

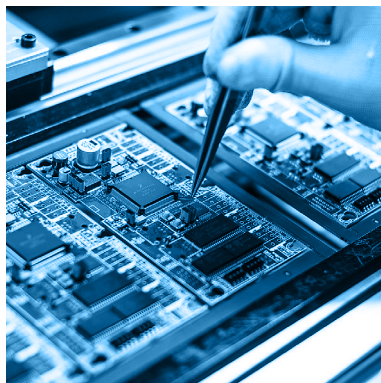
FOURTH QUARTER
REPORT 2020

Q4



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

Norway
Sweden
Lithuania
Germany
Poland
China
USA



Kitron

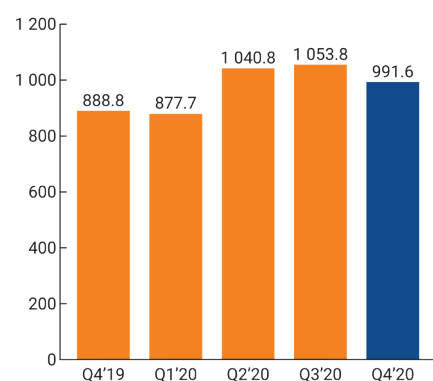
Your ambition. Our passion.

Fourth quarter report 2020

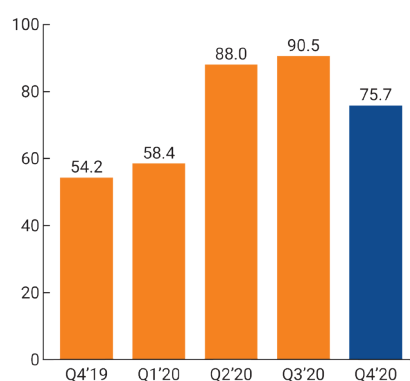
Strong finish to an exceptional year

- **Solid revenue and strong profitability**
- **Outstanding full-year results**
- **Improved cash flow**
- **Proposed dividend NOK 0.70 per share**

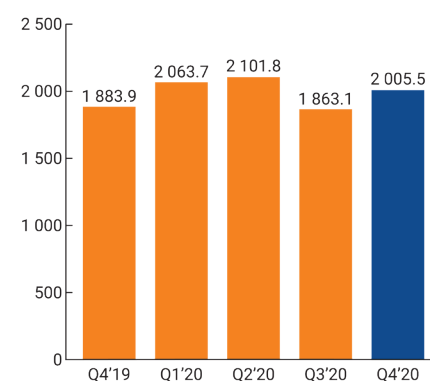
REVENUE Group
NOK million



EBIT Group
NOK million



ORDER BACKLOG Group
NOK million



Solid revenue

Kitron's revenue for the fourth quarter was NOK 992 million (NOK 889 million), an increase of 12 per cent compared to last year and the strongest fourth quarter in the company's history.

Growth adjusted for foreign exchange effects in consolidation was 7 per cent.

There was very strong growth within the Industry market sector, while the Offshore/Marine sector was weak. As expected, the Medical sector normalized after extraordinarily high activity in the second and third quarter.

Solid order backlog

The order backlog ended at NOK 2 005.5 million, an increase of 6 per cent compared to last year. The order backlog increased the most within Energy/Telecom and Industry, while Offshore/Marine continued to decline. Adjusted for changes in currency rates, the order backlog increase was 4 percent compared to last year.

Strong profitability

Fourth quarter EBITDA* was NOK 102.2 million (NOK 82.2 million), an increase of 24 per cent compared to last year. Operating profit (EBIT)* for the fourth quarter ended at NOK 75.7 million (NOK 54.2 million), an increase of 40 per cent.

Profitability expressed as EBIT margin* was 7.6 per cent (6.1 per cent). Profit after tax was NOK 47.1 million (NOK 34.0 million), an increase of 38 per cent and corresponding to NOK 0.26 earnings per share (NOK 0.19).

