

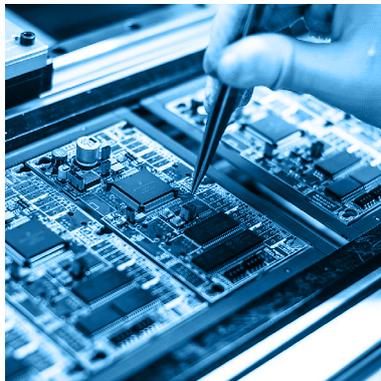
THIRD QUARTER
REPORT 2020

Q3



Defence/Aerospace
Energy/Telecoms
Industry
Medical devices
Offshore/Marine

Norway
Sweden
Lithuania
Germany
Poland
China
USA



Kitron

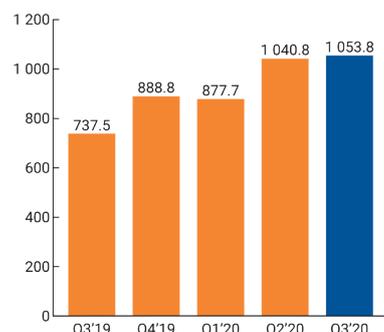
Your ambition. Our passion.

Third quarter report 2020

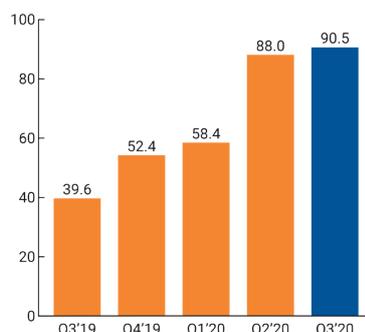
Record performance continues

- Record revenue
- Strong order backlog
- Improved profitability
- Dividend distribution

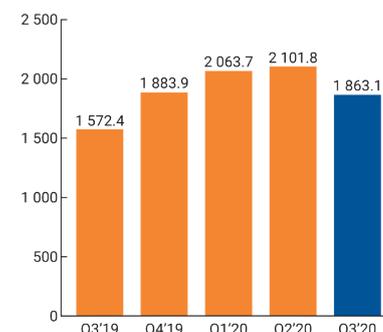
REVENUE Group
NOK million



EBIT Group
NOK million



ORDER BACKLOG Group
NOK million



Record revenue

Kitron's revenue for the third quarter was NOK 1 054 million (NOK 738 million), an increase of 43 per cent compared to last year.

Growth adjusted for foreign exchange effects in consolidation was 35 per cent.

There was strong growth within the Defence/Aerospace and Industry sectors, and very strong growth within the Medical devices sector, the latter largely related to the corona pandemic situation.

Strong order backlog

The order backlog ended at NOK 1 863 million, an increase of 18 per cent compared to last year. The order backlog increased within all market sectors except Offshore/Marine. Growth is particularly strong in the Industry sector. Adjusted for changes in currency rates, the order backlog increase was 12 percent compared to last year.

Improved profitability

Third quarter EBITDA* was NOK 115.7 million (NOK 59.7 million), an increase of 94 per cent compared to last year. Operating profit (EBIT)* for the third quarter ended at NOK 90.5 million (NOK 39.6 million), an increase of 129 per cent.

Profitability expressed as EBIT margin* was 8.6 per cent (5.4 per cent). Profit after tax was NOK 60.9 million (NOK 24.6 million), an increase of 147 per cent and corresponding to NOK 0.34 earnings per share (NOK 0.14).

First three quarters EBITDA* was NOK 312.2 million (NOK 203.3 million), an increase of 54 per cent from last year. Operating profit

(EBIT)* for the first three quarters ended at NOK 236.9 million (NOK 147.3 million), an increase of 61 per cent.

Profitability expressed as EBIT margin* was 8.0 per cent (6.1 per cent). Profit after tax was NOK 166.0 million (NOK 98.5 million), an increase of 69 per cent and corresponding to NOK 0.93 earnings per share (NOK 0.55).

