is currently involved in defence programs with among others the Kongsberg Group and Lockheed Martin that have a large revenue potential for the years to come. Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. With Kongsberg, Kitron is engaged in several different programs and one important program for the future is the JSM (Joint Strike Missile) program where Kitron has signed a Letter of intent for the initial manufacturing. Defence/Aerospace is also a prioritised area for our new operation in Germany.

## Energy/Telecoms

Revenue in the Energy/Telecoms segment was reduced by 12.8 per cent to NOK 188.3 million in 2013 (NOK 215.9 million). This represented 11.5 per cent of the group's revenues (12.7 per cent). The decrease is caused by reduced demand from existing customers. The segment is driven by larger individual customers and their projects. In general there is a strong competitive pressure in Energy/Telecoms.



Despite this Kitron remains optimistic about the future development in this segment. Firstly, the factories in Lithuania and China make Kitron less vulnerable to competitive pressure from low cost. Secondly, the niches and customers that Kitron is involved in are showing a stronger trend than the market in general. Within Telecoms Kitron delivers to one of the fastest growing mid-sized telecoms infrastructure companies in Europe.

#### **Industry**

The Industry segment increased revenue by 3.7 per cent to NOK 407.0 million (NOK 392.3 million), accounting for 24.9 per cent of the group's total revenue (23.1 per cent). The revenue growth is primarily explained by new customers and an improved Swedish industrial sector during 2013. Industry is the market segment within Kitron that is most closely correlated with the general economic development.

#### **Medical equipment**

Revenue in the Medical equipment segment decreased by 7.8 per cent to NOK 422.6 million in 2013 (NOK 458.2 million), corresponding to 25.9 per cent of the group's revenues (27.0 per cent). The main reason for the decrease in 2013 was reduced scope for one specific customer. The medical segment is less cyclical than other market segments and the small drop in volume is not seen as a sign of lower demand going forward. Kitron focuses on additional growth in this segment and expects a long-term positive development with customers in Norway, Sweden and Germany. This trend is supported by strong market fundamentals for the products and services Kitron offers to the market.

#### **Offshore/Marine**

The Offshore/Marine segment decreased by 11.8 per cent in terms of revenue from NOK 314.5 million in 2012 to NOK 277.3 million in 2013. The segment accounted for 17.0 per cent (18.6 per cent) of the group's total revenues. The trend in the Offshore/Marine segment is closely correlated with the development of the oil price. Kitron foresees stable demand at previous levels for the first half of 2014, while a decrease is expected in the second half of 2014.

### **Important events in 2013**

#### **Customer contracts**

Several important customers were secured during the year. Amongst them, is the first contract with HMS Industrial Networks, a leading manufacturer of industrial communication equipment. The contract with Maquet Critical AB was renewed. Maquet is a part of the Getinge Group and the agreement includes deliveries of mechanical and electronic-based products within the Medical-segment. Kitron has in addition received the first orders from Cassidian Optronics GmbH, a worldwide leader in optronic defense and security solutions.

#### **Change of organisation**

In April the company changed the organization of the company to a more customer-centric organization. This is achieved by separating the manufacturing and operations from the customer front end. The manufacturing and operation are organized under a COO while the front-end customer organization will be organised under business area managers. The purpose is to create a more customer centric organization while driving global standardization in the manufacturing and supply chain. In 2013 the main efforts have been aimed at standardising processes across Kitron and prepare for future process improvements.

#### **Change of strategy regarding distribution centre**

Kitron has over the last year been in a process to establish a distribution centre in Lithuania. However, the project has proved to be costlier and more complex than originally assumed. Kitron has therefore decided to terminate the project, partly to avoid increased operating costs going forward.

The termination led to a one-off cost in December of NOK 8.7 million in order to cover incurred costs and incurred liabilities. In addition, NOK 2.1 million was expensed during the year. Kitron will take other measures in order to achieve the cost savings that the project was meant to deliver.

#### **Change in management**

In April 2013, the former CEO resigned, and Managing Director of Kitron AS, Dag Songedal, was



appointed interim CEO from June 2013. After the closing of the year, 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.

### 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 for the year of Kitron ASA and the Kitron group. 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 2013 amounted to NOK 1 631.6 million, compared to NOK 1 695.0 million for 2012, which represents a decrease of 3.7 per cent. The revenue reflects the mixed market within which Kitron operates.

The order backlog at the end of 2013 amounted to NOK 718.1 million, compared to NOK 776.2 million in 2012. 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 decrease in order backlog is within the Defence/Aerospace and Offshore/Marine segments.

The gross margin for 2013 was 38.8 per cent, slightly down compared with 2012 (38.9 per cent). Gross margins were generally stable for each product category. Kitron aims to maintain or improve the gross margin through global sourcing

The number of full-time equivalents (FTE) increased from 1 169 at the end of 2012 to 1 188 at the end of 2013. The increase is related to the build-up of the new operations in China and a temporary increase in Norway. The group's payroll expenses increased and amounted to NOK 443.4 million in 2013 compared with 430.5 million in 2012. The payroll expenses as a percentage of revenue was 27.2 per cent (25.4 per cent in 2012). The payroll expenses have increased as there during the second half of the year has been

an increase of the payroll content of the products in Norway as well as an increase of the activity in China.

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 26.1 million in 2012 to NOK 10.8 in 2013. The overall liquidity situation has been satisfactory throughout the year.

Kitron's pre-tax profit for 2013 amounted to NOK 14.4 million, a decrease from NOK 45.9 million in 2012. All deferred tax assets related to tax loss carried forward in the businesses in Norway and Sweden are capitalised by 31 December 2013.

The group's net profit for the year amounted to NOK 8.3 million (NOK 47.1 million). This corresponds to earnings per share of NOK 0.05 (NOK 0.27). Diluted earnings per share were the same as basic earnings per share.

### Cash flow

Cash flow from operating activities was NOK 32.0 million in 2013 (NOK 42.4 million).

The net cash flow from investing activities in 2013 was minus NOK 26.7 million (minus NOK 23.4 million).

The net cash flow from financing activities was minus NOK 23.6 million (NOK 21.3 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 2014 as a result of stable working capital development and improved profitability.



### Balance sheet and liquidity

Total assets on 31 December 2013 amounted to NOK 1 088.7 (NOK 1 019.3 million). At the same time equity amounted to NOK 473.7 million (NOK 466.2 million) and the equity ratio was 43.5 per cent (45.7 per cent).

Inventories increased by NOK 30.8 million during 2013 and amounted to NOK 367.5 million at the end of the year (NOK 336.7 million). Inventory turns at 3.4 are at the same level as last year. The increase in inventory is partly explained by the build-up of inventory for the next quarter but also an increase in inventory held for customers. Accounts receivable amounted to NOK 381.0 million at the end of 2013 (NOK 335.1 million). Overdue receivables are low and credit losses have been small during 2013.

On 31 December 2013, the group's interest-bearing debt was NOK 316.9 million (NOK 308.1 million). The debt is mainly related to factoring and financial leasing.

Cash and cash equivalents amounted to NOK 51.4 million at the balance sheet date (NOK 56.8 million). NOK 11.3 million of this amount was restricted deposits (NOK 11.1 million). The group's liquidity situation is satisfactory.

### Going concern

There have been no events to date in 2014 that significantly affect the result for 2013 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 2013 have been prepared on the basis of this assumption.

### Net profit (loss) of the parent company

The parent company Kitron ASA recorded a profit of NOK 12.6 million for 2013 (NOK 35.2 million). The board of directors proposes the following allocations for Kitron ASA:

Transferred to other equity	NOK	12.6 million
Total allocations	NOK	12.6 million

### Financial market risk

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 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 which 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. Currently the ethical advisory committee is reviewing the guidelines with regards to foremost the requirements in Social Accountability 8000 and to further improve fraud prevention and reduce bribery risk.

At the end of 2013 the group employed a total of 1 200 people and adjusting for part time employees this translates to 1 188 full-time equivalents. The figures include temporary employees and have not been adjusted for sick leave. The competence of our employees represents a major asset and competitive advantage for Kitron.

There were no serious work-related accidents in 2013. Sick leave in Kitron was reduced from 4.3 per cent in 2012 to 4.2 per cent in 2013. The board considers that the working environment is good and special measures in this regard have not been deemed necessary.

Kitron has during 2013 performed a bribery risk review and actions are taken to further improve anti-bribery and fraud prevention programs and controls.

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's basic view is that people with different backgrounds, irrespective of ethnic background, 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 55.2 per cent of the Kitron work force in 2013. Out of 92 managers (manager having direct reports) 30.4 per cent are female and 69.6 per cent 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, who was previously all male, now include one female member. 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.

## Competence

In 2013 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 2013 about 17 000 hours were spent on training, equal to about 14.3 hours per employee. 9 800 hours were spent on Manufacturing/Technical subjects, and 2 400 hours on Leadership.



### 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 which comply with the Norwegian code for corporate governance. The board's review of corporate governance is presented in the annual report.

### Outlook

Kitron expects a positive development in the Swedish and German markets, which suggests growth for the factories in Sweden and Lithuania. Growth is also expected in China, whereas a lower revenue is expected in the Norwegian operation. Overall, Kitron expects growth in revenue in 2014.

Kitron is working on several operational improvement programs that should contribute positively on the profitability going forward. The focus on manufacturing efficiency is continuing and global sourcing initiatives remain a priority area.

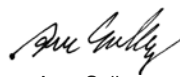
The board emphasizes that every assessment of future conditions necessarily involves an element of uncertainty.

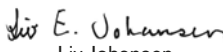
Oslo, 18 March 2014

  
Tuomo Lähdesmäki  
Chairman

  
Siri Hatlen  
Siri Hatlen

  
Päivi Marttila  
Päivi Marttila


  
Arne Solberg  
Deputy chairman

  
Liv Johansen  
Employee elected board member

  
Geir Vedøy  
Employee elected board member

  
Dag Songedal  
Interim CEO

  
Martynas Cesnavicius

  
May Britt Gundersen  
Employee elected board member

  
Bjørn Gottschlich  
Employee elected board member

# Consolidated annual accounts and notes

## Consolidated profit and loss statement

(Amounts in NOK 1000)

	Note	2013	2012
<b>Revenue</b>			
Sales revenues	5	1 631 598	1 695 026
<b>Operating costs</b>			
Cost of materials		998 069	1 039 980
Payroll expenses	7,19,23	443 428	430 543
Depreciation and impairments	11,12,13	38 971	35 592
Other operating expenses	27	126 338	120 705
Total operating costs		1 606 806	1 626 821
Other gains/(losses)	6	331	3 748
<b>Operating profit/(loss)</b>		<b>25 123</b>	<b>71 953</b>
<b>Financial income and expenses</b>			
Finance income	8	10 485	1 801
Finance expenses	8	(21 235)	(27 896)
Net financial items		(10 750)	(26 095)
Profit/(loss) before tax		14 373	45 858
Tax	9	6 045	(1 288)
<b>Net profit/(loss)</b>		<b>8 328</b>	<b>47 146</b>
<b>Allocation</b>			
Shareholders		8 328	47 146
<b>Earnings per share for that part of the net profit/(loss) allocated to the company's shareholders (NOK per share)</b>			
<b>Basic earnings per share</b>	10	<b>0,05</b>	<b>0,27</b>
<b>Diluted earnings per share</b>	10	<b>0,05</b>	<b>0,27</b>

The notes on pages 15 to 50 are an integral part of the consolidated financial statement.



**Consolidated statement of comprehensive income**

(Amounts in NOK 1000)	2013	2012
Net profit/(loss)	8 328	47 146
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial gains / losses	(502)	(549)
	(502)	(549)
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences	16 399	(3 835)
	16 399	(3 835)
<b>Total other comprehensive income</b>	<b>15 897</b>	<b>(4 384)</b>
<b>Total comprehensive income</b>	<b>24 225</b>	<b>42 762</b>
<b>Allocation</b>		
Shareholders	24 225	42 762

**Consolidated balance sheet**

(Amounts in NOK 1000)	Note	31.12.2013	Restated 31.12.2012	Restated 01.01.2012
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	12	26 786	26 786	26 786
Other intangible assets	13	36 360	36 888	40 743
Property, plant and equipment	11	123 810	127 168	139 520
Available for sale financial assets	14	-	1	1
Deferred tax assets	22	101 824	99 868	96 157
<b>Total non-current assets</b>		<b>288 781</b>	<b>290 712</b>	<b>303 207</b>
<b>Current assets</b>				
Inventory	16	367 454	336 683	346 795
Accounts receivable and other receivables	15,28	381 039	335 077	360 829
Cash and cash equivalents	17	51 387	56 820	50 916
<b>Total current assets</b>		<b>799 879</b>	<b>728 580</b>	<b>758 541</b>
<b>Total assets</b>		<b>1 088 660</b>	<b>1 019 292</b>	<b>1 061 747</b>

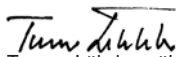
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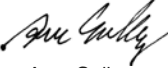
## Consolidated balance sheet at 31 December (cont.)

