

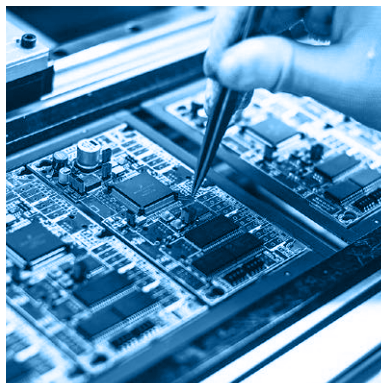
FOURTH QUARTER  
REPORT 2019

Q4



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

Norway  
Sweden  
Lithuania  
Germany  
Poland  
China  
USA



Your ambition. Our passion.



Report fourth quarter 2019

## Strong development continues

- All-time high revenue and order backlog
- EBIT increased 28 per cent
- Proposed dividend 0.50 per share
- Working capital ratio trending down

### Record revenue

Kitron's revenue for the fourth quarter was NOK 889 million (NOK 739 million), an increase of 20 per cent compared to last year and a record level. Organic growth, excluding the acquisition of the EMS division of API Technologies Corp. (see note 6), was 8 per cent.

In absolute numbers, fourth quarter revenue growth compared to the same quarter last year was particularly strong in the Defence/Aerospace sector.

### Record order backlog

The order backlog ended at NOK 1 884 million, an increase of 41 per cent compared to last year. This was a new all-time high, and similar to the revenue development the order backlog increase was particularly strong in the Defence/Aerospace market sector.

Organic order backlog growth, excluding the acquisition of the EMS division of API Technologies Corp., was 29 per cent.

Orders received in the quarter were NOK 1 156 million (NOK 918 million), an increase of 26 per cent.

### Improved profits

Fourth quarter EBITDA\* was NOK 82.2 million (NOK 54.6 million), an increase of 51 per cent compared to last year. Operating profit (EBIT)\* for the fourth quarter ended at NOK 54.2 million (NOK 42.3 million), an increase of 28 per cent. The effect on fourth quarter EBITDA and EBIT from implementation of IFRS 16 is an increase of NOK 5.6 million and NOK 1.0 million respectively.

Profitability expressed as EBIT margin\* was 6.1 per cent (5.7 per cent).

Profit after tax was NOK 34.0 million (NOK 27.7 million), an increase of 22.8 per cent and corresponding to NOK 0.19 earnings per share (NOK 0.16).

### Full-year growth and profit improvement

Full-year revenue of NOK 3 299 million (NOK 2 619 million) gave an overall revenue growth of 26.0 per cent for the year. Operating profit (EBIT)\* for the year ended at NOK 201.5 million (NOK 156.1 million), resulting in an EBIT\* margin of 6.1 per cent (6.0 per cent). Profit after tax was NOK 132.5 million (NOK 110.3 million), corresponding to NOK 0.74 earnings per share (NOK 0.63).

The board proposes an ordinary dividend of NOK 0.50 per share (NOK 0.40).

### Working capital ratio trending down

Net working capital\* was NOK 942 million (NOK 780 million) an increase of 21 per cent compared to the same quarter last year. Net working capital R3 as a percentage of revenue was 26.3 per cent, compared to 23.0 per cent last year. However, the ratio of net working capital compared to revenue is improving from the third quarter. Capital ratios are expected to improve going forward.

Cash conversion cycle (CCC) R3\* was 102 days for the quarter. This is up from 84 days last year, but lower than in the third quarter.

Return on operating capital (ROOC) R3\* was 14.8 per cent compared to 17.5 per cent in the same quarter last year. ROOC is affected by implementation of the IFRS 16 accounting standard, see notes 1 and 5, with capitalization of leases in fixed assets of NOK 132 million. ROOC adjusted for this was 16.3 per cent.

The acquisition of the EMS division of API Technologies Corp. increased net working capital by NOK 84 million. In general, the acquisition does not affect performance measures and ratios significantly.

Operating cash flow was NOK 97.2 million (negative NOK 26.8 million) for the quarter.

### Significant contracts in the quarter

Kitron reported several important contracts in the fourth quarter. Kongsberg announced two orders, related to air defence systems and weapon control systems. Orders related to control systems for high-voltage direct current (HVDC) technology used for offshore wind power were also announced.

### Acquisition in the United States

In the first quarter, Kitron completed the acquisition of the EMS division of API Technologies Corp., substantially strengthening its position in the US market (hereafter operational unit named Kitron Technologies Inc). Kitron consolidated the acquired business effective 15 February, see note 6 to the financial statements.

### Implementation of new accounting standard IFRS 16 "Leases"

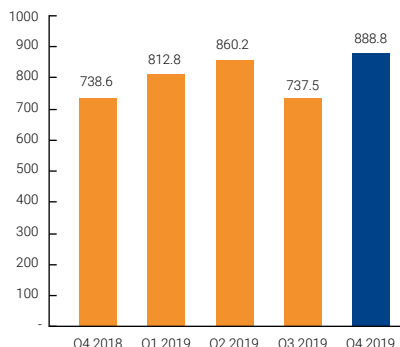
Kitron implemented the new accounting standard IFRS 16 "Leases" from 1 January 2019. In the fourth quarter, this had a minor effect on profits. It affected certain balance sheet items. For more information, see notes 1 and 5 to the financial statements.