Outstanding full-year results

Full-year revenue of NOK 3 964 million (NOK 3 299 million) gave an overall revenue growth of 20 per cent for the year. Operating profit (EBIT)* for the year ended at NOK 312.6 million (NOK 201.5 million), resulting in an EBIT* margin of 7.9 per cent (6.1 per cent). Profit after tax was NOK 213.1 million (NOK 132.5 million), corresponding to NOK 1.19 earnings per share (NOK 0.74).

The board proposes an ordinary dividend of NOK 0.70 per share (NOK 0.50), to be payable in two equal tranches, one in May and one in October.

Improved operating cash flow

Operating cash flow was NOK 132.2 million, compared to 97.2 million in the fourth quarter of 2019, thereby recovering significantly from being temporarily challenged by the unusually strong growth in the second and third quarter.

Net working capital was NOK 1 064 million, an increase of 13 per cent compared to the same quarter last year. Cash conversion cycle R3* improved from 102 days to 98 days, and net working capital R3* as a percentage of revenue was 26.3 per cent, same as last year. Return on operating capital (ROOC) R3* was 18.9 per cent compared to 14.8 per cent in the same quarter last year.

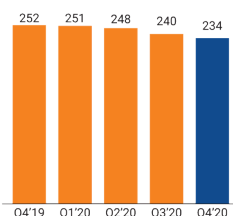
Capital efficiency ratios are expected to improve further.

Key figures

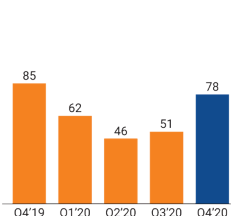
NOK million	Q4 2020	Q4 2019	Change	Full year 2020	Full year 2019	Change
Revenue	991.6	888.8	102.7	3 963.9	3 299.4	664.5
EBIT	75.7	54.2	21.5	312.6	201.5	111.1
Order backlog	2 005.5	1 883.9	121.6	2 005.5	1 883.9	121.6
Operating cash flow	132.2	97.2	35.0	237.0	195.2	41.8
Net working capital	1 063.8	941.8	121.9	1 063.8	941.8	121.9

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

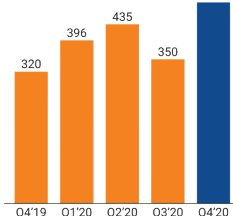
REVENUE Defence/Aerospace NOK million



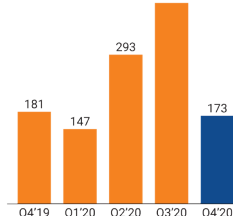
REVENUE Energy/Telecoms NOK million



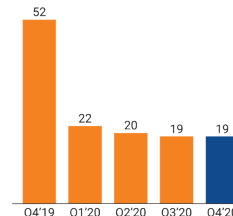
REVENUE Industry NOK million



REVENUE Medical devices NOK million



REVENUE Offshore/Marine NOK million



Markets

Order intake

Order intake in the quarter was NOK 1 134.0 million, which is 1.9 per cent lower than for the fourth quarter 2019. The order backlog ended at NOK 2 005.5 million, which is 6.5 per cent higher than the same period last year.

Four-quarter moving average order intake was down from NOK 1 026.8 million at the beginning of the fourth quarter to NOK 1 021.4 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	Q4 2020	Q4 2019	Change	Full year 2020	Full year 2019	Change
Defence/Aerospace	234.0	251.5	(17.5)	972.4	743.2	229.2
Energy/Telecoms	77.6	84.7	(7.2)	236.2	474.4	(238.1)
Industry	488.5	319.6	168.9	1 668.8	1 271.4	397.4
Medical devices	172.8	180.6	(7.8)	1 006.6	595.9	410.7
Offshore/Marine	18.8	52.5	(33.7)	79.8	214.5	(134.7)
Total group	991.6	888.8	102.7	3 963.9	3 299.4	664.5

Order Backlog market sectors

NOK million	31.12.2020	31.12.2019	Change
Defence/Aerospace	768.8	848.5	(79.7)
Energy/Telecoms	311.9	219.4	92.6
Industry	629.1	489.5	139.7
Medical devices	234.5	211.1	23.4
Offshore/Marine	61.1	115.5	(54.4)
Total group	2 005.5	1 883.9	121.6