(Amounts in NOK 1000)	Note	31.12.2013	Restated 31.12.2012	Restated 01.01.2012
<b>Equity and liabilities</b>				
<b>Equity</b>				
<b>Equity allocated to shareholders</b>				
Share capital and share premium reserve	18	473 354	629 020	629 020
Other equity unrecognised in the profit and loss		(24 271)	(40 760)	(36 376)
Retained earnings		24 626	(122 073)	(160 571)
<b>Total equity</b>		<b>473 709</b>	<b>466 188</b>	<b>432 073</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	22	1 072	1 000	1 121
Loans	21	36 966	44 407	53 134
Pension commitments	23	8 552	10 982	14 387
<b>Total non-current liabilities</b>		<b>46 589</b>	<b>56 389</b>	<b>68 641</b>
<b>Current liabilities</b>				
Accounts payable and other current liabilities	20,28	285 289	228 218	285 120
Tax payable		87	540	194
Loans	21	279 902	263 690	246 042
Other provisions	25	3 084	4 269	29 677
<b>Total current liabilities</b>		<b>568 362</b>	<b>496 716</b>	<b>561 032</b>
<b>Total liabilities</b>		<b>614 952</b>	<b>553 105</b>	<b>629 674</b>
<b>Total liabilities and equity</b>		<b>1 088 660</b>	<b>1 019 292</b>	<b>1 061 747</b>

The notes on pages 15 to 50 are an integral part of the consolidated financial statement.

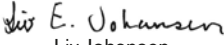
Oslo, 18 March 2014

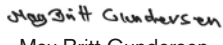
  
Tuomo Lähdesmäki  
Chairman

  
Arne Solberg  
Deputy chairman

  
Martynas Cesnavicius


  
Siri Hatlen

  
Liv Johansen  
Employee elected board member

  
May Britt Gundersen  
Employee elected board member

  
Päivi Marttila

  
Geir Vedøy  
Employee elected board member

  
Bjørn Gottschlich  
Employee elected board member

  
Dag Songedal  
Interim CEO

**Consolidated statement of changes in equity**

(Amounts in NOK 1000)	Allocated to shareholders					Total
	Share capital and other equity premium reserve	Pension adjustments	Currency conversion unrecognised in the profit and loss	Other equity unrecognised in the profit and loss	Retained earnings	
<b>Equity at 1 January 2012</b>	<b>629 020</b>	-	<b>(28 121)</b>	<b>(4 319)</b>	<b>(160 571)</b>	<b>436 009</b>
Effect of change in accounting principle		(3 936)				(3 936)
<b>Equity at 1 January 2012 restated</b>	<b>629 020</b>	<b>(3 936)</b>	<b>(28 121)</b>	<b>(4 319)</b>	<b>(160 571)</b>	<b>432 073</b>
Net profit					47 146	47 146
Paid dividends					(8 648)	(8 648)
Other comprehensive income		(549)	(3 835)			(4 384)
<b>Equity at 31 December 2012</b>	<b>629 020</b>	<b>(4 485)</b>	<b>(31 956)</b>	<b>(4 319)</b>	<b>(122 073)</b>	<b>466 188</b>
<b>Equity at 1 January 2013</b>	<b>629 020</b>	<b>(4 485)</b>	<b>(31 956)</b>	<b>(4 319)</b>	<b>(122 073)</b>	<b>466 188</b>
Net profit					8 328	8 328
Paid dividends					(17 296)	(17 296)
Share capital reduction	(155 666)				155 666	-
Effect from options				592		592
Other comprehensive income		(502)	16 399			15 897
<b>Equity at 31 December 2013</b>	<b>473 354</b>	<b>(4 987)</b>	<b>(15 558)</b>	<b>(3 727)</b>	<b>24 626</b>	<b>473 709</b>

**Consolidated statement of cash flow**

(Amounts in NOK 1000)	Note	2013	2012
<b>Cash flow from operational activities</b>			
Cash flow from operations	26	<b>47 098</b>	59 790
Interest received		<b>2 105</b>	1 291
Interest paid		<b>(13 355)</b>	(15 422)
Income taxes paid		<b>(3 915)</b>	(3 252)
<b>Net cash flow from operational activities</b>		<b>31 933</b>	42 407
<b>Cash flow from investment activities</b>			
Acquisition of tangible fixed assets	11	<b>(23 454)</b>	(21 404)
Acquisition of other intangible assets	13	<b>(5 383)</b>	(2 275)
Sale of other assets		<b>2 025</b>	64
Currency conversions		<b>86</b>	200
<b>Net cash flow from investment activities</b>		<b>(26 725)</b>	(23 415)
<b>Cash flow from financing activities</b>			
Repayment of loans		<b>(6 308)</b>	(12 644)
Dividends paid		<b>(17 296)</b>	(8 648)
<b>Net cash flow from financing activities</b>		<b>(23 604)</b>	(21 292)
<b>Change in cash, cash equivalents and bank credit</b>		<b>(18 396)</b>	(2 301)
Cash, cash equivalents and bank credit at 1 January	17	<b>(5 815)</b>	(4 515)
Currency conversion of cash, cash equivalents and bank credit		<b>(3 375)</b>	1 001
<b>Cash, cash equivalents and bank credit at 31 December</b>		<b>(27 586)</b>	(5 815)

The notes on pages 15 to 50 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 mar-

ket segments. 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 18 March 2014.

## 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 2013 and have a material impact on the group:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 29 for the impact on the financial statements.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard has no impact on the financial statement of Kitron.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard has no impact on the financial statement of Kitron.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard has no impact on the financial statement of Kitron.

**(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 2013, and have not been applied in preparing these consolidated financial statements. 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. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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

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**

The consolidated financial statements include the parent company, Kitron ASA, and all its subsidiaries. Subsidiaries are all units in which the group has a controlling influence on the unit's financial and operational strategy, normally through owning more than half the voting capital. When determining whether a controlling influence exists, the effect of potential voting rights which can be exercised or converted on the balance sheet date are taken into account. Subsidiaries are consolidated from the time when control transfers to the group, and de-consolidated when the control ceases. The purchase method is used to consolidate acquired subsidiaries. The acquisition cost at the transaction date is attributed to the fair value of assets provided as consideration for the acquisition, equity instruments issued, liabilities incurred through the transfer of control and direct transaction costs. Identifiable assets and debt acquired are recognised at their fair value at the transaction date, regardless of possible minority interests. Transaction costs which exceed the fair value of identifiable net assets in the subsidiary are carried as goodwill. If the transaction costs are lower than the fair value of identifiable net assets in the subsidiary, the difference is recognised in the profit and loss account at the acquisition date.

Intra-group transactions, balances and unrealised gains are eliminated. Unrealised losses are eliminated, but are assessed as an indicator of impairment loss on the transferred asset. The accounting principles for subsidiaries have been amended to accord with the group's principles.

**Associated companies**

The group has no joint ventures or associated companies.

**Segment reporting**

The Corporate management has evaluated that the groups 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**

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing at the transaction date. Currency gains and losses which arise from the settlement of such transactions, and when translating monetary items (assets and liabilities) in foreign currencies at 31 December at the exchange rate on the balance sheet date, are recognised in the profit and loss account.

### **Group companies**

The profit and loss 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 profit and loss 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 profit and loss account 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.

## **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**

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.

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

### **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 profit and loss 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 on the basis of 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 which 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. The pension commitment is calculated annually by an independent actuary. 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 profit and loss account unless rights in the new pension plan are conditional on the employee remaining in service for a specific period of time (the vesting period). 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 for 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 19.

### **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 a 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**

Government grants including non-monetary grants at fair value, will only be recognised when there is reasonable assurance that the company will comply with the conditions attaching to them, and the grants will be received. The grants are recognised as cost reductions in the profit and loss statement.

### **Revenue recognition**

Revenue from the sale of goods and services is recognised at fair value, net of VAT, returns, discounts and rejects.

### **Sales of goods**

Sales of goods are recognised in the profit and loss account when a unit within the group has delivered its products to the customer and the customer has accepted the product.

**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 operational lease. Payments made under operational leases are recognised in the profit and loss 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. Its 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.

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 and equity for the year would have been NOK 0.5 million (2012:

NOK 1.3 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 and equity for the year would have been NOK 0.5 million (2012: NOK 0.3 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.

The company is exposed to price risk on share prices in Available-for-sale financial assets. However, these investments are insignificant and the company has not established specific measures in order to reduce this risk.

**Credit risk**

Credit risk arises from cash and cash equivalents, deposits with bank and receivables. The bulk of the group's accounts receivable are credit insured. 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 meet operational 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.

### Liquidity risk

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
<b>At 31 December 2013</b>				
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	-	-	-
<b>At 31 December 2012</b>				
Bank overdraft	53 815	-	-	-
Leasing	8 670	11 776	22 970	-
Factoring debt	214 524	-	-	-
Other financial loans	-	-	12 951	-
Trade and other payables	228 757	-	-	-

### 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 2013, if interest rate on NOK borrowings had been 1 percentage points higher/lower with

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.

all other variables held constant, post-tax profit and equity for the year would have been NOK 1.4 million (2012: NOK 1.4 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2013, if interest rate on borrowings in foreign currency had been 1 percentage points higher/lower with all other variables held constant, post-tax profit and equity for the year would have been NOK 1.7 million (2012: 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 2013 and 2012 were as follows:

(Amounts in NOK 1000)	2013	2012
Total borrowings (note 21)	316 868	308 097
Cash and cash equivalents (note 17)	(51 387)	(56 820)
Net debt	265 481	251 277
Total equity	473 709	466 188
<b>Total capital</b>	<b>739 190</b>	<b>717 465</b>
Gearing ratio	36%	35%

**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 which are considered to be 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 final 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 on the basis of 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)	2013	2012
Defence/Aerospace	336 350	314 104
Energy/Telecoms	188 297	215 883
Industry	407 042	392 343
Medical equipment	422 597	458 242
Offshore/Marine	277 312	314 454
<b>Total sales</b>	<b>1 631 598</b>	<b>1 695 026</b>

### Geographical breakdown sales

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

(Amounts in NOK 1000)	2013	2012
Norway	786 899	738 547
Sweden	690 762	842 419
Rest of Europe	81 581	58 028
USA	69 702	52 261
Other	2 654	3 771
<b>Total sales</b>	<b>1 631 598</b>	<b>1 695 026</b>

Two customers account for 12.5 % and 11.5 % of the sale each, the others are below 10% each.

### Geographical breakdown of assets and investments

(Amounts in NOK 1000)	Norway		Sweden		Lithuania	
	2013	2012	2013	2012	2013	2012
Assets	462 040	447 077	197 569	199 318	192 500	160 881

(Amounts in NOK 1000)	China		Germany		USA	
	2013	2012	2013	2012	2013	2012
Assets	97 724	81 320	6 360	5 711	30 642	25 116

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)	2013	2012
Currency gains	7 144	4 763
Currency losses	(6 813)	(1 015)
<b>Other gains/(losses)</b>	<b>331</b>	<b>3 748</b>

**Note 7 Employee benefit**

(Amounts in NOK 1000)	2013	2012
Payroll	329 451	322 888
Payroll tax	62 856	59 429
Net pension costs defined benefit plans (Note 23)	185	308
Pension costs defined contribution plans	11 676	10 647
Other remuneration	39 260	37 271
<b>Total</b>	<b>443 428</b>	<b>430 543</b>
Average number of man-years	1 166	1 184
Average number of employees	1 216	1 235

**Note 8 Financial items****Financial income and expenses**

(Amounts in NOK 1000)	2013	2012
Interest income	2 105	1 290
Other financial income	8 381	511
<b>Finance income</b>	<b>10 485</b>	<b>1 801</b>
Interest expenses	(13 355)	(15 422)
Other financial expenses	(4 564)	(4 972)
Disagio	(3 316)	(7 502)
<b>Finance expenses</b>	<b>(21 235)</b>	<b>(27 896)</b>
<b>Net financial items</b>	<b>(10 750)</b>	<b>(26 095)</b>



## Note 9 Income tax expense

	2013	2012
Tax payable	3 151	3 662
Deferred tax (Note 22)	1 071	(9 289)
Change in tax rate	1 823	4 339
<b>Income tax expense</b>	<b>6 045</b>	<b>(1 288)</b>

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:

	2013	2012
Ordinary profit before tax	14 373	45 858
Tax calculated at the domestic rate (28 %)	4 024	12 840
Expenses not deductible for tax purposes	3 010	(1 545)
Tax loss for which no deferred income tax asset was recognised	548	789
Recognition of deferred tax asset	-	(13 644)
Effect on deferred tax asset due to change in tax rate	1 823	4 339
Effect on different tax rates in countries in which the group operates	(3 360)	(4 067)
<b>Tax cost</b>	<b>6 045</b>	<b>(1 288)</b>

The income tax expense is calculated using the domestic tax rate. The tax rate is 28,0 % in Norway, 22,0 % in Sweden, 15,0 % in Lithuania, 25,0 % in China, 16,5 % in Hong Kong, 43,8 % in USA and 15,0 % in Germany. From 1 January 2014 the tax rate in Norway is 27.0%.