## Key figures

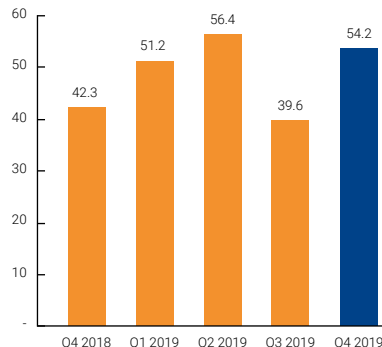
| NOK million         | Q4 2019 | Q4 2018 | Change | 31.12.2019 | 31.12.2018 | Change |
|---------------------|---------|---------|--------|------------|------------|--------|
| Revenue             | 888.8   | 738.6   | 150.3  | 3 299.4    | 2 619.3    | 680.2  |
| EBIT                | 54.2    | 42.3    | 11.9   | 201.5      | 156.1      | 45.4   |
| Order backlog       | 1 883.9 | 1 334.8 | 549.1  | 1 883.9    | 1 334.8    | 549.1  |
| Operating cash flow | 97.2    | (26.8)  | 124.0  | 195.2      | (44.5)     | 239.7  |
| Net working capital | 941.8   | 779.2   | 162.6  | 941.8      | 779.2      | 162.6  |

\* For definition – See Appendix «Definition of Alternative Performance Measures»

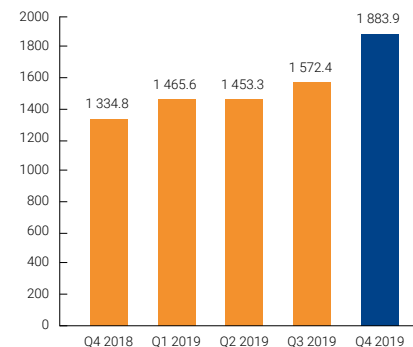
### REVENUE Group NOK million



### EBIT Group NOK million



### ORDER BACKLOG Group NOK million



#### Key figures

Revenue from customers in the Swedish market represented a 41.0 per cent share of the total revenue during the fourth quarter (46.1 per cent). The Norwegian market represented 18.5 per cent of Kitron's total revenue in the fourth quarter (17.0 per cent), while customers in the US and Canadian market represented 17.2 per cent of Kitron's revenue in the fourth quarter (8.2 per cent).

#### Variable contribution

The variable contribution\*, defined as revenue minus cost of materials and direct payroll expenses, increased from the same period last year.

#### Profit

Kitron's operating profit (EBIT) in the fourth quarter was NOK 54.2 million, which was an increase of NOK 11.9 million compared with the same period last year.

Profit before tax in the fourth quarter of 2019 was NOK 44.4 million, which was an increase of NOK 4.8 million compared to the same period last year.

The company's total payroll expenses in the fourth quarter were NOK 18.0 million higher than in the corresponding period in 2018. The relative payroll costs ended at 17.7 per cent, down from 18.8 per cent of revenue in the fourth quarter last year.

The facility of Kitron Technologies in Windber, Pennsylvania, was damaged by flooding in July and production was moved to a temporary site. This has led to some inefficiencies in production and increase in net working capital, but the effect on customers has been, and is expected to be limited. Indemnification from insurance has increased revenues by NOK 26 million in the fourth quarter. Correspondingly the profit and loss statement is charged with write down of assets, salvage costs and other expenses. The net financial impact on the fourth quarter result is minimal. The balance sheet has per 31 December 2019 incorporated a restoration liability for the building of NOK 12.9 million and a corresponding receivable on the insurance company.

Other operating costs were 7.9 per cent of revenue in the fourth quarter of 2019 (6.9 per cent). Other operating costs include NOK 17.7 million in salvage and other costs from the flooding in the US.

During the quarter, net financial items amounted to a net cost of NOK 9.8 million. The corresponding figure for fourth quarter last year was a net cost of NOK 2.7 million. The main reason for the change

\* For definition – See Appendix «Definition of Alternative Performance Measures»

was higher net interest bearing debt and currency effects on intra-group financial loans. Fourth quarter 2019 had a net currency loss compared to a net currency gain for the same period last year. Intra-group financial loans to subsidiaries in foreign currencies as of 31 December 2019 are affecting net financial income of total USD 2.4 million and EUR 1.9 million.

#### Balance sheet

Kitron's gross balance sheet as of 31 December 2019 amounted to NOK 2 396.2 million, compared to NOK 1 866.1 million at the same time in 2018. The increase is due to revenue growth, the acquisition of the EMS division of API Technologies Corp., establishment of the plant in Poland and the implementation of IFRS 16.

Equity was NOK 739.2 million (NOK 691.5 million), corresponding to an equity ratio of 30.8 per cent (37.1 per cent).

Inventory was NOK 445.6 million as of 31 December 2019 (NOK 448.2 million). Inventory turns\* was 3.4 in the fourth quarter 2019, which is a decrease compared to fourth quarter last year (3.6).

Accounts receivables amounted to NOK 696.9 million at the end of the fourth quarter of 2019. The corresponding amount at the same time in 2018 was NOK 690.6 million.

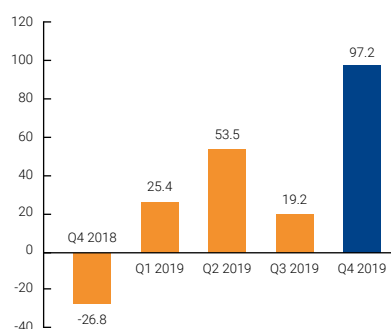
Contract assets was NOK 313.7 million as of 31 December 2019, compared to NOK 235.2 million at the same time in 2018.