Capital efficiency ratios improved

The strong growth has challenged operating cash flow, which ended at negative NOK 3.2 million, compared to 19.2 million in the third quarter of 2019.

Net working capital was NOK 1 134 million, an increase of 28 per cent compared to the same quarter last year. However, capital efficiency ratios improved. Cash cycle conversion improved from 116 days to 96 days, and net working capital as a percentage of revenue was 25.1 per cent, compared to 29.5 per cent last year. Return on operating capital (ROOC) R3 was 22.4 per cent compared to 12.0 per cent in the same quarter last year.

Capital efficiency ratios are expected to improve further.

Dividend distribution

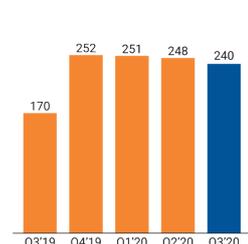
As a result of the corona pandemic, no dividend was proposed at the annual general meeting. Instead, the annual general meeting granted an authorization to the Board of Directors to resolve a dividend. After the end of the third quarter, and pursuant to the authorisation granted by the general meeting, the Board of Directors has resolved a dividend of NOK 0.50 per share.

Key figures

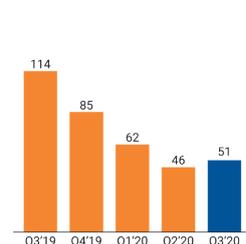
NOK million	Q3 2020	Q3 2019	Change	30.09.2020	30.09.2019	Change	Full year 2019
Revenue	1 053.8	737.5	316.3	2 972.3	2 410.6	561.7	3 299.4
EBIT	90.5	39.6	50.9	236.9	147.3	89.6	201.5
Order backlog	1 863.1	1 572.4	290.7	1 863.1	1 572.4	290.7	1 883.9
Operating cash flow	(3.2)	19.2	(22.4)	104.8	98.0	6.7	195.2
Net working capital	1 134.1	886.7	247.4	1 134.1	886.7	247.4	941.8

* For definition – See Appendix "Definition of Alternative Performance Measures"

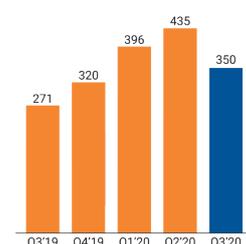
REVENUE Defence/Aerospace NOK million



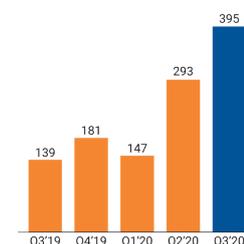
REVENUE Energy/Telecoms NOK million



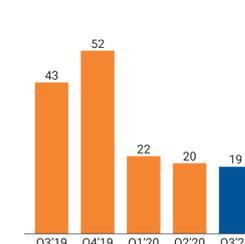
REVENUE Industry NOK million



REVENUE Medical devices NOK million



REVENUE Offshore/Marine NOK million



Markets

Order intake

Order intake in the quarter was NOK 815.1 million, which is 3.8 per cent lower than for the third quarter 2019. The order backlog ended at NOK 1 863.1 million, which is 18.4 per cent higher than the same period last year.

Four-quarter moving average order intake was down from NOK 1 034.9 million at the beginning of the third quarter to NOK 1 026.8 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

Defence/Aerospace

The Defence/Aerospace sector consists of three main product divisions: military and civil avionics, military communication and weapon control systems.

The high level of activity in the defence sector continues, driven by military communications equipment in Norway and supported by increased radar defence project deliveries in Sweden.

Kitron's expansion of its footprint in the F35 program secures the company's future position as a strong partner within the defence sector.

The Defence/Aerospace sector is in general characterized by project deliveries. Military aviation programs constitute an increasing share of Defence/Aerospace revenue, and as a consequence there will be large fluctuations in order backlog, as these customers tend to place longer orders than normal in the defence sector.

Energy/Telecoms

Within the Energy/Telecoms sector Kitron offers clients particular expertise in manufacturing products such as optical transmission systems, high frequency microwave modules, radio frequency (RF) and remote measurement of electrical metering. The main product divisions within Energy are control systems for high-voltage direct current (HVDC) technology, and metering technology.