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

(Amounts in NOK 1000)	2013			2012		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gains / losses pensions	687	(185)	502	762	(213)	549
Currency translation differences	(16 991)	-	(16 991)	3 835	-	3 835
<b>Other comprehensive income</b>	<b>(16 304)</b>	<b>(185)</b>	<b>(16 489)</b>	<b>4 597</b>	<b>(213)</b>	<b>4 384</b>
Current tax		-			-	
Deferred tax		185			213	

## Note 10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by weighted average 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 as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

(Amounts in NOK 1000)	2013	2012
Profit attributable to equity holders of the company	8 328	47 146
<b>Profit used to determine basic and diluted earnings per share</b>	<b>8 328</b>	<b>47 146</b>
Weighted average number of ordinary shares in issue (thousands)	172 962	172 962
Adjusted for share options (thousands)	31	-
<b>Weighted average number of ordinary shares for diluted earnings per share (thousands)</b>	<b>172 992</b>	<b>172 962</b>
Basic earnings per share	0.05	0.27
Diluted earnings per share	0.05	0.27

## Note 11 Property, plant and equipment

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	Total
<b>At 1 January 2012</b>			
Acquisition cost	724 363	80 773	805 136
Accumulated depreciation/impairment	(614 482)	(51 134)	(665 616)
<b>Accounting carrying amount</b>	<b>109 881</b>	<b>29 639</b>	<b>139 520</b>
<b>Fiscal 2012</b>			
Opening balance	109 881	29 639	139 520
Conversion differences	(2 500)	(1 330)	(3 830)
Additions	19 526	1 878	21 404
Disposals	(149)	(76)	(224)
Depreciation	(28 268)	(1 434)	(29 702)
<b>Closing balance</b>	<b>98 490</b>	<b>28 677</b>	<b>127 168</b>
<b>At 31 December 2012</b>			
Acquisition cost	741 241	81 245	822 486
Accumulated depreciation/impairment	(642 750)	(52 568)	(695 319)
<b>Accounting carrying amount</b>	<b>98 490</b>	<b>28 677</b>	<b>127 168</b>
<b>Fiscal 2013</b>			
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)
<b>Closing balance</b>	<b>95 624</b>	<b>28 186</b>	<b>123 810</b>
<b>At 31 December 2013</b>			
Acquisition cost	766 826	84 901	851 727
Accumulated depreciation/impairment	(671 202)	(56 715)	(727 916)
<b>Accounting carrying amount</b>	<b>95 624</b>	<b>28 186</b>	<b>123 810</b>

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 21.

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 82.1 million and NOK 4.9 million (2012: NOK 78.4 million and NOK 4.9 million), see note 21.

**Note 12 Goodwill**

(Amounts in NOK 1000)	Goodwill
<b>At 1 January 2012</b>	
Acquisition cost	30 618
Accumulated impairment charge	(3 832 )
<b>Accounting carrying amount</b>	<b>26 786</b>
<b>Fiscal 2012</b>	
Opening balance	26 786
<b>Closing balance</b>	<b>26 786</b>
<b>At 31 December 2012</b>	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>26 786</b>
<b>Fiscal 2013</b>	
Opening balance	26 786
<b>Closing balance</b>	<b>26 786</b>
<b>At 31 December 2013</b>	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>26 786</b>

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)	2013	2012
Norway	715	715
Sweden	3 555	3 555
Lithuania	20 062	20 062
Germany	2 454	2 454
<b>Total</b>	<b>26 786</b>	<b>26 786</b>

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 management. These calculations are based on growth assumptions which correspond with industry expectations of growth in the EMS market in the coming years ( 10 per cent annually) and no significant changes in margins. The calculations are based on cash flows for the next five years and a discount rate of 12 per cent.



## Note 13 Other intangible assets

(Amounts in NOK 1000)	ERP System	MES System	Other intangible assets	Total
<b>At 1 January 2012</b>				
<b>Acquisition cost</b>	<b>40 387</b>	<b>4 046</b>	-	<b>44 433</b>
Accumulated depreciation	(3 686)	(4)	-	(3 690)
<b>Accounting carrying amount</b>	<b>36 701</b>	<b>4 042</b>	-	<b>40 743</b>
<b>Fiscal 2012</b>				
<b>Opening balance</b>	<b>36 701</b>	<b>4 042</b>	-	<b>40 743</b>
Conversion differences	(200)	-	-	(200)
Additions	873	1 402	-	2 275
Disposals	(40)	-	-	(40)
Depreciation	(5 872)	(18)	-	(5 890)
<b>Closing balance</b>	<b>31 462</b>	<b>5 426</b>	-	<b>36 888</b>
<b>At 31 December 2012</b>				
<b>Acquisition cost</b>	<b>41 020</b>	<b>5 448</b>	-	<b>46 468</b>
Accumulated depreciation	(9 558)	(22)	-	(9 580)
<b>Accounting carrying amount</b>	<b>31 462</b>	<b>5 426</b>	-	<b>36 888</b>
<b>Fiscal 2013</b>				
<b>Opening balance</b>	<b>31 462</b>	<b>5 426</b>	-	<b>36 888</b>
Conversion differences	464	-	(2)	462
Additions	3 623	1 396	364	5 383
Depreciation	(5 903)	(431)	(40)	(6 373)
<b>Closing balance</b>	<b>29 646</b>	<b>6 391</b>	<b>322</b>	<b>36 360</b>
<b>At 31 December 2013</b>				
<b>Acquisition cost</b>	<b>45 107</b>	<b>6 844</b>	<b>362</b>	<b>52 313</b>
Accumulated depreciation	(15 461)	(453)	(40)	(15 953)
<b>Accounting carrying amount</b>	<b>29 646</b>	<b>6 391</b>	<b>322</b>	<b>36 360</b>

The MES system is now operational and will be depreciated over 7 years, the same number of years as for the ERP system. Remaining amortisation period for the MES system is 6 years and for the ERP system 4 years. Other intangible assets consists of a new salary system for Kitron AB.

**Note 14 Available-for-sale financial assets****Investment in shares**

Group	Business office	Shareholding	Voting share	Acquisition cost	Book value
Company's name					
Let's train AS	Oslo	20 %	20 %	150	1
<b>Total 2012</b>				<b>150</b>	<b>1</b>

<b>Total 2013</b>					<b>-</b>
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The investment is written off since the company has closed down.

**Note 15 Accounts receivable and other receivables**

(Amounts in NOK 1000)	2013	2012
Accounts receivable	<b>286 486</b>	283 455
Provision for bad debts	<b>(158)</b>	(1 277)
Accounts receivable - net	<b>286 328</b>	282 178
Receivable from related parties (note 28)	<b>64 325</b>	26 928
Earned non-invoiced income	<b>1 403</b>	970
Prepaid costs	<b>2 668</b>	1 152
Other receivables	<b>26 314</b>	23 849
<b>Total</b>	<b>381 039</b>	335 077
Current items	<b>381 039</b>	335 077

Long-term receivables are non-interest-bearing long-term receivables. All long-term receivables fall due within five years from the balance sheet date.

Fair value of accounts receivable and other receivables:

(Amounts in NOK 1000)	2013	2012
Accounts receivable - net	<b>286 328</b>	282 178
Receivable from related parties (note 28)	<b>64 325</b>	26 928
Earned non-invoiced income	<b>1 403</b>	970
Prepaid costs	<b>2 668</b>	1 152
Other receivables	<b>26 314</b>	23 849
<b>Total</b>	<b>381 039</b>	335 077

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

As of 31 December 2013 accounts receivables of NOK 286.3 million were fully performing. (2012: 282.2 million).

As of 31 December 2013 accounts receivables of 30.4 million (2012: NOK 47.0 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)	2013	2012
Up to 3 months	24 839	43 828
3 to 6 months	5 526	3 148
<b>Total</b>	<b>30 365</b>	<b>46 976</b>

As of 31 December 2013 trade receivables of NOK 0.2 million were impaired and provided for (2012: NOK 1.3 million).

**The ageing analysis of these trade receivables is as follows:**

(Amounts in NOK 1000)	2013	2012
Up to 3 months	-	753
3 to 6 months	-	173
Over 6 months	158	351
<b>Total</b>	<b>158</b>	<b>1 277</b>

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

(Amounts in NOK 1000)	2013	2012
CNY	7 530	3 912
EUR	73 251	61 763
LTL	11 257	8 115
NOK	112 131	123 725
SEK	95 641	99 321
USD	81 229	38 239
<b>Total</b>	<b>381 039</b>	<b>335 077</b>

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

(Amounts in NOK 1000)	2013	2012
Provision at 1 January	(1 277)	(7 698)
Provision for receivables impairment	-	(216)
Receivables written off during the year as uncollectable	1 119	6 637
<b>Provision at 31 December</b>	<b>(158)</b>	<b>(1 277)</b>

The creation and release of provision for impaired receivables have been included in other operating expenses in the profit and loss 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. The total impairment charge recognised in the profit and loss account for the year is NOK 0.0 million (2012: NOK (0.2) million). No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 Desember 2013 provided security for NOK 212.6 million (2012: 217.7 million), see note 21.

**Note 16 Inventories**

(Amounts in NOK 1000)	2013	2012
Raw materials and purchased semi-manufactures	248 358	236 707
Work in progress	77 359	56 935
Finished goods	41 736	43 041
<b>Total inventory</b>	<b>367 454</b>	<b>336 683</b>

There is not recognised any impairment charges in the profit and loss account for the years 2012 and 2013. Inventory at 31 December 2013 provides security for NOK 322.9 million, see note 21.

**Note 17 Cash, Cash Equivalents and Bank Overdraft**

(Amounts in NOK 1000)	2013	2012
Cash and cash equivalents	51 387	56 820

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

(Amounts in NOK 1000)	2013	2012
Cash and cash equivalents	51 387	56 820
Overdraft drawn down (note 21)	(67 675)	(51 498)
Locked-in bank deposits	(11 298)	(11 137)
<b>Total</b>	<b>(27 586)</b>	<b>(5 815)</b>

(Amounts in NOK 1000)	2013	2012
Bank overdraft facilities 31 December	186 300	190 200
Net drawn on overdraft facilities 31 December	(67 675)	(51 498)

**Locked-in bank deposits 31 December**

Security for tax withholding	160	163
Security for factoring receivables	11 138	10 974
Security for rent guarantee	-	-
<b>Total</b>	<b>11 298</b>	<b>11 137</b>

Kitron ASA has established a group account agreement with the company's principal banks. This embraces Kitron ASA and Norwegian, Swedish, German and US subsidiaries.



## Note 18 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 2012	172 962	172 962	456 058	629 020
<b>At 31 December 2012</b>	<b>172 962</b>	<b>172 962</b>	<b>456 058</b>	<b>629 020</b>
Share capital reduction		(155 666)		(155 666)
<b>At 31 December 2013</b>	<b>172 962</b>	<b>17 296</b>	<b>456 058</b>	<b>473 354</b>

### Shares and shareholder information

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. There were 2 564 shareholders at 31 december 2013.

The 20 largest shareholders in Kitron ASA at 31 December 2013:

Shareholder	Number	Percentage
Nordea Bank Plc Finland 1)	57 037 000	32.98 %
Kongsberg Gruppen ASA	33 439 153	19.33 %
UBS AG Zurich 2)	29 849 042	17.26 %
MP Pensjon PK	10 792 537	6.24 %
SES AS	3 408 000	1.97 %
VPF NORDEA SMB	2 770 271	1.60 %
Bjørn Håheim	1 113 968	0.64 %
Hybrid AS NIL	1 007 157	0.58 %
Capreca AS	1 000 000	0.58 %
JAH AS	1 000 000	0.58 %
Jørgen Teigen	870 000	0.50 %
AS Swedbank	861 548	0.50 %
AB SEB Bankas	800 465	0.46 %
Kjell Løite	788 280	0.46 %
JPMBLSA	694 360	0.40 %
Petter Torgersen	636 000	0.37 %
Gems Global Electronic	600 000	0.35 %
Helge Hareland	590 000	0.34 %
Handel Partner AS	450 000	0.26 %
Arild Odd Madsen	427 000	0.25 %
<b>Total 20 largest shareholders</b>	<b>148 134 781</b>	<b>85.65 %</b>
<b>Total other shareholders</b>	<b>24 826 844</b>	<b>14.35 %</b>
<b>Total outstanding shares</b>	<b>172 961 625</b>	<b>100.00 %</b>

1) Sievi Capital plc.: 57 000 000 shares and 32.96%, others 0.02%.

2) Amber Trust II SCA: 23 822 000 shares and 13.77%, KJK Fund SICAV - SIF: 6 013 908 shares and 3.47%, others 0.02%.

**Mandates****Increasing the share capital**

The ordinary general meeting of 22 April 2013 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 22 April 2013. The total amount by which the share capital may be increased is NOK 1.729.616,25. The authority applies until the ordinary general meeting in 2014, but no longer than 30 June 2014. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2013.

**Own shares**

The ordinary general meeting on 22 April 2013 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 22 April 2013. 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 2014 but no longer than 30 June 2014. The authority had not been exercised at 31 December 2013.

**Note 19 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 per cent 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 2013, the Company has had share-based payment arrangements for employees, as described below.

**Management Option Program**

Type of arrangement	Equity Settled
Dates of Grant	02.07.2013
Options granted as of 31.12.2013	3 975 000
Contractual life (from grant date)	3 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's during the vesting period
Expiry date	30.06.2016

Fair value of Share Options granted is calculated using the Monte Carlo option pricing model. The weighted average inputs to Monte Carlo model and Fair values per 31 December 2013 are listed below (calculated at grant):

Exercise price	0.10 NOK
Share price 31.12.2013	1.81 NOK
Expected life	2.58
Volatility	46.08%
Risk free interest rate	1.56%
Fair value per option	0.8869 NOK

Expected volatility is based on historical volatility of the Company. The Company is listed on the Oslo Stock Exchange. Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2013 arising from the option plan is NOK 591 860 and the total carrying amount per 31 December 2013 is NOK 591 860, not including social security.