Revenue geographic markets

NOK million	Q4 2020	Q4 2019	Change	Full year 2020	Full year 2019	Change
Norway	137.5	164.3	(26.8)	570.8	589.0	(18.2)
Sweden	384.0	364.0	20.1	1 728.7	1 374.2	354.5
Rest of Europe	215.8	184.2	31.6	807.0	685.5	121.5
USA/Canada	205.9	153.2	52.7	764.9	559.0	205.9
Others	48.3	23.2	25.1	92.4	91.7	0.7
Total group	991.6	888.8	102.7	3 963.9	3 299.4	664.5

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 1 805 full-time employees (FTE) on 31 December 2020. This is an increase of 83 FTE since the fourth quarter of 2019. Kitron has since established a facility in Poland 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 fourth quarter were NOK 24.0 million higher than in the corresponding period in 2019. The relative payroll costs ended at 18.3 per cent, up from 17.7 per cent of revenue in the fourth quarter last year.

Finance

Net financial items

During the quarter, net financial items amounted to a net cost of NOK 15.7 million. The corresponding figure for fourth quarter last year was a net cost of NOK 9.8 million. Net disagio for the fourth quarter amounted to NOK 8.8 million (2019: disagio NOK 2.6 million). Intragroup financial loans to subsidiaries in foreign currencies as of 31 December 2020 that are affecting net financial income total EUR 1.9 million.

Balance sheet

Kitron's gross balance sheet as of 31 December 2020 amounted to NOK 2 654.8 million, compared to NOK 2 396.2 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 885.7 million (NOK 739.2 million), corresponding to an equity ratio of 33.4 per cent (30.8 per cent). Equity is influenced by foreign exchange effects from consolidation of foreign subsidiaries.

Revenue business entities

NOK million	Q4 2020	Q4 2019	Change	Full year 2020	Full year 2019	Change
Norway	283.6	243.7	39.9	988.5	851.0	137.5
Sweden	171.3	165.5	5.8	715.0	663.6	51.4
CEE	397.4	288.5	108.9	1 350.1	1 132.2	217.8
Others	189.6	226.5	(36.9)	1 151.6	787.2	364.3
Group and eliminations	(50.3)	(35.4)	(15.0)	(241.3)	(134.7)	(106.6)
Total group	991.6	888.8	102.7	3 963.9	3 299.4	664.5

EBIT business entities

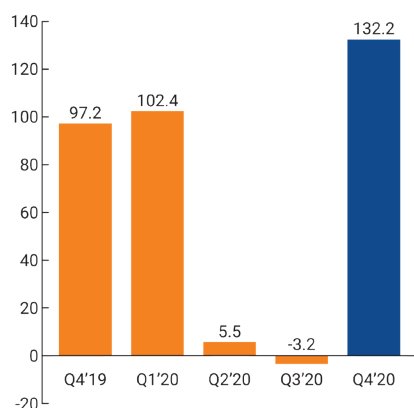
NOK million	Q4 2020	Q4 2019	Change	Full year 2020	Full year 2019	Change
Norway	21.4	13.2	8.2	70.0	44.0	26.0
Sweden	11.9	10.4	1.5	46.9	42.0	4.9
CEE	39.0	12.2	26.8	100.6	67.2	33.3
Others	12.0	22.5	(10.5)	128.9	68.0	60.9
Group and eliminations	(8.5)	(4.0)	(4.5)	(33.8)	(19.8)	(14.1)
Total group	75.7	54.2	21.5	312.6	201.5	111.1

Full time employees

	31.12.2020	31.12.2019	Change
Norway	319	312	7
Sweden	192	191	1
CEE	941	900	41
Other	353	319	34
Total group	1 805	1 722	83