Tangible fixed assets amounted to NOK 522.6 million at the end of the fourth quarter, compared to NOK 293.2 million at the same time last year. The increase is mainly due to effects from implementation of IFRS 16, the establishment of the plant in Poland and the acquisition in the US.

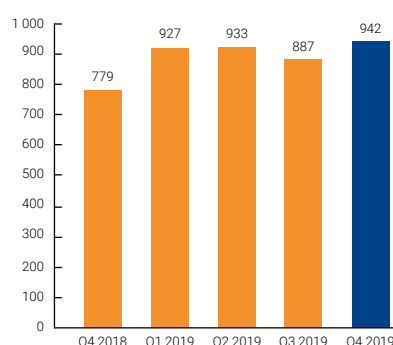
The group's reported net interest-bearing debt\* amounted to NOK 784.3 million as of 31 December 2019 (NOK 396.1 million). Net gearing\* of the company was 1.1 (0.6). Net interest-bearing debt/ EBITDA is 2.75 for 12 months rolling compared to 1.90 for the same period last year. The net gearing and net interest-bearing debt/ EBITDA exclusive IFRS 16 effects are 0.9 and 2.4 respectively.

Cash flow from operating activities for the fourth quarter of 2019 was NOK 97.2 million (negative NOK 26.8 million). The negative cash flow in fourth quarter 2018 was due to a significant increase in working capital.

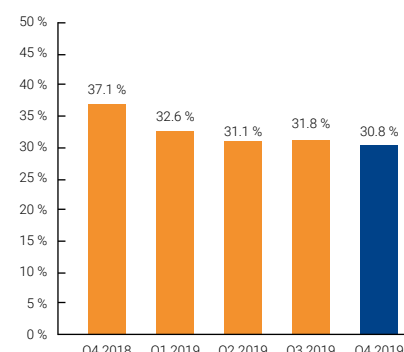
### OPERATING CASH FLOW Group NOK million



### NET WORKING CAPITAL Group NOK million



### EQUITY RATIO Group Per cent



## Revenue business entities

| NOK million            | Q4 2019      | Q4 2018      | Change       | 31.12.2019     | 31.12.2018     | Change       |
|------------------------|--------------|--------------|--------------|----------------|----------------|--------------|
| Norway                 | 243.7        | 187.1        | 56.6         | 851.0          | 666.0          | 185.0        |
| Sweden                 | 165.5        | 184.3        | (18.8)       | 663.6          | 662.7          | 0.9          |
| Lithuania              | 265.8        | 290.4        | (24.6)       | 1 109.5        | 1 008.5        | 101.0        |
| USA                    | 114.1        | 11.2         | 102.9        | 328.8          | 35.6           | 293.2        |
| Others                 | 135.1        | 99.3         | 35.9         | 481.1          | 401.4          | 79.7         |
| Group and eliminations | (35.4)       | (33.7)       | (1.7)        | (134.7)        | (155.0)        | 20.4         |
| <b>Total group</b>     | <b>888.8</b> | <b>738.6</b> | <b>150.3</b> | <b>3 299.4</b> | <b>2 619.3</b> | <b>680.2</b> |

## EBIT business entities

| NOK million            | Q4 2019     | Q4 2018     | Change      | 31.12.2019   | 31.12.2018   | Change      |
|------------------------|-------------|-------------|-------------|--------------|--------------|-------------|
| Norway                 | 13.2        | 6.7         | 6.5         | 44.0         | 27.7         | 16.4        |
| Sweden                 | 10.4        | 13.6        | (3.2)       | 42.0         | 36.7         | 5.3         |
| Lithuania              | 16.4        | 25.4        | (9.0)       | 79.4         | 84.6         | (5.1)       |
| USA                    | 4.7         | (2.8)       | 7.5         | 9.8          | (8.4)        | 18.1        |
| Others                 | 13.5        | 18.0        | (4.5)       | 46.0         | 45.2         | 0.8         |
| Group and eliminations | (4.0)       | (18.6)      | 14.6        | (19.8)       | (29.7)       | 9.9         |
| <b>Total group</b>     | <b>54.2</b> | <b>42.3</b> | <b>11.9</b> | <b>201.5</b> | <b>156.1</b> | <b>45.4</b> |

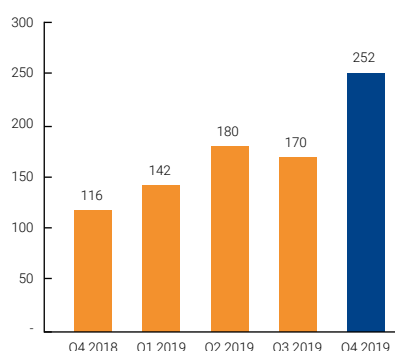
## Revenue geographic markets

| NOK million        | Q4 2019      | Q4 2018      | Change       | 31.12.2019     | 31.12.2018     | Change       |
|--------------------|--------------|--------------|--------------|----------------|----------------|--------------|
| Norway             | 164.3        | 125.5        | 38.8         | 589.0          | 459.5          | 129.5        |
| Sweden             | 364.0        | 340.7        | 23.2         | 1 374.2        | 1 201.2        | 173.0        |
| Rest of Europe     | 184.2        | 183.6        | 0.6          | 685.5          | 642.2          | 43.4         |
| USA/Canada         | 153.2        | 60.6         | 92.6         | 559.0          | 230.1          | 328.9        |
| Others             | 23.2         | 28.2         | (5.0)        | 91.7           | 86.3           | 5.4          |
| <b>Total group</b> | <b>888.8</b> | <b>738.6</b> | <b>150.3</b> | <b>3 299.4</b> | <b>2 619.3</b> | <b>680.2</b> |