**Further details of the option plans are as follows:**

	01.01.2013 - 31.12.2013	
	Shares	Weighted Average Exercise Price
Outstanding at the beginning of period	-	-
Granted	3 975 000	0.10
Exercised	-	-
Cancelled	-	-
Forfeited	-	-
Expired	-	-
Adjusted quantity	-	-
Modification / Dividends	-	-
Outstanding at the end of period	3 975 000	0.10
Vested options	-	-

**Details concerning outstanding options as of 31 December are given below:**

Exercise price	Outstanding Options Per 31.12.2013	Weighted average remaining Contractual Life	Weighted Average Exercise Price
0.10	3 975 000	2.58	0.10

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

Board	Number of shares		Number of options	
	2013	2012	2013	2012
Asa-Matti Lyytinen, chairman (1)	-	-	-	-
Arne Solberg, deputy chairman (2)	-	-	-	-
Martynas Cesnavicius, board member (3)	-	-	-	-
<b>Corporate management team</b>	<b>Number of shares</b>		<b>Number of options</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Dag Songedal, Interim CEO/Vice President	-	-	550 000	-
Cathrin Nylander, CFO	-	-	600 000	-
Israel Losada Salvador, COO	-	-	600 000	-
Thomas Löfgren, Vice President	-	-	500 000	-
Mindaugas Sestokas, Vice President	-	-	500 000	-
Tommy P. Storstein, Vice President	-	-	425 000	-
Bengt Enbom, Vice President	10 000	10 000	400 000	-
Gard Eliassen, Vice President	-	-	400 000	-
Jan Liholt, Vice President (4)	107 660	107 660	-	-

(1)Asa-Matti Lyytinen was an advisor of Sievi Capital plc. per 31 December 2013, which owns 32.96 per cent of the shares in Kitron ASA.

(2)Arne Solberg was an advisor in Kongsberg Gruppen ASA per 31 December 2013, which owns 19.33 per cent of the shares in Kitron ASA

(3)Martynas Cesnavicius was an advisor at Firebird Management LLC per 31 December 2013; a New York based hedge fund. Firebird Management LLC is a partner in Amber Trust II which holds 13.77 per cent of the shares in Kitron ASA.

(4)Jan Liholt was not in Corporate management team at 31 December 2013.

## Note 20 Accounts payable and other current liabilities

(Amounts in NOK 1000)	2013	2012
Accounts payable	196 310	140 382
Public duties	25 820	23 207
Payable to related parties (note 28)	404	1 184
Costs incurred	62 754	63 445
<b>Total</b>	<b>285 289</b>	<b>228 218</b>



## Note 21 Borrowings

(Amounts in NOK 1000)	2013	2012
<b>Long-term loans</b>		
Leasing	26 766	32 303
Other	10 200	12 104
<b>Total</b>	<b>36 966</b>	<b>44 407</b>
<b>Current loans</b>		
Bank overdraft	67 675	51 498
Factoring debt	204 189	205 286
Leasing	8 038	6 906
<b>Total</b>	<b>279 902</b>	<b>263 690</b>
<b>Total loans</b>	<b>316 868</b>	<b>308 097</b>

### Periods to maturity of long-term loans:

(Amounts in NOK 1000)	2013	2012
Between one and two years	9 926	10 322
Between two and five years	27 040	34 085
<b>Total</b>	<b>36 966</b>	<b>44 407</b>

### Effective interest rate at the balance sheet date:

	2013		2012	
	NOK	Other	NOK	Other
Bank overdraft	4,0 %	3.4%-7.5%	4,5 %	3.4%-7.0%
Other loans	4,0 %	3.4%-7.9%	4,5 %	3.4%-7.9%

### Carrying amount and fair value of long-term loans:

(Amounts in NOK 1000)	Carrying amount		Fair value	
	2013	2012	2013	2012
Leasing	26 766	32 303	24 312	30 676
Other	10 200	12 104	10 200	12 104
<b>Total</b>	<b>36 966</b>	<b>44 407</b>	<b>34 512</b>	<b>42 780</b>

Fair value is based on discounted cash flow with a discount rate of 6.0 per cent (2012: 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)	2013	2012
NOK	144 383	139 764
SEK	64 588	72 334
EURO	21 802	36 404
USD	26 479	7 073
CNY	59 600	52 510
Other	15	12
<b>Total</b>	<b>316 868</b>	<b>308 097</b>

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 2013. Loans include NOK 316.9 million (2012: 308.1 million) in secured commitments (bank loans and other secured loans).

**Mortgages**

(Amounts in NOK 1000)	2013	2012
Debt secured by mortgages	316 868	308 097

Carrying amount of assets provided as security:

(Amounts in NOK 1000)	2013	2012
Buildings and land	4 914	4 914
Machinery and equipment	82 097	78 424
Receivables	212 621	217 656
Inventory	322 849	295 301
<b>Total</b>	<b>622 482</b>	<b>596 296</b>

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 34.8 million at 31 December 2013 (2012: NOK 39.2 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 8.1 million and NOK 16.0 million respectively for the group.

**Financial lease agreements, non-current assets**

(Amounts in NOK 1 000)	2013	2012
<b>Machinery and equipment</b>		
Carrying amount 31 December	68 204	64 485
Depreciation	12 239	11 838
Nominal rent	35 973	43 090
Present value of future rent	33 680	40 383
Remaining lease period	1-5 years	1-5 years

**Specification of estimated lease payments falling due within:**

(Amounts in NOK 1 000)

		2013	2012
Nominal rent	< 1 year	14 609	15 688
	1-2 years	14 508	12 312
	3-5 years	6 856	15 089
Present value of future rent	< 1 year	13 973	15 059
	1-2 years	13 474	11 359
	3-5 years	6 233	13 965

Present value of future rent is based on a discount rate of 6.0 per cent (2012: 6.0 per cent).

**Note 22 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.

	2013	2012
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	101 824	99 868
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	1 072	1 000
<b>Deferred tax asset (net)</b>	<b>100 752</b>	<b>98 868</b>

**Change in carrying amount of deferred tax asset (net):**

	2013	2012
Opening balance	98 868	95 036
Conversion differences	4 593	(1 331)
Profit and loss account	(1 071)	9 289
Other comprehensive income	185	213
Change in tax rate	(1 823)	(4 339)
<b>Closing balance</b>	<b>100 752</b>	<b>98 868</b>

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

Deferred tax liabilities	Current assets	Gain and loss account	Total
<b>At 1 January 2012</b>	<b>17</b>	<b>1 503</b>	<b>1 520</b>
Profit/(loss) for the period	306	(136)	170
Other comprehensive income	-	-	-
Conversion differences	-	(63)	(63)
Change in tax rate	-	-	-
<b>At 31 December 2012</b>	<b>323</b>	<b>1 304</b>	<b>1 627</b>
Profit/(loss) for the period	(60)	(125)	(185)
Other comprehensive income	-	-	-
Conversion differences	25	135	160
Change in tax rate	-	(8)	(8)
<b>At 31 December 2013</b>	<b>288</b>	<b>1 306</b>	<b>1 594</b>

Deferred tax asset	Provision and current assets	Fixed assets and goodwill	Loss carried forward	Pension	Total
<b>At 1 January 2012</b>	<b>3 974</b>	<b>7 023</b>	<b>81 531</b>	<b>4 028</b>	<b>96 556</b>
Profit/(loss) for the period	(102)	(569)	11 297	(1 167)	9 459
Other comprehensive income	-	-	-	213	213
Conversion differences	(13)	(19)	(1 362)	-	(1 394)
Change in tax rate	-	-	(4 339)	-	(4 339)
<b>At 31 December 2012</b>	<b>3 859</b>	<b>6 435</b>	<b>87 127</b>	<b>3 074</b>	<b>100 495</b>
Profit/(loss) for the period	(1 791)	(399)	1 798	(864)	(1 256)
Other comprehensive income	-	-	-	185	185
Conversion differences	18	48	4 687	-	4 753
Change in tax rate	(69)	(199)	(1 478)	(85)	(1 831)
<b>At 31 December 2013</b>	<b>2 017</b>	<b>5 885</b>	<b>92 134</b>	<b>2 310</b>	<b>102 346</b>

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.

Then group did not recognise deferred tax assets of TNOK 2 061 (2012: TNOK 1 292) in respect of losses amounting to TNOK 13 740 (2012: TNOK 8 612)

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

## Note 23 Post-employment benefits

Employees in Kitron's Norwegian entities are covered by pension plans which give the right to future benefits according to Norwegian mandatory service pension act. The plans comprise 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 568 (2012: TNOK 1 675) to cover an expected payment relating to coverage in the former AFP-scheme. The provision has been recognised in the balance sheet as a pension obligation.

All pension plans are unfunded.

### Carrying amount of the obligation

(Amounts in NOK 1000)	2013	2012
Pension commitments	8 552	10 982

### Costs recognised in the profit and loss account (incl. in note 7)

Pension costs defined benefit planes	185	308
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### Cost recognised in other comprehensive income

Actuarial losses pensions	686	763
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### Defined pension benefit plans

(Amounts in NOK 1000)	2013	2012
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#### Carrying amount of the obligation is determined as follows

Present value of accrued commitments in unfunded defined benefit plans	(8 552)	(10 982)
Unrecognised actuarial gains and losses	-	-

<b>Net commitments in unfunded defined benefit plans</b>	<b>(8 552)</b>	<b>(10 982)</b>
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Hereof payroll tax on the pension obligations	(1 057)	(1 357)
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<b>Net pension commitment in the balance sheet</b>	<b>(8 552)</b>	<b>(10 982)</b>
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### Net pension costs comprise

(Amounts in NOK 1000)	2013	2012
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Present value of pension earnings for the year	-	-
Interest cost	(185)	(308)
Service cost	-	-

<b>Total, included in payroll costs</b>	<b>(185)</b>	<b>(308)</b>
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**Change in carrying amount of pension commitments**

(Amounts in NOK 1000)	2013	2012
Opening balance	(10 983)	(14 386)
Cost recognised in the profit and loss account for the year	(185)	(308)
Cost recognised in other comprehensive income	(686)	(763)
Benefits paid	3 302	4 474
<b>Closing balance</b>	<b>(8 552)</b>	<b>(10 982)</b>

The following assumptions have been applied in calculating pension commitments:

	2013	2012
Discount rate	4.00%	2.40%
Annual pay adjustment	3.25%	3.50%
Annual pension adjustment	3.25%	3.25%
Social security tax rate	14.10%	14.10%
Assumptions on mortality rates are based on published statistics in Norway	K2013	K2005
	2013	2012
<b>Number of employees in defined benefit plans</b>	<b>28</b>	<b>39</b>

**Note 24 Dividends per share**

In 2013 the dividend paid were NOK 17.3 MNOK (NOK 0.10 per share). For the year ended 31 December 2013 no dividend will be proposed at the annual general meeting on 23 April 2014.

## Note 25 Provisions

### Classification in the profit and loss account

(Amounts in NOK 1000)	2013	2012
Additional provisions made in period	2 868	559
Amounts incurred and charged against provision in period	(4 521)	(25 574)
Total charged in profit and loss account	(1 653)	(25 015)

### Classification in the balance sheet

(Amounts in NOK 1000)	2013	2012
Value at 1 January	4 269	29 677
Conversion differences	515	(393)
Additional provisions made in period	3 084	559
Amounts incurred and charged against provision in period	(4 784)	(25 574)
<b>Total at 31 December</b>	<b>3 084</b>	<b>4 269</b>

The provision at 31 December 2013 is related to termination of UAB Kitron Distribution Centre in Lithuania. The provisions are based on detailed calculations. The main components for the restructuring provision are cost for personnel, cost for rent and facility and in addition write down of value of tangible assets. It is expected that the provisions will be paid out during 2014.

**Note 26 Cash flow from operations**

(Amounts in NOK 1000)	2013	2012
Ordinary profit/(loss) before tax	14 373	45 858
Depreciation and impairment	38 971	35 592
Change in inventory	(30 771)	10 112
Change in accounts receivable and other short term receivables	(45 962)	25 752
Change in factoring debt	(1 097)	5 312
Change in accounts payable and other short term payables	56 532	(56 363)
Change in pension funds/obligations	(2 430)	(4 167)
Change in other items	(13 656)	(20 650)
Change in restricted bank deposits	(161)	8 049
Interest cost - net	11 250	14 131
Foreign exchange losses / (gains) on operating activities	20 048	(3 837)
<b>Cash flow from operations</b>	<b>47 098</b>	<b>59 790</b>

**Note 27 Commitments****Operating leases, Non-current assets**

(Amounts in NOK 1 000)	2013	2012
<b>Machinery and equipment</b>		
Rent	4 753	2 443
Remaining lease	1-4 years	1-4 years
<b>Buildings and land</b>		
Rent	21 786	18 915
Remaining lease	1-4 years	1-4 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)		2013	2012
Nominal rent	1 year	22 978	19 676
	2-5 years	22 187	31 967

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 28 Related parties

(Amounts in NOK 1000)	2013	2012
i) Sale of goods and services		
<b>Sale of goods (1)</b>	<b>231 064</b>	<b>146 964</b>
ii) Purchase of goods and services		
<b>Purchase of goods (1)</b>	<b>6 427</b>	<b>4 067</b>
iii) Remuneration of senior executives		
<b>Pay and other short-term benefits (2)</b>	<b>19 464</b>	<b>16 119</b>
iv) Balance items at 31 December resulting from purchase/sale of goods and services		
Receivable from related parties		
<b>Shareholders (1)</b>	<b>64 325</b>	<b>26 928</b>
Payable to related parties:		
Shareholders (1)	404	124
Senior executives (2)	-	1 060
<b>Total</b>	<b>404</b>	<b>1 184</b>

(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)	2013	2012
<b>Directors' fee:</b>	<b>1 708</b>	<b>2 144</b>
- chairman	394	598
- board members	1 314	1 546
<b>Auditors fee</b>		
- statutory audit	1 318	1 473
- audit related services	170	131
- tax related services	276	248
- other services	59	103

**Pay and other remuneration of senior executives in 2013:**

Name	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)	Pension contrib.	Bonus earned**
<b>(Amounts in NOK 1000)</b>								
Jørgen Bredesen 1)	CEO	01.01.2013-31.10.2013	2 737	185	315	3 237	167	-
Dag Songedal	Interim CEO/ Vice President	01.01.2013-31.12.2013	1 683	200	614	2 497	157	-
Bjørn Wigstrøm 1)	CFO	01.01.2013-30.06.2013	1 097	114	115	1 326	184	-
Cathrin Nylander	CFO	12.08.2013-31.12.2013	615	-	105	720	52	-
Leif Tore Smedås 1)	Vice President	01.01.2013-31.10.2013	814	62	131	1 007	45	-
Jan Liholt 1)	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	150	193	1 706	89	-
Tommy P. Storstein	Vice President	01.01.2013-31.12.2013	1 067	24	202	1 293	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	71	45	1 263	277	-
Thomas Løfgren	Vice President	01.01.2013-31.12.2013	1 221	135	84	1 440	301	-
Mindaugas Sestokas	Vice President	01.01.2013-31.12.2013	1 074	66	98	1 237	-	-
<b>Total</b>			<b>15 970</b>	<b>1 007</b>	<b>2 487</b>	<b>19 464</b>	<b>1 575</b>	<b>-</b>

1) Not in Corporate management team at 31 December 2013.