Revenue market sectors

NOK million	Q3 2020	Q3 2019	Change	30.09.2020	30.09.2019	Change	Full year 2019
Defence/Aerospace	240.0	169.5	70.5	738.4	491.7	246.7	743.2
Energy/Telecoms	50.5	114.5	(63.9)	158.7	389.6	(230.9)	474.4
Industry	349.7	270.9	78.7	1 180.3	951.9	228.5	1 271.4
Medical devices	394.7	139.5	255.2	833.8	415.3	418.5	595.9
Offshore/Marine	18.9	43.1	(24.2)	61.0	162.0	(101.0)	214.5
Total group	1 053.8	737.5	316.3	2 972.3	2 410.6	561.7	3 299.4

Order Backlog market sectors

NOK million	30.09.2020	30.09.2019	Change	31.12.2019
Defence/Aerospace	663.9	657.6	6.2	848.5
Energy/Telecoms	264.5	174.7	89.8	219.4
Industry	631.3	399.6	231.7	489.5
Medical devices	239.5	207.1	32.4	211.1
Offshore/Marine	63.9	133.4	(69.5)	115.5
Total group	1 863.1	1 572.4	290.7	1 883.9

Revenue geographic markets

NOK million	Q3 2020	Q3 2019	Change	30.09.2020	30.09.2019	Change	Full year 2019
Norway	150.3	124.1	26.2	433.3	424.8	8.6	589.0
Sweden	555.9	320.1	235.8	1 344.7	1 010.3	334.5	1 374.2
Rest of Europe	168.1	135.0	33.2	591.2	501.3	89.8	685.5
USA/Canada	169.5	142.8	26.7	559.0	405.8	153.2	559.0
Others	10.0	15.7	(5.6)	44.1	68.4	(24.3)	91.7
Total group	1 053.8	737.5	316.3	2 972.3	2 410.6	561.7	3 299.4

Industry

Within the Industry sector Kitron operates and delivers a complete range of services within industrial applications like automation, environmental, material warehousing and security. The Industry sector consists of three main product areas: control systems, electronic control units and automation.

Medical devices

The Medical device sector consists of three main product areas: ultrasound and cardiology systems, respiratory medical devices and Lab/IVD (In-Vitro Diagnostics).

Offshore/Marine

Kitron divides the Offshore/Marine sector into three main areas: subsea production systems, oil and gas exploration equipment, as well as navigation, positioning, automation and control systems for the marine sector. The offshore marine sector is project driven and therefore fluctuating in demand.

Operations

Organisation

The Kitron workforce corresponded to 1 797 full-time employees (FTE) on 30 September 2020. This is an increase of 37 FTE since the third quarter of 2019. Kitron has since established a facility in Poland adding another 134 FTE and made demand related adjustments of FTEs primarily in Lithuania. The number of FTE in lower-cost regions now accounts for 72 per cent of the total.

The company's total payroll expenses in the third quarter were NOK 28.1 million higher than in the corresponding period in 2019. The relative payroll costs ended at 15.0 per cent, down from 17.6 per cent of revenue in the third quarter last year.

Finance

Net financial items

During the quarter, net financial items amounted to a net cost of NOK 10.3 million. The corresponding figure for third quarter last year was a net cost of NOK 6.5 million. Net disagio for the third quarter amounted to NOK 4.0 million (2019: agio NOK 2.7 million). Intragroup financial loans to subsidiaries in foreign currencies as of 30 September 2020 that are affecting net financial income total USD 2.4 million and EUR 1.9 million.

Balance sheet

Kitron's gross balance sheet as of 30 September 2020 amounted to NOK 2 891.2 million, compared to NOK 2 232.9 million at the same time in 2019. The increase is due to revenue growth, establishment of the plant in Poland and the weakened NOK currency in 2020.