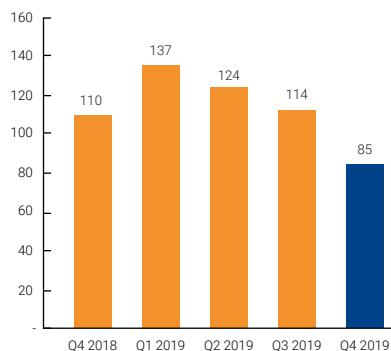
## Full time employees

|                    | 31.12.2019   | 31.12.2018   | Change     |
|--------------------|--------------|--------------|------------|
| Norway             | 312          | 271          | 42         |
| Sweden             | 191          | 188          | 3          |
| Lithuania          | 773          | 903          | (130)      |
| USA                | 117          | 24           | 93         |
| Other              | 329          | 221          | 108        |
| <b>Total group</b> | <b>1 722</b> | <b>1 606</b> | <b>116</b> |

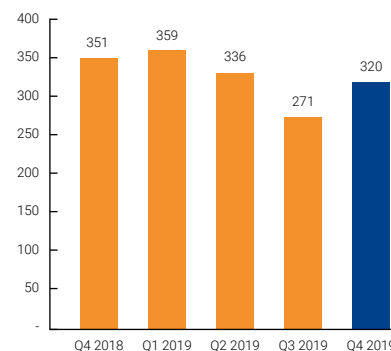
### REVENUE Defence/Aerospace NOK million



### REVENUE Energy/Telecoms NOK million



### REVENUE Industry NOK million



#### Organisation

The Kitron workforce corresponded to 1 722 full-time employees (FTE) on 31 December 2019. This is an increase of 116 FTE since the fourth quarter of 2018. There is an increase of 42 FTE related to the operations in Norway and an increase of 3 FTE in Sweden. The number of employees in the Polish operation is 122. There is a reduction in Lithuania of 130 FTE compared to last year and a decrease of the workforce in China of 14 FTE. The acquisition of API added 93 FTEs to the workforce per 31 December. The number of FTE in lower-cost regions now accounts for 71 per cent of the total.

#### Market

Order intake in the quarter was NOK 1 155.7 million, which is 26 per cent higher than for the fourth quarter 2018. The order backlog ended at NOK 1 883.9 million, which is 41.1 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 850.1 million at the beginning of the fourth quarter to NOK 909.4 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 Defence/Aerospace sector revenue increased by 116.4 per

cent compared to last year. The order backlog at NOK 848.5 million increased by NOK 190.9 million during the quarter. Compared to last year, the order backlog increased by NOK 415.2 million (95.8 per cent). Of this NOK 142 million is from the acquisition.

The high level of activity in the defence sector continues, driven by roll-out of military communications equipment in Norway and supported by increased 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 larger 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 transmission systems, high frequency microwave modules, radio frequency (RF) and remote measurement of electrical metering.

The Energy/Telecoms sector revenue decreased by 23.1 per cent compared to last year. The order backlog is NOK 219.4 million, an increase of NOK 44.7 million compared to the third quarter in 2019, and NOK 59.3 million (37.0 per cent) higher than a year ago.

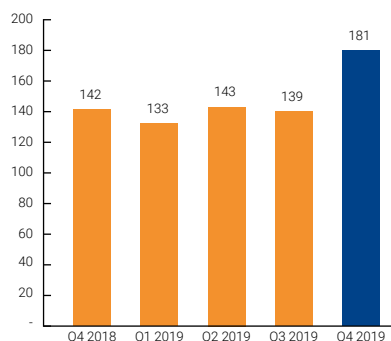
## Revenue market sectors

| NOK million        | Q4 2019      | Q4 2018      | Change       | 31.12.2019     | 31.12.2018     | Change       |
|--------------------|--------------|--------------|--------------|----------------|----------------|--------------|
| Defence/Aerospace  | 251.5        | 116.2        | 135.3        | 743.2          | 449.7          | 293.5        |
| Energy/Telecoms    | 84.7         | 110.2        | (25.5)       | 474.4          | 414.1          | 60.2         |
| Industry           | 319.6        | 351.4        | (31.8)       | 1 271.4        | 1 187.7        | 83.7         |
| Medical devices    | 180.6        | 141.8        | 38.8         | 595.9          | 519.2          | 76.7         |
| Offshore/Marine    | 52.5         | 19.0         | 33.5         | 214.5          | 48.6           | 165.9        |
| <b>Total group</b> | <b>888.8</b> | <b>738.6</b> | <b>150.3</b> | <b>3 299.4</b> | <b>2 619.3</b> | <b>680.2</b> |