Name	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)
<b>(Amounts in NOK 1000)</b>						
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	-	-	71
Harri Takanen	Board member	01.01.2013-23.04.2013	-	-	15	15
Liv Johansen	Board member	01.01.2013-31.12.2013	103	-	25	128
Geir Vedøy	Board member	01.01.2013-31.12.2013	103	-	-	103
May-Britt Gundersen	Board member	01.01.2013-31.12.2013	103	-	-	103
Bjørn Gottschlich	Board member	01.01.2013-31.12.2013	103	-	-	103
<b>Total</b>			<b>1 307</b>	<b>401</b>	<b>1 708</b>	

\*) Bonuses earned in 2012 and paid in 2013

\*\*) Bonuses earned in 2013. The bonuses will be 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.



## Pay and other remuneration of senior executives in 2012:

Name	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)	Pension contrib.	Bonus earned**
<b>(Amounts in NOK 1000)</b>								
Jørgen Bredesen	CEO	01.01.2012-31.12.2012	2 981	-	236	3 217	50	185
Bjørn Wigstrøm	CFO	01.01.2012-31.12.2012	1 924	-	195	2 119	50	114
Jan Liholt	Vice President	01.01.2012-31.12.2012	1 339	-	28	1 367	50	80
Gard Eliassen	Vice President	01.01.2012-31.12.2012	1 353	282	146	1 781	50	150
Leif Tore Smedås	Vice President	01.01.2012-31.12.2012	889	-	133	1 022	49	62
Tommy P. Storstein	Vice President	01.09.2012-31.12.2012	324	-	48	372	17	24
Roger Hovland	Vice President	01.01.2012-31.01.2012	303	-	29	332	4	-
Bengt Enbom	Vice President	01.01.2012-31.12.2012	1 307	223	37	1 567	261	68
Dag Songedal	Vice President	01.01.2012-31.12.2012	1 654	147	180	1 981	51	200
Thomas Løfgren	Vice President	01.01.2012-31.12.2012	1 269	101	74	1 444	283	129
Mindaugas Sestokas	Vice President	01.01.2012-31.12.2012	731	186	-	917		48
<b>Total</b>			<b>14 074</b>	<b>939</b>	<b>1 106</b>	<b>16 119</b>	<b>865</b>	<b>1 060</b>

Name	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)
<b>(Amounts in NOK 1000)</b>						
Asa-Matti Lyytinen	Chairman of the board	29.04.2011-31.12.2012	519	-	79	598
Arne Solberg	Deputy chair	29.04.2011-31.12.2012	173	-	30	203
Harri Takanen	Board member	29.04.2011-16.10.2012	152	-	110	262
Lisbeth Gustafsson	Board member	29.04.2011-31.12.2012	173	-	79	252
Maire Laitinen	Board member	27.04.2012-31.12.2012	70	-	-	70
Martynas Cesnavicius	Board member	27.04.2012-31.12.2012	70	-	-	70
Siri Hatlen	Board member	27.04.2012-31.12.2012	70	-	-	70
Liv Johansen	Employee representative	29.04.2011-31.12.2012	173	-	30	203
Geir Vedøy	Employee representative	29.04.2011-31.12.2012	173	-	-	173
May-Britt Gundersen	Employee representative	29.04.2011-31.12.2012	173	-	-	173
Bjørn Gottschlich	Employee representative	27.04.2012-31.12.2012	70	-	-	70
<b>Total</b>			<b>1 816</b>	<b>-</b>	<b>328</b>	<b>2 144</b>

\*) Bonuses earned in 2011 and paid in 2012

\*\*) Bonuses earned in 2012 and paid in 2013

\*\*\*) During 2012 Kitron changed payment routines for board member remuneration from payment in arrears to payment on account.

Due to the change the figures in the table above include remuneration to some of the board members for more than one year.

No payroll tax is included in the figures 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 Interim CEO is covered by the same schemes as the vice presidents unless otherwise stated.

The following review presents the executive remuneration policy as resolved by the board in Kitron ASA. The mandatory executive remuneration policy was resolved by Kitron ASA's annual general meeting on 6 May 2010. The general meeting on 22 April 2013, resolved to also include a share option program for the CEO and the Corporate Management team. The executive remuneration policy for Kitron ASA applies to all units in the group.

### **Recommended executive remuneration policy**

Kitron wants to offer competitive terms in order for the company to attract and retain competent managers, and at the same time achieve alignment of interest between management and shareholders. The remuneration and other terms of employment for the executives reflect a number of factors, such as the position itself and the market conditions.

The remuneration comprises a reasonable basic salary and a pension contribution plus a cash bonus, which is principally linked to the company's performance. For the CEO and Corporate Management Team the total bonus may not amount to more than 50 per cent of base salary. Kitron does not offer substantial benefits of any kind other than company cars. Certain tools, which are needed to perform executive duties, represent a taxable benefit which has been included in the amounts in the table above.

Kitron honours all employment agreements which are in effect. Future supplements to employment agreements and new employment agreements will be in accordance with these guidelines.

The board determines the remuneration and other terms of employment of the CEO and issues guidelines for the remuneration of leading personnel. The board has appointed a remuneration committee consisting of three members from the board that are preparing matters for decision by the board. The CEO determines the remuneration and other terms of employment of the vice presidents within the framework resolved by the board.

The Interim CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that apply to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2013 the Interim CEO and the Norwegian based members in the Corporate Management have received an additional pension contribution corresponding to 20% of the salary between 12 and 24 base amounts (1 base amount is currently equal to NOK 85 245). The age of retirement is 67 years. The Interim CEO may under certain circumstances have the right to receive twelve months post-employment compensation. There is no other post-employment remuneration or employment protection beyond a normal notice period.

The Annual General Meeting approved in April 2013 to introduce 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 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. The share options were allocated to executive management with effect from 2 July 2013.

Per 31 December 2013, 3 975 000 options have been allocated to executive management. In addition to the allocated options, the board of directors has set aside 1 500 000 options which can be allocated to management in the future, including a new CEO when this position has been filled.

## Note 29 Impact of change in accounting policy

The revised standard on accounting for employee benefits, IAS 19R, has been implemented from 1 January 2013. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised in the profit and loss in the period when a plan is amended. To get figures which are comparable the actuarial gains and losses by end of 2011 are included in the balance per 1 January 2012. New actuarial gains and losses are calculated by the end of the year. The tables in connection with this note show the changes in profit and loss and balance. For the equity there is shown a reconciliation from earlier reported values in 2012 and new values after implementing IAS 19R in the ordinary reconciliation earlier in the report. As of 31 December 2012 pension commitments are increased by NOK 5.2 million (NOK 5.5 million per 1 January 2012) and deferred tax assets increased by NOK 1.5 million (NOK 1.5 million per 1 January 2012). The accounting effect on the Group's equity amounts to NOK minus 3.9 million per 1 January 2012 and NOK minus 3.7 million per 31 December 2012.

### Impact on condensed profit and loss statement

(Amounts in NOK 1 000)	2012
Payroll expenses	(1 040)
<b>Operating profit (EBIT)</b>	<b>1 040</b>
Tax	291
<b>Profit (loss) for the period</b>	<b>749</b>

### Impact on consolidated statement of comprehensive income

(Amounts in NOK 1 000)	2012
Profit (loss) for the period	749
Actuarial gain/loss	(549)
<b>Total comprehensive income for the period</b>	<b>200</b>

### Impact on condensed balance sheet

(Amounts in NOK 1 000)	31.12.2012	01.01.2012
<b>Assets</b>		
Deferred tax assets	1 452	1 530
<b>Total assets</b>	<b>1 452</b>	<b>1 530</b>
<b>Equity and liabilities</b>		
Equity	(3 735)	(3 936)
<b>Total equity</b>	<b>(3 735)</b>	<b>(3 936)</b>
Pension commitments	5 187	5 466
<b>Total long-term liabilities</b>	<b>5 187</b>	<b>5 466</b>
<b>Total equity and liabilities</b>	<b>1 452</b>	<b>1 530</b>

### Note 30 Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2013. 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 (dormant)	Karlskoga / Sweden	100%	100%	EMS manufacturing
Kitron AB	Jönköping / Sweden	100%	100%	EMS manufacturing
Kitron Flen AB (dormant)	Flen / Sweden	100%	100%	EMS manufacturing
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

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





# Kitron ASA

## Annual accounts and notes

### Profit and loss account, Kitron ASA

(Amounts in NOK 1000)	Note	2013	2012
<b>Revenues</b>			
Sales revenues	2	61 963	57 255
Total revenues		61 963	57 255
<b>Operating costs</b>			
Payroll expenses	3,4,13	34 050	29 094
Depreciation and impairments	5,6	7 501	7 058
Other operating expenses		30 596	29 317
<b>Total operating costs</b>		<b>72 147</b>	<b>65 469</b>
<b>Operating profit / (loss)</b>		<b>(10 184)</b>	<b>(8 214)</b>
<b>Financial income and expenses</b>			
Intra group interest income		1 229	1 300
Other interest income		613	563
Other financial income	18	35 995	55 112
Interest expenses		1 857	3 094
Other financial expenses	18	10 540	6 751
<b>Net financial items</b>		<b>25 440</b>	<b>47 130</b>
Profit before tax		15 256	38 916
Tax	8	2 658	3 711
<b>Net profit / (loss)</b>		<b>12 598</b>	<b>35 205</b>



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**Balance sheet at 31 December, Kitron ASA**

(Amounts in NOK 1000)


	Note	2013	2012
<b>Assets</b>			
<b>Fixed Assets</b>			
<b>Intangible fixed assets</b>			
Deferred tax	8	43 554	46 046
Other intangible assets	6	29 166	29 114
<b>Total intangible fixed assets</b>		<b>72 720</b>	<b>75 160</b>
<b>Tangible fixed assets</b>			
Machinery, equipment etc.	5,16	2 570	4 083
<b>Financial fixed assets</b>			
Investment in subsidiaries	9,16	363 140	363 119
Intra-group loans	7,14	76 635	62 036
<b>Total financial fixed assets</b>		<b>439 775</b>	<b>425 155</b>
<b>Total fixed assets</b>		<b>515 065</b>	<b>504 398</b>
<b>Current Assets</b>			
<b>Receivables</b>			
Accounts receivables	7,16	23 233	31 957
Other receivables	7	33 246	59 516
<b>Total receivables</b>		<b>56 479</b>	<b>91 473</b>
Bank deposits, cash in hand etc.	17	12 381	11 748
<b>Total current assets</b>		<b>68 860</b>	<b>103 221</b>
<b>Total assets</b>		<b>583 925</b>	<b>607 619</b>

**(Table continued) Balance sheet at 31 December, Kitron ASA**

(Amounts in thousand)


	Note	2013	2012
<b>Liabilities and equity</b>			
<b>Equity</b>			
<b>Paid-in equity</b>			
Share capital (172 961 625 shares at NOK 0,10)	10,12	17 296	172 962
Share premium reserve	10	242 827	242 827
<b>Total paid-in equity</b>		<b>260 123</b>	<b>415 789</b>
Other Equity		262 753	94 346
<b>Total equity</b>		<b>522 876</b>	<b>510 135</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Pension commitments	4	6 676	6 418
Other long-term debt	15	10 178	15 420
<b>Total long-term liabilities</b>		<b>16 854</b>	<b>21 838</b>
<b>Current liabilities</b>			
Liabilities to financial institutions	16,17	27 189	48 556
Accounts payable		5 512	6 258
Dividend			17 296
Other current liabilities		11 494	3 536
<b>Total current liabilities</b>		<b>44 195</b>	<b>75 646</b>
<b>Total liabilities</b>		<b>61 049</b>	<b>97 484</b>
<b>Total liabilities and equity</b>		<b>583 925</b>	<b>607 619</b>

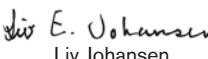
Oslo, 18 March 2014

  
Tuomo Lähdesmäki  
Chairman

  
Siri Hatlen  
Siri Hatlen

  
Päivi Marttila  
Päivi Marttila

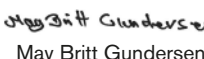
  
Arne Solberg  
Deputy chairman

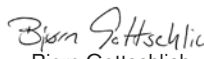
  
Liv Johansen  
Employee elected board member

  
Geir Vedøy  
Employee elected board member

  
Dag Songedal  
Interim CEO

  
Martynas Cesnavicius

  
May Britt Gundersen  
Employee elected board member

  
Bjørn Gottschlich  
Employee elected board member

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**Cash Flow Statement, Kitron ASA**

(Amounts in NOK 1000)

	2013	2012
<b>Cash flow from operational activities</b>		
Profit before tax	15 256	38 916
Ordinary depreciation	7 501	7 058
Change in accounts receivables	8 724	10 769
Change in accounts payables	(746)	1 287
Change in pension funds/ obligations	235	(371)
Change in other accrual items	19 629	(28 189 )
<b>Net cash flow from operational activities</b>	<b>50 599</b>	<b>29 470</b>
<b>Cash flow from investment activities</b>		
Acquisition of fixed assets	(6 040)	(3 813)
Purchases of financial assets	(21)	-
New lending's		4 410
<b>Net cash flow from investment activities</b>	<b>(6 061)</b>	<b>597</b>
<b>Cash flow from financing activities</b>		
Net change in overdraft facilities	(21 367)	(16 332)
Repayment of borrowings	(5 242)	(4 723 )
Payment of dividend	(17 296)	(8 648 )
<b>Net cash flow from financing activities</b>	<b>(43 905)</b>	<b>(29 703)</b>
Net change in cash and cash equivalents	633	364
Cash and cash equivalents at 1 January	11 748	11 384
<b>Cash and cash equivalents at 31 December</b>	<b>12 381</b>	<b>11 748</b>

# 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.

### Changes in accounting policy and disclosures

#### *Implementation of IAS 19R*

The company follows NRS6, and has chosen to follow IAS19 for pension accounting. The revised standard on accounting for employee benefits, IAS 19R, has been implemented from 1 January 2013. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity.