Equity was NOK 983.3 million (NOK 710.1 million), corresponding to an equity ratio of 34.0 per cent (31.8 per cent). Equity is influenced by foreign exchange effects from consolidation of foreign subsidiaries.

Inventory was NOK 571.3 million as of 30 September 2020 (NOK

Revenue business entities

NOK million	Q3 2020	Q3 2019	Change	30.09.2020	30.09.2019	Change	Full year 2019
Norway	228.6	177.4	51.1	704.9	607.3	97.6	851.0
Sweden	212.8	142.8	70.0	543.7	498.2	45.6	663.6
CEE	292.5	243.8	48.7	952.7	843.7	108.9	1 132.2
Others	409.6	205.4	204.2	962.0	560.7	401.3	787.2
Group and eliminations	(89.6)	(31.9)	(57.7)	(190.9)	(99.3)	(91.6)	(134.7)
Total group	1 053.8	737.5	316.3	2 972.3	2 410.6	561.7	3 299.4

EBIT business entities

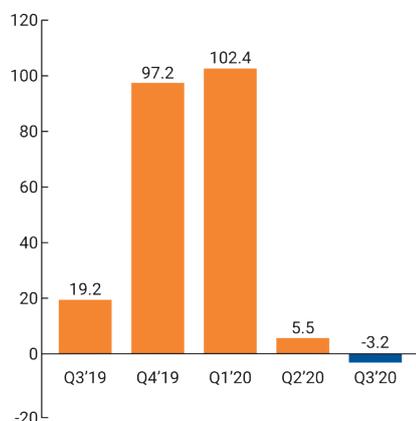
NOK million	Q3 2020	Q3 2019	Change	30.09.2020	30.09.2019	Change	Full year 2019
Norway	14.9	8.1	6.7	48.7	30.8	17.8	44.0
Sweden	13.2	8.5	4.7	35.0	31.6	3.4	42.0
CEE	16.0	14.8	1.2	61.6	63.0	(1.4)	67.2
Others	53.4	11.9	41.5	116.9	37.6	79.3	68.0
Group and eliminations	(6.9)	(3.7)	(3.2)	(25.3)	(15.8)	(9.5)	(19.8)
Total group	90.5	39.6	50.9	236.9	147.3	89.6	201.5

Full time employees

	30.09.2020	30.09.2019	Change	31.12.2019
Norway	311	300	11	213
Sweden	192	197	(5)	191
CEE	859	846	13	895
Other	435	417	18	324
Total group	1 797	1 760	37	1 722

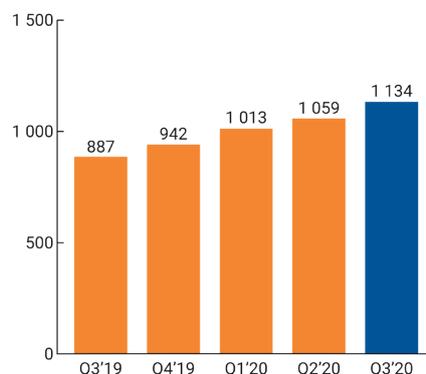
OPERATING CASH FLOW Group

NOK million



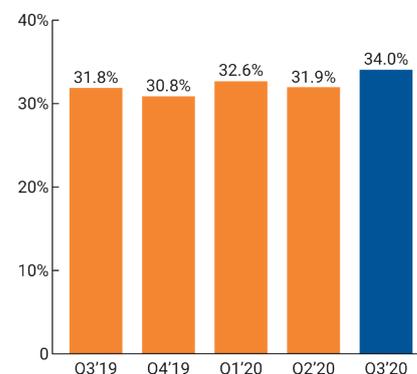
NET WORKING CAPITAL Group

NOK million



EQUITY RATIO Group

Per cent



498.8 million). Inventory turns* was 2.8 in the third quarter 2020, which is a decrease compared to third quarter last year (3.2).

Accounts receivables amounted to NOK 966.9 million at the end of the third quarter of 2020. The corresponding amount at the same time in 2019 was NOK 669.2 million.