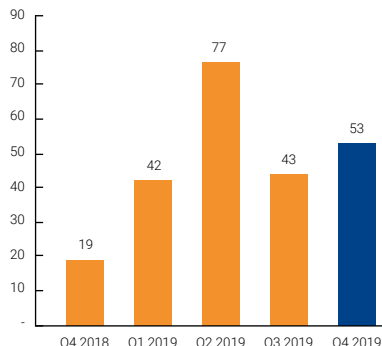
## Order Backlog market sectors

| NOK million        | 31.12.2019     | 31.12.2018     | Change       |
|--------------------|----------------|----------------|--------------|
| Defence/Aerospace  | 848.5          | 433.3          | 415.1        |
| Energy/Telecoms    | 219.4          | 160.1          | 59.3         |
| Industry           | 489.5          | 454.4          | 35.0         |
| Medical devices    | 211.1          | 186.6          | 24.6         |
| Offshore/Marine    | 115.5          | 100.4          | 15.1         |
| <b>Total group</b> | <b>1 883.9</b> | <b>1 334.8</b> | <b>549.1</b> |

#### REVENUE Medical devices NOK million



#### REVENUE Offshore/Marine NOK million



#### 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.

The industry sector showed a revenue decrease of 9.0 per cent compared to the fourth quarter last year, and an increase of 17.9 per cent from the third quarter of 2019. The order backlog increased by NOK 35.0 million (7.7 per cent) compared to the same period last year and increased by NOK 89.9 million from the preceding quarter (22.5 per cent).

#### 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).

Revenue in the Medical device sector increased by 27.4 per cent compared to the same period last year. The order backlog is NOK 211.1 million, an increase of NOK 24.6 million (13.2 per cent) from the same period last year, and up NOK 4.0 million (1.9 per cent) compared to the preceding quarter.

#### 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. Current customer mix within the Offshore/Marine segment are more project related than historically.

The Offshore/Marine sector revenue was NOK 52.5 million in fourth quarter, compared to NOK 19.0 million in the same period last year. The order backlog is NOK 115.5 million, a decrease of NOK 17.9 million compared to the preceding quarter and NOK 15.1 million (15.0 per cent) higher than the same quarter last year.

#### Outlook

For 2020, Kitron expects revenue to grow to between NOK 3 300 and 3 700 million. EBIT margin is expected to be between 6.4 and 7.0 per cent. Growth is driven by the Aerospace/Defence and Industry sectors. Profitability is mainly driven by operational improvements in Poland and the U.S.

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

Oslo, 12 February 2020, Board of directors, Kitron ASA

## Condensed profit and loss statement

| NOK 1 000  | Q4 2019       | Q4 2018       | 31.12.2019     | 31.12.2018     |
|--|---------------|---------------|----------------|----------------|
| Revenue  | 888 844       | 738 564       | 3 299 416      | 2 619 257      |
| Cost of materials  | 577 914       | 491 539       | 2 220 203      | 1 756 246      |
| Payroll expenses   | 157 145       | 139 172       | 592 859        | 496 911        |
| Other operational expenses   | 70 442        | 51 065        | 196 495        | 153 490        |
| Other gains / (losses)   | (1 096)       | (2 212)       | (4 304)        | (3 687)        |
| <b>Operating profit before depreciation and impairments (EBITDA)</b> | <b>82 247</b> | <b>54 577</b> | <b>285 555</b> | <b>208 924</b> |
| Depreciation and impairments   | 28 013        | 12 290        | 84 056         | 52 824         |
| <b>Operating profit (EBIT)</b>                                       | <b>54 234</b> | <b>42 287</b> | <b>201 500</b> | <b>156 100</b> |
| Net financial items  | (9 789)       | (2 726)       | (31 918)       | (14 882)       |
| <b>Profit (loss) before tax</b>                                      | <b>44 445</b> | <b>39 561</b> | <b>169 581</b> | <b>141 218</b> |
| Tax  | 10 411        | 11 848        | 37 079         | 30 950         |
| <b>Profit (loss) for the period</b>                                  | <b>34 034</b> | <b>27 713</b> | <b>132 502</b> | <b>110 267</b> |
| Earnings per share-basic   | 0.19          | 0.16          | 0.74           | 0.63           |
| Earnings per share-diluted   | 0.19          | 0.15          | 0.74           | 0.61           |

## Condensed balance sheet

| NOK 1 000                            | 31.12.2019       | 31.12.2018       |
|--------------------------------------|------------------|------------------|
| <b>ASSETS</b>                        |                  |                  |
| Goodwill                             | 36 933           | 26 786           |
| Other intangible assets              | 12 486           | 12 601           |
| Tangible fixed assets                | 522 564          | 293 193          |
| Deferred tax assets                  | 86 770           | 45 987           |
| Other receivables                    | 2 206            | -                |
| <b>Total non-current assets</b>      | <b>660 959</b>   | <b>378 567</b>   |
| Inventory                            | 445 600          | 448 203          |
| Accounts receivable                  | 696 934          | 690 598          |
| Contract assets                      | 313 719          | 235 201          |
| Other receivables                    | 75 025           | 67 864           |
| Cash and cash equivalents            | 203 976          | 45 654           |
| <b>Total current assets</b>          | <b>1 735 253</b> | <b>1 487 520</b> |
| <b>Total assets</b>                  | <b>2 396 212</b> | <b>1 866 088</b> |
| <b>LIABILITIES AND EQUITY</b>        |                  |                  |
| Equity                               | 739 213          | 691 459          |
| <b>Total equity</b>                  | <b>739 213</b>   | <b>691 459</b>   |
| Deferred tax liabilities             | 16 132           | 1 196            |
| Loans                                | 331 029          | 40 830           |
| Pension commitments                  | 5 896            | 5 966            |
| <b>Total non-current liabilities</b> | <b>353 057</b>   | <b>47 992</b>    |
| Accounts payable                     | 514 430          | 594 808          |
| Other payables                       | 126 471          | 122 896          |
| Tax payable                          | 5 775            | 7 962            |
| Loans                                | 657 266          | 400 970          |
| <b>Total current liabilities</b>     | <b>1 303 942</b> | <b>1 126 636</b> |
| <b>Total liabilities and equity</b>  | <b>2 396 212</b> | <b>1 866 088</b> |