Past-service costs are recognised in the profit and loss in the period when a plan is amended. To get figures which are comparable the actuarial gains and losses by end of 2011 are included in the balance per 1 January 2012. New actuarial gains and losses are calculated by the end of the year. See note 19 for the impact on the financial statements.

### 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.

### Short-term placements

Short-term placements (shares regarded as current assets) are recognised at the lower of their average cost price and their fair value on the balance sheet date. Dividends received and other payments are recognised as other financial income.

### 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 2013.

#### **Price risk**

The raw materials price risk for the company's business is small. Nevertheless, the risk of price fluctuations is hedged through long-term purchase contracts as well as the conclusion of strategic agreements with suppliers and other players in the market.

**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 group contributions.

**Sales revenues by geographical area**

(Amounts in NOK 1000)

	2013	2012
Norway	28 505	26 395
Sweden	10 975	10 832
Lithuania	17 286	17 181
Rest of Europe	937	887
Other	4 260	1 960
<b>Total</b>	<b>61 963</b>	<b>57 255</b>

**Note 3 Payroll expenses****Payroll costs**

(Amounts in NOK 1000)

	2013	2012
Pay	17 487	13 555
Payroll taxes	2 521	2 008
Pension costs	777	707
Other remuneration	13 265	12 824
<b>Total</b>	<b>34 050</b>	<b>29 094</b>
Average number of FTEs	26	27



## 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 12 (2012: TNOK 45) to cover an expected payment relating to under coverage 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)

	2013	2012
<b>Carrying amount of the obligation is determined as follows:</b>		
Present value of accrued pension commitments in unfunded benefit plans	6 676	6 418
+/- unrecognised actuarial gains and losses	-	-
<b>Net commitments in unfunded defined benefit plans</b>	<b>6 676</b>	<b>6 418</b>
Hereof payroll tax on the pension obligation	825	793
<b>Pension costs comprise:</b>		
+ Present value of pension earnings for the year	-	-
+ Interest costs	142	156
+ Amortisation actuarial gains and losses	-	-
+ Service cost	-	-
- Curtailment of the old AFP scheme	-	-
<b>Net pension cost for unfunded plans</b>	<b>142</b>	<b>156</b>
<b>Net pension cost for contribution based pension plans</b>	<b>635</b>	<b>551</b>
<b>Net pension costs included in note 3</b>	<b>777</b>	<b>707</b>
<b>Cost recognised in equity</b>		
Actual losses pensions	615	684

### The following assumptions have been applied in calculating pension commitments

	2013	2012
Discount rate	4.0%	2.4%
Annual pay adjustment	3.25%	3.5%
Annual pension adjustment	3.25%	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	15 229
Additions during the year	1 063
Disposal during the year	-
<b>Acquisition cost at 31 December</b>	<b>16 292</b>
Accumulated depreciation 1 January	11 146
Depreciation during the year	2 576
Disposal during the year	-
<b>Accumulated depreciation at 31 December</b>	<b>13 722</b>
<b>Book value 31 December</b>	<b>2 570</b>
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	>2014	737
Company cars	>2014	908

**Note 6 Other intangible assets****Other intangible assets**

(Amounts in NOK 1000)

	System software
Acquisition cost at 1 January	36 812
Additions during the year	4 976
Disposal during year	-
<b>Acquisition cost at 31 December</b>	<b>41 788</b>
Accumulated depreciation at 1 January	7 698
Additions during the year	4 924
Accumulated depreciations at 31 December	12 622
<b>Book value 31 December</b>	<b>29 166</b>
Depreciation plan	Linear
Useful lifetime	7 years

## Note 7 Related parties

(Amounts in NOK 1000)	2013	2012
<b>Sales revenues</b>		
From subsidiaries (1)	61 963	57 255
<b>Purchase of goods and services</b>		
From subsidiaries (1)	16 217	17 626
<b>Remuneration of senior executives</b>		
Pay and other short-term benefits (2)	11 321	8 629
<b>Financial income</b>		
Interest income from subsidiaries (1)	1 229	1 300
Dividend and group contribution from subsidiaries	29 266	55 004
<b>Total</b>	<b>30 495</b>	<b>56 304</b>

Balance items at 31 December resulting from transactions with related parties

<b>Receivables and loans</b>		
Subsidiaries (1)	114 203	148 511
<b>Total</b>	<b>114 204</b>	<b>148 511</b>
<b>Payables</b>		
Subsidiaries (1)	1 519	1 632
Senior executives (3)	-	453
<b>Total</b>	<b>1 519</b>	<b>2 085</b>

(1) Revenues from subsidiaries consist primarily of 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.

(3) The amount at 31 December comprises accrued bonuses to corporate management team.

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

**Note 8 Taxes**

<b>Taxes</b> (Amounts in NOK 1000)	2013	2012
<b>Tax cost for the year breaks down into:</b>		
Tax payable		
Change in deferred tax	1 045	3 711
Change in tax rate	1 613	-
<b>Total tax cost</b>	<b>2 658</b>	<b>3 711</b>
<b>Calculation of tax base for the year:</b>		
Profit before tax	15 256	38 916
Permanent differences *)	(19 801)	(54 888)
Change in temporary differences	847	(231)
Group contribution	7 686	29 224
Change in tax loss carried forward	(3 987)	(13 021)
<b>Tax base for the year</b>	<b>-</b>	<b>-</b>
<b>Overview of temporary differences</b>		
Receivables	-	-
Fixed assets	(3 753)	(3 510)
Pensions	(6 677)	(6 418)
Other temporary differences	(230)	-
Gain and loss account	462	577
<b>Total</b>	<b>(10 198)</b>	<b>(9 351)</b>
Loss carried forward	(151 111)	(155 098)
<b>Total</b>	<b>(161 309)</b>	<b>(164 449)</b>
<b>Deferred tax asset (27% / 28%)</b>	<b>43 554</b>	<b>46 046</b>
<b>Explanation of why tax cost for the year does not equal 28% of pre-tax result</b>		
28% of loss before tax	4 271	10 896
Permanent differences (28%)	(5 378)	(15 369)
Group contribution	2 152	8 183
Change in tax rate	1 613	-
<b>Calculated tax cost</b>	<b>2 658</b>	<b>3 711</b>
Effective tax rate **)	17.4%	9.5%

\*) 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%	144 478	700	232 336
Kitron Sourcing AS	Oslo	100%	100%	10 100	(295)	11 400
Kitron Karlskoga AB (dormant)	Karlskoga, Sweden	100%	100%	37 027	(269)	30 000
Kitron AB	Jönköping, Sweden	100%	100%	30 516	6 238	13 463
Kitron Flen AB (dormant)	Flen, Sweden	100%	100%	6 660	(3)	31 332
Kitron Hong Kong Ltd	Hong Kong	100%	100%	(1 399)	(483)	1
Kitron GmbH	Grossbetlingen, Germany	100%	100%	(17 347)	(3 648)	2 403
Kitron Inc	Johnstown, US	100%	100%	(17 167)	(3 588)	583
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	3 672	995	12 421
UAB Kitron	Kaunas, Lithuania	100%	100%	120 159	14 613	29 180
UAB Kitron Distribution Centre	Kaunas, Lithuania	100%	100%	(9 705)	(9 049)	21
<b>Total investment in subsidiaries</b>						<b>363 140</b>

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

### Company

(Amounts in NOK 1000)	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron Electronics Manufacturing (Ningbo) Co., Ltd.	Ningbo China	100%	100%	(2 971)	(5 214)	22 305
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	1 570	358	1 259

## Note 10 Equity

### Equity

(Amounts in NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
<b>At 31 December 2012</b>	<b>172 962</b>	<b>242 827</b>	<b>94 838</b>	<b>510 627</b>
Change in accounting principle actuarial gain/loss	-	-	(492)	(492)
<b>At 31 December 2012 restated</b>	<b>172 962</b>	<b>242 827</b>	<b>94 346</b>	<b>510 135</b>
Net profit	-	-	12 598	12 598
Share capital reduction	(155 666)	-	155 666	-
Effect from options	-	-	592	592
Actual gains and losses pensions	-	-	(449)	(449)
<b>At 31 December 2013</b>	<b>17 296</b>	<b>242 827</b>	<b>262 753</b>	<b>522 876</b>

## Note 11 Shares 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 per cent 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 estimate the likelihood of performance fulfillment and takes this into account in the valuation.

During the period ended 31 December 2013, the Company has had share-based payment arrangements for employees, as described below.

### Management Option Program

Type of arrangement	Equity Settled
Dates of Grant	02.07.2013
Options granted as of 31.12.2013	3 975 000
Contractual life (from grant date)	3 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's during the vesting period
Expiry date	30.06.2016

Fair value of Share Options granted is calculated using the Monte Carlo option pricing model. The weighted average inputs to Monte Carlo model and Fair values per 31 December 2013 are listed below (calculated at grant):

Exercise price	0.10 NOK
Share price 31.12.2013	1.81 NOK
Expected life	2.58
Volatility	46.08%
Risk free interest rate	1.56%
Fair value per option	0.8869 NOK

Expected volatility is based on historical volatility of the Company. The Company is listed on the Oslo Stock Exchange. Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2013 arising from the option plan is NOK 591 860 and the total carrying amount per 31 December 2013 is NOK 591 860, not including social security.

**Further details of the option plans are as follows:**

	01.01.2013 - 31.12.2013	
	Shares	Weighted Average Exercise Price
Outstanding at the beginning of period	-	-
Granted	3 975 000	0.10
Exercised	-	-
Cancelled	-	-
Forfeited	-	-
Expired	-	-
Adjusted quantity	-	-
Modification / Dividends	-	-
Outstanding at the end of period	3 975 000	0.10
Vested options	-	-

**Details concerning outstanding options as of 31 December are given below:**

Exercise price	Outstanding Options Per 31.12.2013	Weighted average remaining Contractual Life	Weighted Average Exercise Price
0.10	3 975 000	2,58	0.10

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

Board	Number of shares		Number of options	
	2013	2012	2013	2012
Asa-Matti Lyytinen, chairman (1)	-	-	-	-
Arne Solberg, deputy chairman (2)	-	-	-	-
Martynas Cesnavicius, board member (3)	-	-	-	-
Corporate management team	Number of shares		Number of options	
	2013	2012	2013	2012
Dag Songedal, Interim CEO/Vice President	-	-	550 000	-
Cathrin Nylander, CFO	-	-	600 000	-
Israel Losada Salvador, COO	-	-	600 000	-
Thomas Löfgren, Vice President	-	-	500 000	-
Mindaugas Sestokas, Vice President	-	-	500 000	-
Tommy P. Storstein, Vice President	-	-	425 000	-
Bengt Enbom, Vice President	10 000	10 000	400 000	-
Gard Eliassen, Vice President	-	-	400 000	-
Jan Liholt, Vice President (4)	107 660	107 660	-	-

(1)Asa-Matti Lyytinen was an advisor of Sievi Capital plc. per 31 December 2013, which owns 32.96 per cent of the shares in Kitron ASA.

(2)Arne Solberg was an advisor in Kongsberg Gruppen ASA per 31 December 2013, which owns 19.33 per cent of the shares in Kitron ASA

(3)Martynas Cesnavicius was an advisor at Firebird Management LLC per 31 December 2013; a New York based hedge fund. Firebird Management LLC is a partner in Amber Trust II which holds 13.77 per cent of the shares in Kitron ASA.

(4)Jan Liholt was not in Corporate management team at 31 December 2013.



## Note 12 Shares and shareholders information

The company's share capital at 31 December 2013 comprised 172 961 625 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 2,564 shareholders at 31 December 2013.