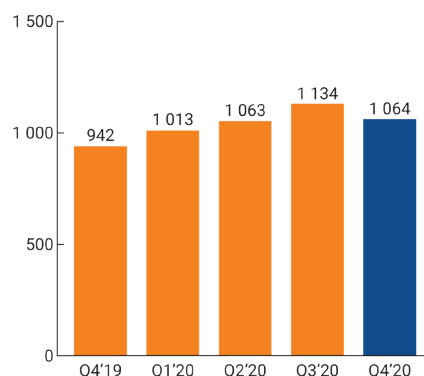
OPERATING CASH FLOW Group

NOK million



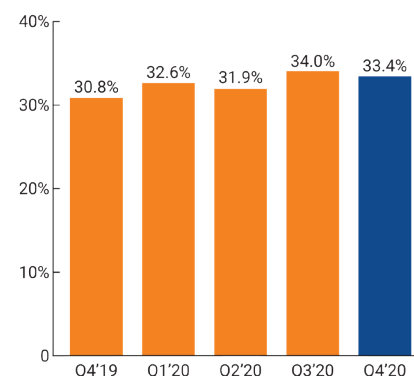
NET WORKING CAPITAL Group

NOK million



EQUITY RATIO Group

Per cent



Inventory was NOK 545.0 million as of 31 December 2020 (NOK 445.6 million). Inventory turns* was 3.0 in the fourth quarter 2020, which is a decrease compared to fourth quarter last year (3.4).

Accounts receivables amounted to NOK 834.5 million at the end of the fourth quarter of 2020. The corresponding amount at the same time in 2019 was NOK 696.9 million.

Contract assets was NOK 386.7 million as of 31 December 2020, compared to NOK 313.7 million at the same time in 2019.

Tangible fixed assets amounted to NOK 495.9 million at the end of the fourth quarter, compared to NOK 507.1 million at the same time last year.

The group's reported net interest-bearing debt* amounted to NOK 758.0 million as of 31 December 2020 (NOK 784.3 million). Net gearing of the company was 0.86 (1.1). Net interest-bearing debt/EBITDA is 1.8 for 12 months rolling compared to 2.75 for the same period last year. The net gearing and net interest-bearing debt/EBITDA exclusive IFRS 16 effects are 0.7 and 1.6 respectively.

Outlook

For 2021, Kitron expects revenue between NOK 3 900 and 4 200 million. EBIT margin is expected to be between 6.8 and 7.4 per cent.

The outlook for 2021 implies that Kitron is back on its long term trajectory for revenue and profitability after exceptional growth in 2020, largely driven by Corona-related demand within the Medical devices sector.

Growth is driven by Defence/Aerospace, Electrification and Connectivity within Energy/Telecom and Industry Sectors. Medical devices are expected to be normalised and in line with previous years.

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

Oslo, 10 February 2021, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Revenue	991 588	888 844	3 963 876	3 299 416
Cost of materials	644 176	577 914	2 645 855	2 220 203
Payroll expenses	181 103	157 145	671 438	592 859
Other operational expenses	62 781	70 442	225 211	196 495
Other gains / (losses)	(1 343)	(1 096)	(6 970)	(4 304)
Operating profit before depreciation and impairments (EBITDA)	102 186	82 247	414 402	285 555
Depreciation	26 466	28 013	101 828	84 056
Operating profit (EBIT)	75 720	54 234	312 574	201 500
Net financial items	(15 694)	(9 789)	(38 487)	(31 918)
Profit (loss) before tax	60 026	44 445	274 087	169 581
Tax	12 974	10 411	61 031	37 079
Profit (loss) for the period	47 052	34 034	213 056	132 502
Earnings per share-basic	0.26	0.19	1.19	0.74
Earnings per share-diluted	0.26	0.19	1.18	0.74