## Condensed cash flow statement

| NOK 1 000  | Q4 2019          | Q4 2018          | 31.12.2019       | 31.12.2018       |
|--|------------------|------------------|------------------|------------------|
| Profit before tax  | 44 445           | 39 561           | 169 581          | 141 218          |
| Depreciations  | 28 013           | 12 290           | 84 056           | 52 824           |
| Change in inventory, accounts receivable, contract assets and accounts payable | (55 091)         | (174 155)        | (62 872)         | (261 569)        |
| Change in net other current assets and other operating related items           | 30 470           | 89 012           | (46 975)         | 13 088           |
| Change in factoring debt   | 49 358           | 6 520            | 51 446           | 9 982            |
| <b>Net cash flow from operating activities</b>                                 | <b>97 196</b>    | <b>(26 772)</b>  | <b>195 235</b>   | <b>(44 458)</b>  |
| <b>Net cash flow from investing activities</b>                                 | <b>(8 553)</b>   | <b>(26 698)</b>  | <b>(248 099)</b> | <b>(55 859)</b>  |
| <b>Net cash flow from financing activities</b>                                 | <b>(16 376)</b>  | <b>(6 364)</b>   | <b>40 041</b>    | <b>(126 387)</b> |
| Change in cash and bank credit   | 72 266           | (59 835)         | (12 822)         | (226 704)        |
| Cash and bank credit opening balance   | (195 331)        | (45 877)         | (107 548)        | 118 765          |
| Currency conversion of cash and bank credit                                    | 3 604            | (1 836)          | 909              | 391              |
| <b>Cash and bank credit closing balance</b>                                    | <b>(119 461)</b> | <b>(107 548)</b> | <b>(119 461)</b> | <b>(107 548)</b> |

## Consolidated statement of comprehensive income

| NOK 1 000   | Q4 2019       | Q4 2018       | 31.12.2019     | 31.12.2018     |
|---|---------------|---------------|----------------|----------------|
| Profit (loss) for the period                              | 34 034        | 27 713        | 132 502        | 110 267        |
| Actuarial gain / losses pensions                          | (257)         | (113)         | (257)          | (113)          |
| Exchange differences on translation of foreign operations | (3 100)       | 2 777         | 1 222          | 2 218          |
| Currency translation differences                          | (940)         | 17 431        | (3 532)        | (583)          |
| <b>Total comprehensive income for the period</b>          | <b>29 737</b> | <b>47 808</b> | <b>129 935</b> | <b>111 789</b> |
| <b>Allocated to shareholders</b>                          | <b>29 737</b> | <b>47 808</b> | <b>129 935</b> | <b>111 789</b> |

## Changes in equity

| NOK 1 000                                 | 31.12.2019     | 31.12.2018     |
|---|----------------|----------------|
| Equity opening balance                    | 691 459        | 663 565        |
| Profit (loss) for the period              | 132 502        | 110 267        |
| Paid dividends                            | (70 477)       | (96 906)       |
| Issue of ordinary shares                  | 291            | -              |
| Employee share schemes                    | (11 995)       | 7 650          |
| Implementation IFRS15                     | -              | 5 361          |
| Other comprehensive income for the period | (2 567)        | 1 522          |
| <b>Equity closing balance</b>             | <b>739 213</b> | <b>691 459</b> |

## Notes to the financial statements

### Note 1 – General information and principles

The condensed consolidated financial statements for the fourth quarter of 2019 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 2018, except for principles for lease accounting. Information about accounting principles, implementation effects and method for implementation for lease accounting is stated in note 27 to the consolidated financial statements for 2018. 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 2018, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2018 are available upon request from the company and at [www.kitron.com](http://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 2018.

### 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.

There has been no change of impact or material incidents in 2019.

### Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses

### Note 5 – Implementation of IFRS 16 "Leases"

The Kitron group implemented new IFRS 16 "Leases" from 1 January 2019. Information about accounting principles, implementation effects and method for implementation for lease accounting is stated in note 27 to the consolidated financial statements for 2018.

The tables below show impact from IFRS 16 on condensed profit and loss statement and on condensed cash flow statement for third quarter, and on condensed balance sheet per 31 December 2019.