### The 20 largest shareholders in Kitron ASA at 31 December 2013:

Shareholder	Number	Percentage
Nordea Bank Plc Finland 1)	57 037 000	32.98%
Kongsberg Gruppen ASA	33 439 153	19.33%
UBS AG Zurich 2)	29 849 042	17.26%
MP Pensjon PK	10 792 537	6.24%
SES AS	3 408 000	1.97%
VPF NORDEA SMB	2 770 271	1.60%
Bjørn Håheim	1 113 968	0.64%
Hybrid AS	1 007 157	0.58%
Capreca AS	1 000 000	0.58%
JAH AS	1 000 000	0.58%
Jørgen Teigen	870 000	0.50%
Swedbank AS	861 548	0.50%
AB SEB Bankas clients	800 465	0.46%
Kjell Løite	788 280	0.46%
JP Morgan Luxembourg SA	694 360	0.40%
Petter Torgersen	636 000	0.37%
Gems Global Electronic Minibar	600 000	0.35%
Helge Hareland	590 000	0.34%
Handel Partner AS	450 000	0.26%
Arild Odd Madsen	427 000	0.25%
<b>Total 20 largest shareholders</b>	<b>148 134 781</b>	<b>85.65%</b>
<b>Total other shareholders</b>	<b>24 826 844</b>	<b>14.35%</b>
<b>Total outstanding shares</b>	<b>172 961 625</b>	<b>100.00%</b>

1) Sievi Capital plc.: 57 000 000 shares and 32.96%, others 0.02%.

2) Amber Trust II SCA: 23 822 000 shares and 13.77%, KJK Fund SICAV - SIF: 6 013 908 shares and 3.47%, others 0.02%.

### Mandates

#### Increasing the share capital

The ordinary general meeting of 22 April 2013 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 22 April 2013. The total amount by which the share capital may be increased is NOK 1.729.616,25. The authority applies until the ordinary general meeting in 2014, but no longer than 30 June 2014. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2013.

#### Own shares

The ordinary general meeting on 22 April 2013 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 22 April 2013. Under the authorisation the company shall pay minimum NOK 0,10 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 2014 but no longer than 30 June 2014. The authority had not been exercised at 31 December 2013.

## Note 13 Remuneration of senior executives, directors and auditor

### Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)

	2013	2012
Directors' fee:	1 708	2 144
- chairman	394	598
- board members	1 314	1 546
<b>Auditors fee*)</b>		
- statutory audit	369	395
- audit related services	147	182
- tax related services	70	192
- other services	14	15

\*) all figures without VAT

### Pay and other remuneration of senior executives in 2013:

Name	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)	Pension contrib.	Bonus earned**
(Amounts in NOK 1000)								
Jørgen Bredesen 1)	CEO	01.01.2013-31.10.2013	2 737	185	315	3 237	167	-
Dag Songedal	Interim CEO/ Vice President	01.01.2013-31.12.2013	1 683	200	614	2 497	157	-
Bjørn Wigstrøm 1)	CFO	01.01.2013-30.06.2013	1 097	114	115	1 326	184	-
Cathrin Nylander	CFO	12.08.2013-31.12.2013	615	-	105	720	52	-
Leif Tore Smedås 1)	Vice President	01.01.2013-31.10.2013	814	62	131	1 007	45	-
Jan Liholt 1)	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	150	193	1 706	89	-
Tommy P. Storstein	Vice President	01.01.2013-31.12.2013	1 067	24	202	1 293	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	71	45	1 263	277	-
Thomas Løfgren	Vice President	01.01.2013-31.12.2013	1 221	135	84	1 440	301	-
Mindaugas Sestokas	Vice President	01.01.2013-31.12.2013	1 074	66	98	1 237	-	-
<b>Total</b>			<b>15 970</b>	<b>1 007</b>	<b>2 487</b>	<b>19 464</b>	<b>1 575</b>	<b>-</b>

1) Not in Corporate management team at 31 December 2013.

Name	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)
<b>(Amounts in NOK 1000)</b>						
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	-	-	71
Harri Takanen	Board member	01.01.2013-23.04.2013	-	-	15	15
Liv Johansen	Board member	01.01.2013-31.12.2013	103	-	25	128
Geir Vedøy	Board member	01.01.2013-31.12.2013	103	-	-	103
May-Britt Gundersen	Board member	01.01.2013-31.12.2013	103	-	-	103
Bjørn Gottschlich	Board member	01.01.2013-31.12.2013	103	-	-	103
<b>Total</b>			<b>1 307</b>	<b>-</b>	<b>401</b>	<b>1 708</b>

\*) Bonuses earned in 2012 and paid in 2013

\*\*) Bonuses earned in 2013. The bonuses will be 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.

#### Pay and other remuneration of senior executives in 2012:

Name	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)	Pension contrib.	Bonus earned**
<b>(Amounts in NOK 1000)</b>								
Jørgen Bredesen	CEO	01.01.2012-31.12.2012	2 981	-	236	3 217	50	185
Bjørn Wigstrøm	CFO	01.01.2012-31.12.2012	1 924	-	195	2 119	50	114
Jan Liholt	Vice President	01.01.2012-31.12.2012	1 339	-	28	1 367	50	80
Gard Eliassen	Vice President	01.01.2012-31.12.2012	1 353	282	146	1 781	50	150
Leif Tore Smedås	Vice President	01.01.2012-31.12.2012	889	-	133	1 022	49	62
Tommy P. Storstein	Vice President	01.09.2012-31.12.2012	324	-	48	372	17	24
Roger Hovland	Vice President	01.01.2012-31.01.2012	303	-	29	332	4	-
Bengt Enbom	Vice President	01.01.2012-31.12.2012	1 307	223	37	1 567	261	68
Dag Songedal	Vice President	01.01.2012-31.12.2012	1 654	147	180	1 981	51	200
Thomas Løfgren	Vice President	01.01.2012-31.12.2012	1 269	101	74	1 444	283	129
Mindaugas Sestokas	Vice President	01.01.2012-31.12.2012	731	186	-	917	-	48
<b>Total</b>			<b>14 074</b>	<b>939</b>	<b>1 106</b>	<b>16 119</b>	<b>865</b>	<b>1 060</b>

Name	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)
<b>(Amounts in NOK 1000)</b>						
Asa-Matti Lyytinen	Chairman of the board	29.04.2011-31.12.2012	519	-	79	598
Arne Solberg	Deputy chair	29.04.2011-31.12.2012	173	-	30	203
Harri Takanen	Board member	29.04.2011-16.10.2012	152	-	110	262
Lisbeth Gustafsson	Board member	29.04.2011-31.12.2012	173	-	79	252
Maire Laitinen	Board member	27.04.2012-31.12.2012	70	-	-	70
Martynas Cesnavicius	Board member	27.04.2012-31.12.2012	70	-	-	70
Siri Hatlen	Board member	27.04.2012-31.12.2012	70	-	-	70
Liv Johansen	Employee representative	29.04.2011-31.12.2012	173	-	30	203
Geir Vedøy	Employee representative	29.04.2011-31.12.2012	173	-	-	173
May-Britt Gundersen	Employee representative	29.04.2011-31.12.2012	173	-	-	173
Bjørn Gottschlich	Employee representative	27.04.2012-31.12.2012	70	-	-	70
<b>Total</b>			<b>1 816</b>	<b>-</b>	<b>328</b>	<b>2 144</b>

\*) Bonuses earned in 2011 and paid in 2012

\*\*) Bonuses earned in 2012 and paid in 2013

\*\*\*) During 2012 Kitron changed payment routines for board member remuneration from payment in arrears to payment on account. Due to the change the figures in the table above include remuneration to some of the board members for more than one year.

No payroll tax is included in the figures 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 Interim CEO is covered by the same schemes as the vice presidents unless otherwise stated.

The following review presents the executive remuneration policy as resolved by the board in Kitron ASA. The mandatory executive remuneration policy was resolved by Kitron ASA's annual general meeting on 6 May 2010. The general meeting on 22 April 2013, resolved to also include a share option program for the CEO and the Corporate Management team. The executive remuneration policy for Kitron ASA applies to all units in the group.

### **Recommended executive remuneration policy**

Kitron wants to offer competitive terms in order for the company to attract and retain competent managers and at the same time achieve alignment of interest between management and shareholders. The remuneration and other terms of employment for the executives reflect a number of factors, such as the position itself and the market conditions.

The remuneration comprises a reasonable basic salary and a pension contribution plus a cash bonus, which is principally linked to the company's performance. For the CEO and Corporate Management Team the total bonus may not amount to more than 50 per cent of base salary. Kitron does not offer substantial benefits of any kind other than company cars. Certain tools, which are needed to perform executive duties, represent a taxable benefit which has been included in the amounts in the table above.

Kitron honours all employment agreements which are in effect. Future supplements to employment agreements and new employment agreements will be in accordance with these guidelines.

The board determines the remuneration and other terms of employment of the CEO and issues guidelines for the remuneration of leading personnel. The board has appointed a remuneration committee consisting of three members from the board that are preparing matters for decision by the board. The CEO determines the remuneration and other terms of employment of the vice presidents within the framework resolved by the board.

The Interim CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that apply to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2013 the Interim CEO and the Norwegian based members in the Corporate Management have received an additional pension contribution corresponding to 20% of the salary between 12 and 24 base amounts (1 base amount is currently equal to NOK 85 245). The age of retirement is 67 years. The Interim CEO may under certain circumstances have the right to receive twelve months post-employment compensation. There is no other post-employment remuneration or employment protection beyond a normal notice period.

The Annual General Meeting approved in April 2013 to introduce 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 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. The share options were allocated to executive management with effect from 2 July 2013.

Per 31 December 2013, 3 975 000 options have been allocated to executive management. In addition to the allocated options, the board of directors has set aside 1 500 000 options which can be allocated to management in the future, including a new CEO when this position has been filled.

## Note 14 Receivables

NOK 76.6 million of the NOK 76.6 million in intra-group loans at 31 December 2013 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2013	2012
Kitron Hong Kong Ltd	24 528	13 688
Kitron Inc	36 480	33 420
UAB Kitron Real Estate	15 627	14 928
<b>Total</b>	<b>76 635</b>	<b>62 036</b>

## Note 15 Information on long-term liabilities to financial institutions

The company has long-term leasing debt to leasing company of NOK 10.2 million at 31 December 2013 (NOK 15.5 million at 31 December 2012). This is a 5 year finance agreement. There is no long-term bank financing at 31 December 2013. 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 2013.

## Note 16 Mortgages

<b>Mortgages</b> (Amounts in NOK 1000)	2013	2012
Debt secured by mortgages:	27 189	48 556
Carrying amount of assets provided as security:		
Machinery and equipment	2 570	4 083
Investment in subsidiaries	363 140	363 119
Receivables	133 114	153 509
<b>Total</b>	<b>498 824</b>	<b>520 711</b>

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 97.4 million at the end of 2013. The company has a cash deposit of NOK 11.1 million related to the group's factoring agreement with DNB Finans.

**Note 18 Items consolidated in the accounts****Other financial income and expenses**

(Amounts in NOK 1000)

	2013	2012
Dividend and group contribution	29 266	55 004
Currency gain	6 729	108
<b>Total other financial income</b>	<b>35 995</b>	<b>55 112</b>
<b>Financial expenses</b>		
Loss on intra-group receivables	9 355	-
Currency loss	-	5 266
Other financial expenses	1 185	1 485
<b>Total other financial expenses</b>	<b>10 540</b>	<b>6 751</b>



## Note 19 Changes in accounting principles

### Implementation of IAS 19R

The revised standard on accounting for employee benefits, IAS 19R, has been implemented from 1 January 2013. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise.

Past-service costs are recognised in the profit and loss in the period when a plan is amended. To get figures which are comparable the actuarial gains and losses by end of 2011 are included in the balance per 1 January 2012. New actuarial gains and losses are calculated by the end of the year. The total effect in the profit and loss for 2012 is insignificant. The tables in connection with this note show the changes in profit and loss and balance. For the equity there is shown a reconciliation from earlier reported values in 2012 and new values after implementing IAS 19R in the ordinary reconciliation earlier in the report.

As of 31 December 2012 pension commitments are increased by NOK 0.7 million (NOK 0.5 million per 01 January 2012) and deferred tax assets increased by NOK 0.2 million (NOK 0.1 million per 01 January 2012). The accounting effect on the Company's equity amounts to NOK minus 0.4 million per 01 January 2012 and NOK minus 0.5 million per 31 December 2012.