Condensed balance sheet

NOK 1 000	31.12.2020	31.12.2019
ASSETS		
Goodwill	36 933	36 933
Other intangible assets	52 760	27 958
Tangible fixed assets	494 852	507 091
Deferred tax assets	72 384	86 770
Other receivables	4 598	2 206
Total non-current assets	661 528	660 959
Inventory	544 977	445 600
Accounts receivable	834 493	696 934
Contract assets	386 660	313 719
Other receivables	74 589	75 025
Cash and cash equivalents	152 572	203 976
Total current assets	1 993 292	1 735 253
Total assets	2 654 820	2 396 212
LIABILITIES AND EQUITY		
Equity	885 654	739 213
Total equity	885 654	739 213
Deferred tax liabilities	4 728	16 132
Loans	267 894	331 029
Pension commitments	5 666	5 896
Other liabilities	3 088	-
Total non-current liabilities	281 376	353 057
Accounts payable	702 369	514 430
Other payables	128 093	126 471
Tax payable	14 605	5 775
Loans	642 723	657 266
Total current liabilities	1 487 790	1 303 942
Total liabilities and equity	2 654 820	2 396 212

Condensed cash flow statement

NOK 1 000	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Profit before tax	60 026	44 445	274 087	169 581
Depreciations	26 466	28 013	101 828	84 056
Change in inventory, accounts receivable, contract assets and accounts payable	70 339	(55 091)	(121 941)	(62 872)
Change in net other current assets and other operating related items	(32 146)	30 470	(39 652)	(46 975)
Change in factoring debt	7 531	49 358	22 683	51 446
Net cash flow from operating activities	132 216	97 196	237 005	195 235
Net cash flow from investing activities	(23 811)	(8 553)	(58 963)	(248 099)
Net cash flow from financing activities	(154 051)	(16 376)	(141 995)	40 041
Change in cash and bank credit	(45 646)	72 266	36 047	(12 822)
Cash and bank credit opening balance	(41 811)	(195 331)	(119 461)	(107 548)
Currency conversion of cash and bank credit	6 418	3 604	2 375	909
Cash and bank credit closing balance	(81 039)	(119 461)	(81 039)	(119 461)

Consolidated statement of comprehensive income

NOK 1 000	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Profit (loss) for the period	47 052	34 034	213 056	132 502
Actuarial gain / losses pensions	(179)	(257)	(179)	(257)
Exchange differences on translation of foreign operations	(10 862)	(3 100)	(2 859)	1 222
Currency translation differences	(45 388)	(940)	23 090	(3 532)
Total comprehensive income for the period	(9 377)	29 737	233 108	129 935
Allocated to shareholders	(9 377)	29 737	233 108	129 935

Changes in equity

NOK 1 000	31.12.2020	31.12.2019
Equity opening balance	739 213	691 459
Profit (loss) for the period	213 056	132 502
Paid dividends	(89 552)	(70 477)
Issue of ordinary shares	-	291
Employee share schemes	2 885	(11 995)
Other comprehensive income for the period	20 052	(2 567)
Equity closing balance	885 654	739 213

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the fourth 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

Although market demand remained strong in 2020, 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. To better control the demand and component supply, and further the visibility, we have asked customers to convert forecast to firm orders.

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

Appendix

Definition of Alternative Performance Measures

Kitron uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. 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 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 %

(Last 3 months Operating profit (EBIT))*4 / (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/ (Annualised Direct Costs/(Inventory + Contract assets))

Days of Inventory Outstanding R3

360/ ((Last 3 months Direct Costs *4) / (Last 3 months Inventory and Contract assets/3))

Days of Receivables Outstanding

360/ (Annualised Revenue/Trade Receivables)

Days of Receivables Outstanding R3

360/ (((Last 3 months Revenue*4)/(Last 3 months Trade Receivables/3))

Days of Payables outstanding

360/ (((Annualised Cost of Material + Annualised other operational expenses) / Trade Payables)

Days of Payables Outstanding (R3)

360/ (((Last 3 months (Cost of Material + other operational expenses)*4) / (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)

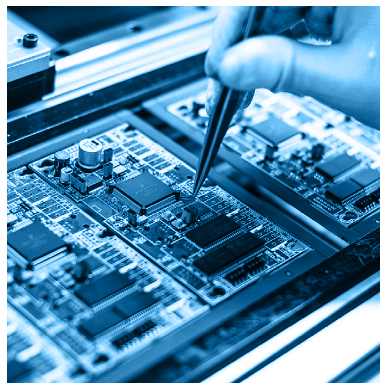
Net gearing

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 1800 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.