## Note 5 – Implementation of IFRS 16 “Leases” (Cont.)

### Condensed profit and loss statement

|  | Old principles<br>Q4 2019 | Effects from<br>IFRS 16 | New principles<br>Q4 2019 | Old principles<br>31.12.2019 | Effects from<br>IFRS 16 | New principles<br>31.12.2019 |
|--|---------------------------|-------------------------|---------------------------|------------------------------|-------------------------|------------------------------|
| NOK 1 000  |                           |                         |                           |                              |                         |                              |
| Revenue  | 888 844                   | -                       | 888 844                   | 3 299 416                    | -                       | 3 299 416                    |
| Cost of materials  | 577 914                   | -                       | 577 914                   | 2 220 203                    | -                       | 2 220 203                    |
| Payroll expenses   | 157 145                   | -                       | 157 145                   | 592 859                      | -                       | 592 859                      |
| Other operational expenses   | 76 088                    | (5 646)                 | 70 442                    | 215 378                      | (18 883)                | 196 495                      |
| Other gains / (losses)   | (1 096)                   | -                       | (1 096)                   | (4 304)                      | -                       | (4 304)                      |
| <b>Operating profit before depreciation and impairments (EBITDA)</b> | <b>76 601</b>             | <b>5 646</b>            | <b>82 247</b>             | <b>266 672</b>               | <b>18 883</b>           | <b>285 555</b>               |
| Depreciation and impairments   | 23 342                    | 4 671                   | 28 013                    | 68 415                       | 15 641                  | 84 056                       |
| <b>Operating profit (EBIT)</b>                                       | <b>53 259</b>             | <b>975</b>              | <b>54 234</b>             | <b>198 257</b>               | <b>3 242</b>            | <b>201 500</b>               |
| Net financial items  | (8 103)                   | (1 686)                 | (9 789)                   | (25 817)                     | (6 101)                 | (31 918)                     |
| <b>Profit (loss) before tax</b>                                      | <b>45 156</b>             | <b>(711)</b>            | <b>44 445</b>             | <b>172 440</b>               | <b>(2 859)</b>          | <b>169 581</b>               |
| Tax  | 10 553                    | (142)                   | 10 411                    | 37 651                       | (572)                   | 37 079                       |
| <b>Profit (loss) for the period</b>                                  | <b>34 603</b>             | <b>(569)</b>            | <b>34 034</b>             | <b>134 789</b>               | <b>(2 287)</b>          | <b>132 502</b>               |
| Earnings per share-basic   | 0.19                      |                         | 0.19                      | 0.75                         |                         | 0.74                         |
| Earnings per share-diluted   | 0.19                      |                         | 0.19                      | 0.75                         |                         | 0.74                         |

### Condensed balance sheet

|                                      | Old principles<br>31.12.2019 | Effects from<br>IFRS 16 | New principles<br>31.12.2019 |
|--------------------------------------|------------------------------|-------------------------|------------------------------|
| NOK 1 000                            |                              |                         |                              |
| <b>ASSETS</b>                        |                              |                         |                              |
| Goodwill                             | 36 933                       | -                       | 36 933                       |
| Other intangible assets              | 12 486                       | -                       | 12 486                       |
| Tangible fixed assets                | 391 388                      | 131 175                 | 522 564                      |
| Deferred tax assets                  | 86 198                       | 572                     | 86 770                       |
| Other receivables                    | 2 206                        | -                       | 2 206                        |
| <b>Total non-current assets</b>      | <b>529 212</b>               | <b>131 747</b>          | <b>660 959</b>               |
| Inventory                            | 445 600                      | -                       | 445 600                      |
| Accounts receivable                  | 696 934                      | -                       | 696 934                      |
| Contract assets                      | 313 719                      | -                       | 313 719                      |
| Other receivables                    | 75 025                       | -                       | 75 025                       |
| Cash and cash equivalents            | 203 976                      | -                       | 203 976                      |
| <b>Total current assets</b>          | <b>1 735 253</b>             | <b>-</b>                | <b>1 735 253</b>             |
| <b>Total assets</b>                  | <b>2 264 465</b>             | <b>131 747</b>          | <b>2 396 212</b>             |
| <b>LIABILITIES AND EQUITY</b>        |                              |                         |                              |
| Equity                               | 741 500                      | (2 287)                 | 739 213                      |
| <b>Total equity</b>                  | <b>741 500</b>               | <b>(2 287)</b>          | <b>739 213</b>               |
| Deferred tax liabilities             | 16 132                       | -                       | 16 132                       |
| Loans                                | 215 238                      | 115 791                 | 331 029                      |
| Pension commitments                  | 5 896                        | -                       | 5 896                        |
| <b>Total non-current liabilities</b> | <b>237 266</b>               | <b>115 791</b>          | <b>353 057</b>               |
| Accounts payable                     | 514 430                      | -                       | 514 430                      |
| Other payables                       | 126 471                      | -                       | 126 471                      |
| Tax payable                          | 5 775                        | -                       | 5 775                        |
| Loans                                | 639 023                      | 18 243                  | 657 266                      |
| <b>Total current liabilities</b>     | <b>1 285 699</b>             | <b>18 243</b>           | <b>1 303 942</b>             |
| <b>Total liabilities and equity</b>  | <b>2 264 465</b>             | <b>131 747</b>          | <b>2 396 212</b>             |