### Impact on profit and loss statement

(Amounts in NOK 1 000)	2012
Payroll expenses	-
Operating profit (EBIT)	-
Tax	-
Profit (loss) for the period	-

### Impact on balance sheet

(Amounts in NOK 1 000)	31.12.2012	01.01.2012
<b>Assets</b>		
Deferred tax assets	191	145
<b>Total assets</b>	191	145
<b>Equity and liabilities</b>		
Equity	(493)	(372)
<b>Total equity</b>	(493)	(372)
Pension commitments	684	517
<b>Total long-term liabilities</b>	684	517
<b>Total equity and liabilities</b>	191	145



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 2013, 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 2013, 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.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo  
 T: 02316, org. no.: 987 009 713 MVA, www.pwc.no  
 Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



*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 2013, 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 2013, 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, 18 March 2014  
**PricewaterhouseCoopers AS**

Herman Skibrek  
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

# Responsibility statement

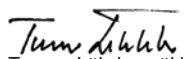
**“We confirm to the best of our knowledge that:**

- the consolidated financial statements for 2013 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 2013 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway,

**and that**

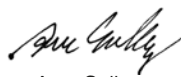
- the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that
- the Board of Directors' report gives a true and fair view of the development, performance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

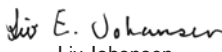
Oslo, 18 March 2014

  
Tuomo Lähdesmäki  
Chairman

  
Siri Hatlen  
Siri Hatlen

  
Päivi Marttila  
Päivi Marttila

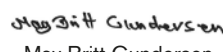
  
Arne Solberg  
Deputy chairman


  
Liv Johansen  
Employee elected board member

  
Geir Vedøy  
Employee elected board member

  
Dag Songedal  
Interim CEO

  
Martynas Cesnavicius

  
May Britt Gundersen  
Employee elected board member

  
Bjørn Gottschlich  
Employee elected board member



# 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, and it is the board's intention to comply with the Norwegian Code of Practice for Corporate Governance dated 23 October 2012 ("the Code"). The code is available at [www.nues.no](http://www.nues.no)

## Basic values and ethical guidelines

The board has stated Kitron's purpose and core values as presented in the annual report, and the board has prepared and implemented ethical guidelines which reflect these values. The ethical guidelines also include guidelines for corporate social responsibility.

## 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.

## Equity and dividends

The parent company's share capital at 31 December 2013 amounted to NOK 17.3 million. The share capital was during 2013 reduced from 172.9 million to 17.3 million by reducing the nominal value of the shares from NOK 1 to NOK 0.10. The reduction amount of 155.6 million was allocated to other equity.

Total equity for the group at 31 December 2013 was NOK 473.7 million, corresponding to an equity ratio of 43.5 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 acquire treasury shares are presented in the shareholder information section of the annual report. The mandates are in accordance with the Code.

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.

## Equal treatment of shareholders and transactions with close associates

The shares are freely negotiable. The articles of association include no form of restriction on negotiability. All shares have equal voting rights and there is only one class of shares. No new shares were issued in 2013.

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, who 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.

## 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](http://www.newsweb.no), ticker: KIT) and on Kitron's website.

### **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, and new members of the nomination committee.

### **Board of directors: composition and independence**

According to the articles of association, the board shall consist of seven to eleven members as resolved by the general meeting. The annual general meeting in 2012 resolved that the board shall have eleven members. It follows from the rules for employee representation that the board thus consists of seven shareholder-elected members and four 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 three major shareholders are represented by four board members; Sievi Capital plc. by two members, Kongsberg Gruppen ASA by one member and Amber Trust II by one member. The remaining three shareholder-elected board members are independent of the major shareholders. The representation of shareholders was proposed by the nomination committee and unanimously resolved by the general meeting.

The board was reduced to ten at the end of 2012, as one of the board member representatives of Sievi Capital plc, Harry Takanen, resigned and left a position vacant. The general meeting elected Päivi Marttila, filling the vacant position representing Sievi Capital plc and the board was increased to 11 members.

All the shareholder-elected board members are independent of the executive management. Further information about the board members is presented in the annual report and on the company's website.

### **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 one time per 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, 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.

### **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 2013 there were five audit committee meetings.

### **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).

### **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.

Kitron's cost base for operations consists of material cost, employee cost and plant and machinery cost. The material cost is to a large degree priced in international currencies, with prices set or derived from global raw material and component markets. Employee and plant costs are incurred in respective local currencies, mainly NOK, SEK and LTL. Machinery investments are predominantly internationally priced. Kitron's revenues are mainly booked in NOK and SEK, but also in USD and EUR, with currency fluctuation and raw material price clauses included when appropriate. The company considers the mix as reasonably balanced.

To balance the financial risk and shareholders' interests, the equity ratio should be above 25 per cent.

Kitron's equity ratio was 43.5 per cent at the end of 2013. Kitron's debt is predominantly short-term. The equity ratio and liquidity has been stable and on a satisfactory level in the past year.

Kitron does not employ any off balance sheet financial instruments for hedging or leverage, or for funding. The company has entered into conventional financial

leasing agreements, which are reported in the financial statements.

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.

#### **Remuneration of the board of directors**

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.

Board members may 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.

#### **Remuneration of senior executives**

The board has resolved guidelines to the CEO for remuneration to senior executives. The salary and other remuneration of the CEO shall be decided by a convened meeting of the board.

The Annual General Meeting approved in April 2013 to introduce 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 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. The share options were allocated to executive management with effect from 2 July 2013.



Kitron reports all forms of remuneration received by the chief executive and each of the other members of the executive management. For one or more executives, the remuneration may include performance related cash bonus. Details about remuneration of the executive management are provided in the notes to the annual financial statements.

### **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 endeavor to ensure that all shareholders have equal access to the same information. Kitron comply with Oslo Børs' recommendation on reporting of IR information.

All information distributed to the shareholders is published on Kitron's website ([www.kitron.com](http://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](http://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.

Kitron has established contingency plans for information management in the case of issues or situations that could impact the company's reputation.

### **Takeovers**

There are no authorisations or other measures in place with the intention to prevent possible takeovers. In the event of a takeover bid, the fundamental principle for the board of Kitron will be equal treatment of all shareholders. If such a situation should arise, the board will comply with the recommendations on takeovers in the Code.

### **Auditor**

PricewaterhouseCoopers AS (PwC) has been the company's auditor since 2005. PwC has issued a written confirmation that PwC continues to satisfy the requirements for independence. As part of the 2013 audit, PwC submitted the main features of the plan for the audit to the board. In addition, the auditor participated in the meeting of the board that dealt with the annual financial statements.

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

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. PwC has provided the board with a summary of all services that have been undertaken for Kitron for the accounting year 2013. The fees paid for audit work and fees paid for other specific assignments are specified in the notes to the financial statements.



# 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 2013 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, 3 975 000 options have been allocated to executive management. In addition to the allocated options, the board of directors has set aside 1 500 000 options which can be allocated to management in the future, including a new CEO when this position has been filled.

## Stock market listing

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

During 2013 the share price moved from NOK 2.04 to NOK 1.81, a decrease of 11.3 per cent. The Oslo Børs Main Index increased by 20.8 per cent during the same period. The share price has varied between NOK 1.70 and NOK 2.30. At the end of 2013 the company's market capitalisation was NOK 313.1 million. A total of 5.3 million shares were traded during the year, corresponding to a turnover rate of 3.1 per cent.

## Shareholder structure

At the end of 2013 Kitron had 2 564 shareholders, compared with 2 694 shareholders at the end of 2012. 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 2013. Kongsberg Gruppen ASA is also one of the company's largest customers. Amber Trust II SCA is the third significant shareholder with 13.77 per cent of the shares. The 20 largest shareholders held a total of 85.65 per cent of the company's shares at the end of the year.

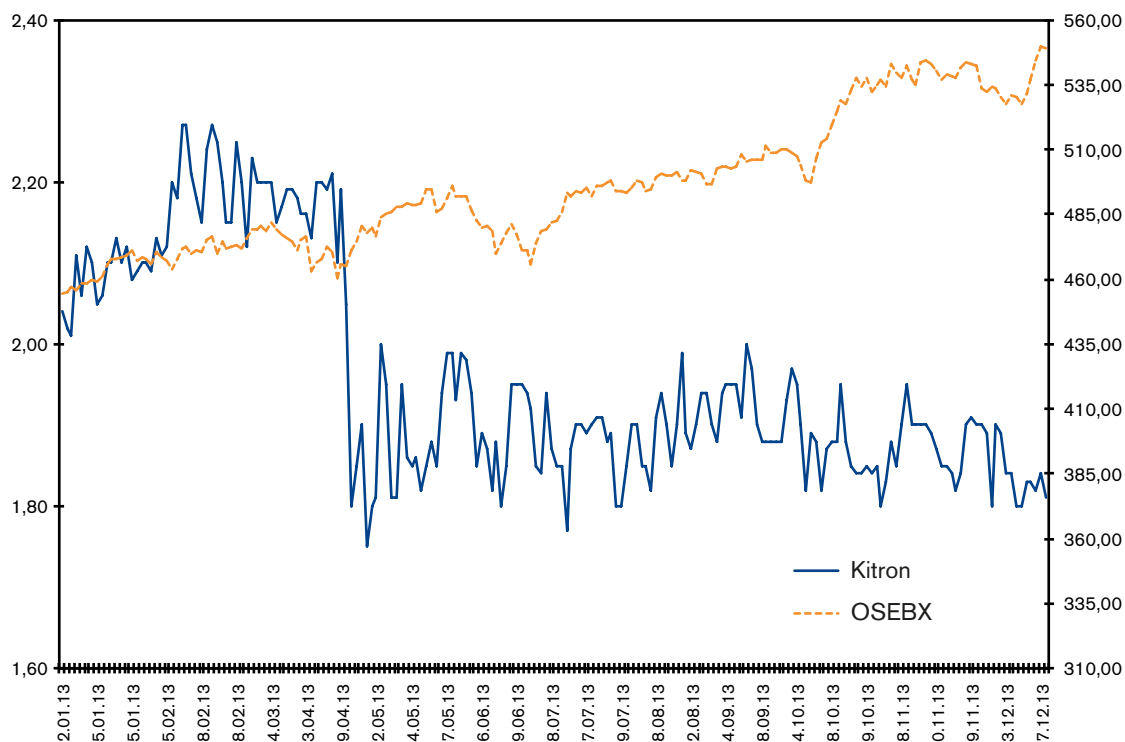
## Mandates

### Increasing the share capital

The ordinary general meeting of 22 April 2013 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 22 April 2013. The total amount by which the share capital may be increased is NOK 1 729 616.25. The authority applies until the ordinary general meeting in 2014, but no longer than 30 June 2014. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2013.

### Own shares

The ordinary general meeting on 22 April 2013 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 22 April 2013. 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 2014 but no longer than 30 June 2014. The authority had not been exercised at 31 December 2013.



Share price Kitron vs Oslo Stock Exchange – 2013

**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](http://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](http://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.



# 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 Oy and Leiras Oy, General Manager at Swatch Group and Vice President at Nokia Mobile Phones. He is the chairman of the board of Aspocomp Oy and a board member of Apetit Oy, Vaaka Partners Oy, Yliopiston Apteekki and Metsä Tissue Oy. Tuomo Lähdesmäki was elected in to the board at the extraordinary general meeting at 21 February 2014, and elected as chairman on the board meeting following the same day. Mr. Lähdesmäki has therefore not attended any board meetings in 2013.

### Arne Solberg

#### Vice Chairman of the Board

*Elected for the period 2014-2016*

Arne Solberg is 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. At the end of 2013 Kongsberg Gruppen ASA controlled 33 439 153 shares in Kitron ASA. Mr Solberg has been on the Kitron board since 2000, and has attended 9 out of 10 board meetings in 2013.

### 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 Dzirnarnieks among others. Previously, he has been a board member of Teo. It, Sanitas and Snaige. At the end of 2013 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 attended 9 out of 10 board meetings in 2013.

### Bjørn Gottschlich

#### Board Member, elected by and among the employees

*Elected for the period 2012-2014*

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 and has attended 8 out of 10 board meetings in 2013.

### May Britt Gundersen Board Member, elected by and among the employees

*Elected for the period 2012-2014*

May Britt Gundersen is born in 1949 and is a Norwegian citizen. She is working as a Senior Planner at Kitron AS in Arendal, where she has been employed since 1976. Ms Gundersen has been on the Kitron board since 2009 and attended 10 out of 10 board meetings in 2013.

### 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 for major offshore projects for Statoil, later as a consultant and as 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 Managing Director of Oslo University Hospital. Currently Hatlen is chair of the board of Sevan Marine ASA; Entra AS, NMBU (Norwegian University of Life Sciences), Ungdoms-OL 2016, Teknologirådet and DNT Oslo. She is a board member of Norske Skog ASA and Eksportkreditt. Siri Hatlen has been part of the Kitron board since 2012 and has attended 9 out of 10 board meetings in 2013.



**Liv E. Johansen**  
**Board Member, elected by and among the employees**

*Elected for the period 2012–2014*

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 attended 10 out of 10 board meetings in 2013.

**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 and 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 in the management consultancy company Midagon Ltd. Ms Marttila is the chairman of the board of Efore Plc and the member of the board of Aspocomp Group Plc and Panphonics Ltd. She joined the Kitron board in April 2013 and has attended 6 out of 10 board meetings in 2013.

**Geir Vedøy**  
**Board Member, elected by and among the employees**

*Elected for the period 2012–2014*

Geir Vedøy is born in 1966 and is a Norwegian citizen. He holds a Bachelor of Science, Electronics and is now working as a Project Manager at Kitron AS in Arendal, where he has been employed since 1985 in various leadership positions within production and testing. Vedøy works now as a Department Manager in NPI. He has been on the Kitron board since 2007 and has attended 10 out of 10 board meetings in 2013.

**Management**  
**Dag Songedal**  
**Interim CEO, Kitron ASA and Managing Director, Kitron AS**

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 in 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.

**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 in Kitron since 2007.

**Thomas Löfgren**  
**Managing Director, Kitron AB**

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 in Saab. Mr Löfgren has been in Kitron since 2000 where he has held the positions of Manufacturing Manager, Site Manager and Managing Director in Kitron Microelectronics AB, now Kitron AB.

**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.

**Israel Losada Salvador**  
**COO**

Israel Losada Salvador is born in 1973 and is a Spanish citizen. He holds a Masters degree in Finance & Administration from NHH (Norway) and a Masters 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.

**Mindaugas Sestokas**  
**Managing Director, UAB Kitron**

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 in 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.

# 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)





## Addresses

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