Contract assets was NOK 428.6 million as of 30 September 2020, compared to NOK 279.5 million at the same time in 2019.

Tangible fixed assets amounted to NOK 524.3 million at the end of the third quarter, compared to NOK 500.8 million at the same time last year. The increase is mainly due to effects from the establishment of the plant in Poland.

The group's reported net interest-bearing debt* amounted to NOK 764.7 million as of 30 September 2020 (NOK 779.7 million). Net gearing of the company was 0.78 (0.90). Net interest-bearing debt/EBITDA is 1.9 for 12 months rolling compared to 3.0 for the same period last year. The net gearing and net interest-bearing debt/EBITDA exclusive IFRS 16 effects are 0.6 and 1.7 respectively.

Outlook

For 2020, Kitron has previously indicated a revenue outlook of between NOK 3 500 and 3 800 million and an EBIT margin between 6.7 and 7.5 per cent.

Due to increased growth in the Defence/Aerospace, Industry and Medical devices sectors, overall profitability improvement and favourable currency, revenue is now expected to be between 3 850 and 4 000 million, EBIT margin is expected to be between 7.6 and 7.8 per cent.

As previously reported, demand within the Medical devices sector, driven by the Corona pandemic, has been particularly strong in the second and third quarter. This is expected to normalize in the fourth quarter and going forward.

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

Oslo, 20 October 2020, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q3 2020	Q3 2019	30.09.2020	30.09.2019	Full year 2019
Revenue	1 053 847	737 530	2 972 288	2 410 572	3 299 416
Cost of materials	716 406	503 868	2 001 679	1 642 289	2 220 203
Payroll expenses	157 943	129 824	490 335	435 714	592 859
Other operational expenses	55 854	44 590	162 430	126 053	196 495
Other gains / (losses)	(7 909)	449	(5 627)	(3 208)	(4 304)
Operating profit before depreciation and impairments (EBITDA)	115 735	59 696	312 216	203 308	285 555
Depreciation	25 222	20 117	75 362	56 043	84 056
Operating profit (EBIT)	90 513	39 579	236 854	147 266	201 500
Net financial items	(10 340)	(6 494)	(22 793)	(22 129)	(31 918)
Profit (loss) before tax	80 173	33 085	214 061	125 137	169 581
Tax	19 321	8 454	48 057	26 668	37 079
Profit (loss) for the period	60 852	24 631	166 004	98 468	132 502
Earnings per share-basic	0.34	0.14	0.93	0.55	0.74
Earnings per share-diluted	0.34	0.14	0.92	0.55	0.74

Condensed balance sheet

NOK 1 000	30.09.2020	30.09.2019	31.12.2019
ASSETS			
Goodwill	36 933	32 428	36 933
Other intangible assets	47 765	12 130	27 958
Tangible fixed assets	524 252	500 832	507 091
Deferred tax assets	77 579	75 299	86 770
Other receivables	5 223	2 391	2 206
Total non-current assets	691 754	623 082	660 959
Inventory	571 332	498 848	445 600
Accounts receivable	966 880	669 246	696 934
Contract assets	428 624	279 470	313 719
Other receivables	92 618	100 245	75 025
Cash and cash equivalents	140 024	62 050	203 976
Total current assets	2 199 477	1 609 860	1 735 253
Total assets	2 891 231	2 232 941	2 396 212
LIABILITIES AND EQUITY			
Equity	983 302	710 084	739 213
Total equity	983 302	710 084	739 213
Deferred tax liabilities	4 936	6 804	16 132
Loans	313 674	299 379	331 029
Pension commitments	5 896	5 966	5 896
Total non-current liabilities	324 506	312 149	353 057
Accounts payable	832 734	560 833	514 430
Other payables	127 733	94 558	126 471
Tax payable	31 907	12 911	5 775
Loans	591 049	542 407	657 266
Total current liabilities	1 583 423	1 210 708	1 303 942
Total liabilities and equity	2 891 231	2 232 941	2 396 212

