Quarterly report, Q3 2014
to shareholders in Glamox AS

Highlights

- Healthy growth in order intake (+8.2%) and turnover (+7.5%) during quarter.
- Operating profit for the quarter of NOK 67.7 mill (NOK 59.4 mill). Operating margin of 13.2% (12.5% last year).
- Profit before taxes of NOK 69.3 mill (NOK 59.6 mill).
- Sale of products with LED technology continues to show strong growth.
- Decision made to relocate Norselight production from Halden to Germany.

Main figures for Glamox Group

	Q3		01.01.-30.09		01.01.-31.12.
Profit & Loss	**2014**	**2013**	**2014**	**2013**	**2013**
(MNOK)					
Order intake	512.3	473.6	1 661.3	1 503.3	2 055.6
Revenues	510.8	475.2	1 625.8	1 432.5	1 997.0
Operating profit	67.7	59.4	208.1	153.1	202.6
Operating profit margin	13.2%	12.5%	12.8%	10.7%	10.1%
Profit before tax	69.3	59.6	211.0	158.5	208.1
Profit after tax	51.0	43.0	155.2	114.2	148.5
Cash flow from operations 1)	46.3	29.6	125.1	111.0	216.7
Earnings per share (in NOK)	0.77	0.65	2.35	1.73	2.25

Balance	**30.09.2014**	**30.09.2013**	**31.12.2013**
(MNOK)			
ASSETS			
Fixed assets	257	266	272
Current assets	1 166	1 033	1 127
TOTAL ASSETS	1 423	1 299	1 399
EQUITY AND LIABILITY			
Equity	791	687	635
Long-term debt	243	271	291
Short-term debt	389	341	473
TOTAL EQUITY AND LIABILITIES	1 423	1 299	1 399

1) Profit before tax, plus net depreciation and amortisation of goodwill, plus/minus changes in working capital, minus investments in fixed assets.

Order Intake and Revenues

The Group's order intake for the quarter totalled NOK 512.3 mill (NOK 473.6 mill), an increase of 8.2%. As of 30 September, the Group's order intake totalled NOK 1,661.3 mill (NOK 1,503.3 mill), an increase of 10.5%.

The quarterly revenues were NOK 510.8 mill (NOK 475.2 mill), an increase of 7.5%. As of 30 September, the Group's revenues totalled NOK 1,625.8 mill (NOK 1,432.5 mill), an increase of 13.5%.

Sale of products with LED technology continues to show good growth compared to last year. The proportion of products with LED technology as part of total revenues also continues to increase.

Professional Building Solutions (PBS)

The PBS division provides total lighting solutions to the professional building market. The most important markets served by this division are Central and Northern Europe, as well as the United States for arm-based table and illuminated magnifier lamps. The level of activity in the new construction, restoration and professional building modernisation sectors drives developments in the individual markets.

Most of our main markets show healthy growth so far this year. This applies to Norway, Sweden and Germany. An increased demand for products with LED technology contributes to this valuable growth in the market. Sales of these products yields higher prices than products with conventional technology. We have better growth in turnover than the market in general on several key markets. However, we are also experiencing increasing price pressure, especially with regard to LED products. In addition to traditional competitors, the new LED technology has also led to the appearance of many new ones.

Incoming orders at PBS during the 3rd quarter totalled NOK 313.9 mill (NOK 292.5 mill), an increase of 7.3% compared to last year. Order intake for PBS as of 30 September totalled NOK 1,020.3 mill (NOK 940.2 mill), an increase of 8.5%.

Revenues for the quarter were NOK 329.8 mill (NOK 312.8 mill), an increase of 5.4%. Revenues for PBS as of 30 September totalled NOK 1,010.4 mill (NOK 936.3 mill), an increase of 7.9%.

Global Marine & Offshore (GMO)

The GMO division delivers professional lighting solutions to the global marine and offshore markets. The activity level within new-build, rebuilding and refurbishment of all types of maritime vessels and offshore installations controls market growth for this division.

We continue to experience a high level of activity on our two most important segments, commercial marine and oil & gas. In addition to Korea and Singapore, where we have consolidated strong market positions, China is showing particularly good growth this year.

The prospects for these two segments moving forward are much more uncertain. There has been a downturn in new contracts from shipyards within commercial marine over the last six months. Total downturn is now close to 30%, and applies to yards in both Asia and Europe. Significantly fewer mobile drilling rigs have been ordered in the oil & gas segment this year, whilst the number of FPSOs is on a par with 2013. The oil companies are also signalling reduced activities within the maintenance and upgrade market. Lower activities on both these two key segments might affect the divisions' order intake and turnover in 2015.

Market prospects for the recreational boat market continue to be weak. The division has seen a minor increase in Europe, whilst the USA is on the same level as in 2013. Order intake for Cruise is lower than in 2013, and navy sales are weaker than expected.