Condensed cash flow statement

NOK 1 000	Q3 2020	Q3 2019	30.09.2020	30.09.2019	Full year 2019
Profit before tax	80 173	33 085	214 061	125 137	169 581
Depreciations	25 222	20 117	75 362	56 043	84 056
Change in inventory, accounts receivable, contract assets and accounts payable	(74 951)	46 073	(192 280)	(7 782)	(62 872)
Change in net other current assets and other operating related items	(40 545)	(55 083)	(7 506)	(77 445)	(46 975)
Change in factoring debt	6 936	(24 989)	15 152	2 087	51 446
Net cash flow from operating activities	(3 165)	19 203	104 789	98 040	195 235
Net cash flow from investing activities	(20 200)	(72 166)	(35 151)	(239 545)	(248 099)
Net cash flow from financing activities	77 390	14 941	12 056	56 417	40 041
Change in cash and bank credit	54 025	(38 023)	81 693	(85 088)	(12 822)
Cash and bank credit opening balance	(96 526)	(153 344)	(119 461)	(107 548)	(107 548)
Currency conversion of cash and bank credit	690	(3 965)	(4 043)	(2 695)	909
Cash and bank credit closing balance	(41 811)	(195 331)	(41 811)	(195 331)	(119 461)

Consolidated statement of comprehensive income

NOK 1 000	Q3 2020	Q3 2019	30.09.2020	30.09.2019	Full year 2019
Profit (loss) for the period	60 852	24 631	166 004	98 468	132 502
Actuarial gain / losses pensions	-	-	-	-	(257)
Exchange differences on translation of foreign operations	(2 973)	5 988	8 003	4 322	1 222
Currency translation differences	12 438	10 529	68 478	(2 593)	(3 532)
Total comprehensive income for the period	70 317	41 148	242 485	100 198	129 935
Allocated to shareholders	70 317	41 148	242 485	100 198	129 935

Changes in equity

NOK 1 000	30.09.2020	30.09.2019	31.12.2019
Equity opening balance	739 213	691 459	691 459
Profit (loss) for the period	166 004	98 468	132 502
Paid dividends	-	(70 477)	(70 477)
Issue of ordinary shares	-	291	291
Employee share schemes	1 603	(11 387)	(11 995)
Other comprehensive income for the period	76 481	1 729	(2 567)
Equity closing balance	983 302	710 084	739 213

Notes to the financial statements

Note 1 – General information and principle

The condensed consolidated financial statements for the third quarter of 2020 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Kitron has applied the same accounting policies as in the consolidated financial statements for 2019. The interim financial statements do not include all the information required for a full financial report and should therefore be read in conjunction with the consolidated financial statements for 2019, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2019 are available upon request from the company and at www.kitron.com.

Note 2 - Estimates

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates.

The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the same for the interim financial statements as for the consolidated statements for 2019.

Note 3 – Financial risk management

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

Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses

Note 5 – Coronavirus pandemic

Demand is expected to continue strong in Defence/aerospace, Industry and Medical devices sector. Demand within the Medical devices sector has been particularly strong, but is expected to gradually normalize in the fourth quarter.

Although market demand is strong, the continued development of the Corona pandemic and its effect on global markets brings uncertainty to the outlook.

The supply chain is, in general, normalized. However, the increased Medical devices demand has posed challenges in sourcing components.

Kitron continuously makes capacity adjustments based on demand fluctuations but has prepared for significantly larger fluctuations, if they should occur.

For 2020, Kitron has previously indicated a revenue outlook of between NOK 3 500 and 3 800 million and EBIT margin between 6.7 and 7.5 per cent.

Due to increased growth in the Defence/ Aerospace, Industry and Medical devices sectors, overall profitability improvement and favorable currency, revenue is now expected to be between 3 900 and 4 000 million and EBIT margin is expected to be between 7.6 and 7.8 per cent.

Appendix

Definition of Alternative Performance Measures

Kitron uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. As being an Electronics Manufacturing Services company, Kitron uses Alternative Performance Measures which are relevant for understanding and evaluation of performance within manufacturing.

Our definitions and explanations of these terms follow below.

Order backlog

All firm orders and 4 months of committed customers forecast at revenue value as at balance sheet date.

Foreign exchange effects

Group consolidation restated with exchange rates as comparable period the previous year. Change in volume or balance calculated with the same exchange rates for the both periods are defined as underlying growth. Change based on the change in exchange rates are defined as foreign exchange effects. The sum of underlying growth and foreign exchange effects represent the total change between the periods.

EBITDA

Operating profit (EBIT) + Depreciation and Impairments

EBIT

Operating profit

EBIT margin (%)

Operating profit (EBIT) / Revenue

Net working capital

Inventory + Contract assets + Accounts Receivables – Accounts Payable

Operating capital

Other intangible assets + Tangible fixed assets + Net working capital

Return on operating capital (ROOC) %

Annualised Operating profit (EBIT) / Operating Capital

Return on operating capital (ROOC) R3 %

$$\frac{\text{(Last 3 months Operating profit (EBIT))} \times 4}{\text{(Last 3 months Operating Capital) / 3}}$$

Direct Cost

Cost of material + Direct wages (subset of personnel expenses only to include personnel directly involved in production)

Days of Inventory Outstanding

$360 / (\text{Annualised Direct Costs} / (\text{Inventory} + \text{Contract assets}))$

Days of Inventory Outstanding R3

$360 / ((\text{Last 3 months Direct Costs} \times 4) / (\text{Last 3 months Inventory and Contract assets} / 3))$

Days of Receivables Outstanding $360 / (\text{Annualised Revenue} / \text{Trade Receivables})$

Days of Receivables Outstanding R3

$360 / ((\text{Last 3 months Revenue} \times 4) / (\text{Last 3 months Trade Receivables} / 3))$

Days of Payables outstanding

$360 / ((\text{Annualised Cost of Material} + \text{Annualised other operational expenses}) / \text{Trade Payables})$

Days of Payables Outstanding (R3)

$360 / (((\text{Last 3 months (Cost of Material} + \text{other operational expenses)} \times 4) / (\text{Last 3 months Trade Payables} / 3))$

Cash conversion cycle (CCC)

Days of inventory outstanding + Days of receivables outstanding – Days of payables outstanding

Cash conversion cycle (CCC) R3

Days of inventory outstanding (R3) + Days of receivables outstanding (R3) – Days of payables outstanding (R3)

Net Interest-bearing debt

- Cash and cash equivalents + Loans (Non-current liabilities) + Loans (Current liabilities)

Interest-bearing debt

Loans (non-current liabilities) + Loans (current liabilities)

Inventory turns

Annualised direct costs / (Inventory + Contract assets)

Variable contribution

Revenue - Direct cost

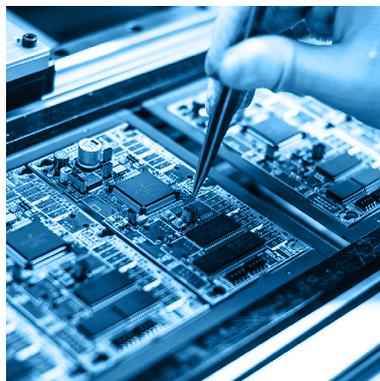
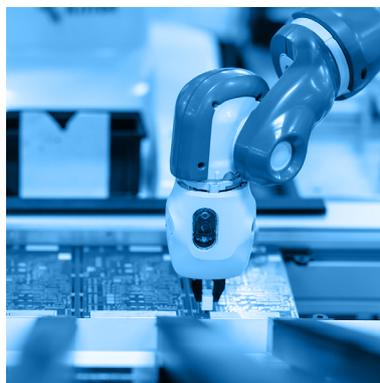
Net gearing

Net interest bearing debt / Equity

Equity Ratio

The ratio of Equity to Total Assets

Defence/Aerospace
Energy/Telecoms
Industry
Medical devices
Offshore/Marine



Kitron is a leading Scandinavian Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Poland, China and the US and has about 1700 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box- built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

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

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