Order intake for GMO during Q3 totalled NOK 193.9 mill (NOK 181.1 mill), an increase of 7.1%. Order intake for GMO as of 30 September totalled NOK 626.0 mill (NOK 563.2 mill), an increase of 11.2%.

Revenues for the quarter was NOK 184.3 mill (NOK 163.8 mill), an increase of 12.5 %. Revenues for GMO as of 30 September totalled NOK 616.8 mill (NOK 496.3 mill), an increase of 24.3%.

Group Profit

The Group had an operating profit in the quarter of NOK 67.7 mill (NOK 59.4 mill). This gave an operating margin of 13.2% (12.5%). Operating profit for the quarter includes an allocation to one-off costs of NOK 5 mill for relocation of Norselight production. The operating result as of 30 September was NOK 208.1 mill (NOK 153.1 mill). This gave an operating margin of 12.8 % (10.7%).

Profit before tax for the quarter was NOK 69.3 mill, compared to NOK 59.6 mill last year. As of 30 September, the profit before tax was NOK 211.0 mill, compared to NOK 158.5 mill last year.
Profit after tax for the quarter was NOK 51.0 mill, compared to NOK 43.0 mill last year. As of 30 September, the profit after tax was NOK 155.2 mill, compared to NOK 114.2 mill last year.

The increase in profits is due to higher revenues and slightly improved gross margins. We are also experiencing a slight increase in our costs, primarily as a result of our further strengthening of the sales team in a number of markets and a continued high activity level in product development. The long-term investment in product development is a vital factor for the high profitability enjoyed by the group over several years. Many new products have also been launched this year. Glamox still has extensive production in Norway. A weaker Norwegian crown compared to last year has improved competitive strength for this production.

Cash Flow and Liquidity

The quarterly cash flow from operations after investing in business assets was NOK 46.3 mill (NOK 29.6 mill). The positive cash flow is primarily due to the positive contribution from results for the period. Quarterly investments amount to NOK 8.9 mill, compared to NOK 5.5 mill.

The liquidity reserve at the end of the year was NOK 692 mill (NOK 614 mill).

Capital Situation

The Group had equity of NOK 791.2 mill (55.6%) as of 30/09/2014. At the start of the year, it was NOK 635.2 mill (45.4%).

The Group’s net interest-bearing deposits as of 30/09/2014 were NOK 310 mill. At the same point last year, the Group's net interest-bearing deposits amounted to NOK 218 mill.

Extraordinary dividend

In response to a request from the main shareholder Arendals Fossekompani ASA (AFK), the Board of Glamox AS resolved at a meeting on 25.8.2014 to recommend that the company pays an extraordinary dividend of NOK 6.06 per share (approx. NOK 400 mill). The dividend will be on the agenda of an

extraordinary general meeting to be held in Q4.
The full board of AFK emphasises that the request for a one-off dividend does not represent a change of course as the long-term industrial shareholder in Glamox. Glamox' strategy and business will continue and be developed in accordance with the strategies and plans in place. Glamox will continue to be one of AFK's key industrial investments. It is in AFK's interests that Glamox is perceived by customers, employees and shareholders alike as a solid, attractive and development-oriented group with high levels of solvency and earnings.

Offer to buy shares

Arendals Fossekompani ASA (AFK), owner of 73.5% of the shares in Glamox AS, submitted an offer to the minority shareholders in September to buy their shares at a price of NOK 30 per share before dividends. The deadline for acceptance expired on Monday 6 October. As of 15 October, AFK owned 74.3% of the shares.

Contract of employment for CEO

CEO Kjell Stamnes has decided to step down from his post in June 2015 after 13 years of successful service. The Board has acknowledged his notice.

Relocation of Norselight production

On the recommendation of the administration, the Glamox Board decided at a meeting on 26.8.2014 to relocate production of the Norselight searchlights from Halden to the group's production facility in Germany. Successive transfer will be initiated of all support functions related to Norselight production from Halden to Germany.

Profit from Norselight has been poor for many years, with an actual deficit in some years.
Despite many measures in a number of areas, we have been unable to bring Norselight up to an acceptable level of profitability.

Outlook

Continued cautious growth on the main markets of both divisions is expected for the rest of the year. The prospects for 2015 are now more uncertain, especially for the Marine & Offshore Division.

Work on reinforcing the sales teams on certain markets will continue, despite the uncertain market situation. Strong investment in product development is a key part of our strategy. We continue to experience increasing price pressure in several of our markets. We continue to work on making production more effective and reducing material costs.

The company expects a result in 2014 that is better than 2013.

Oslo, 20 October 2014

Bjørn Arnestad	Kjell Stamnes
Chairman of the Board (signature)	CEO (signature)