## Note 5 – Implementation of IFRS 16 “Leases” (Cont.)

### Condensed cash flow statement

|  | Old principles<br>Q4 2019 | Effects from<br>IFRS 16 | New principles<br>Q4 2019 | Old principles<br>31.12.2019 | Effects from<br>IFRS 16 | New principles<br>31.12.2019 |
|--|---------------------------|-------------------------|---------------------------|------------------------------|-------------------------|------------------------------|
| NOK 1 000                                      |                           |                         |                           |                              |                         |                              |
| <b>Net cash flow from operating activities</b> | <b>91 549</b>             | <b>5 646</b>            | <b>97 196</b>             | <b>176 352</b>               | <b>18 883</b>           | <b>195 235</b>               |
| <b>Net cash flow from investing activities</b> | <b>(8 553)</b>            | <b>-</b>                | <b>(8 553)</b>            | <b>(248 099)</b>             | <b>-</b>                | <b>(248 099)</b>             |
| <b>Net cash flow from financing activities</b> | <b>(10 730)</b>           | <b>(5 646)</b>          | <b>(16 376)</b>           | <b>58 924</b>                | <b>(18 883)</b>         | <b>40 041</b>                |
| Change in cash and bank credit                 | 72 266                    | -                       | 72 266                    | (12 822)                     | -                       | (12 822)                     |
| Cash and bank credit opening balance           | (195 331)                 | -                       | (195 331)                 | (107 548)                    | -                       | (107 548)                    |
| Currency conversion of cash and bank credit    | 3 604                     | -                       | 3 604                     | 909                          | -                       | 909                          |
| <b>Cash and bank credit closing balance</b>    | <b>(119 461)</b>          | <b>-</b>                | <b>(119 461)</b>          | <b>(119 461)</b>             | <b>-</b>                | <b>(119 461)</b>             |

## Note 6 – Business combinations

On 15 February 2019 the US subsidiary Kitron Inc completed the acquisition of the EMS division of API Technologies Corp. The acquisition marks a substantial strengthening of Kitron's position in the US market.

The operations of the EMS division are highly complementary to Kitron's existing operations and are expected to provide added value to current operations, in particular in the United States. The division's main focus is on defence, aerospace, medical/industrial, and communications/consumer, and it is well aligned with Kitron's overall strategy. The business is located in Windber, Pennsylvania, close to Kitron's current US facility in Johnstown, Pennsylvania, with approximately 100 employees operating a total of six production lines and a facility of approximately 10 000 square meters. Total revenues in 2019 amounted to approximately USD 27.7 million.

The purchase price to be paid, after certain post-signing adjustments, is NOK 135.6 million (USD 15.6 million), subject to post-closing adjustments, if any.

The preliminary fair value assessment of the assets and liabilities recognized as a result of the acquisition is as follows:

### Fair value

| NOK 1000                                    | 15.02.2019     |
|---|----------------|
| Tangible fixed assets                       | 49 678         |
| Other intangible assets: customer contracts | 3 149          |
| Deferred tax assets                         | 28 365         |
| Inventory                                   | 66 032         |
| Accounts receivable                         | 23 494         |
| Contract assets                             | 30 122         |
| Other receivables                           | 4 156          |
| Cash and cash equivalents                   | (746)          |
| Loans                                       | (36 872)       |
| Accounts payable                            | (25 099)       |
| Other payables                              | (16 770)       |
| <b>Net identifiable assets acquired</b>     | <b>125 508</b> |
| Add: goodwill                               | 10 138         |
| <b>Net assets acquired</b>                  | <b>135 646</b> |

The goodwill is attributable to workforce and synergies. It will not be deductible for tax purposes.

### Revenue and profit contribution

The acquired business contributed revenues of NOK 91.2 million (including NOK 25.9 million in indemnification from insurance) and net profit of NOK 5.5 million to the group for the fourth quarter 2019. The corresponding figures for the period 15 February to 31 December were NOK 253.2 million (including NOK 30.5 million in indemnification from insurance) and NOK 17.6 million respectively. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for full year 2019 would have been NOK 3 320.1 million and NOK 133.4 million respectively.

## Appendix

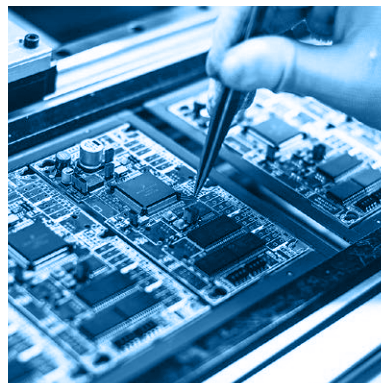
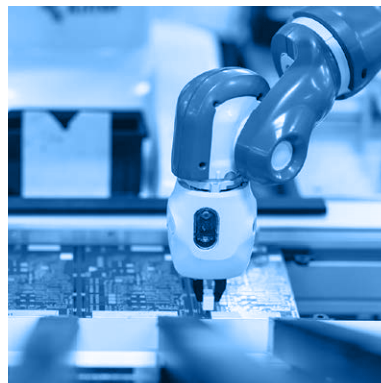
### Definition of Alternative Performance Measures

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.

|  |   |  |
|--|---|--|
| <p><b>Order backlog</b><br/>All firm orders and 4 months of committed customers forecast at revenue value as at balance sheet date.</p>  | <p><b>Return on operating capital (ROOC) R3 %</b><br/><math>(\text{Last 3 months Operating profit (EBIT)} \times 4) / (\text{Last 3 months Operating Capital} / 3)</math></p>                                 | <p><b>Cash conversion cycle (CCC) R3</b><br/>Days of inventory outstanding (R3) + Days of receivables outstanding (R3) – Days of payables outstanding (R3)</p> |
| <p><b>Foreign exchange effects</b><br/>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.</p> | <p><b>Direct Cost</b><br/>Cost of material + Direct wages (subset of personnel expenses only to include personnel directly involved in production)</p>  | <p><b>Net Interest-bearing debt</b><br/>- Cash and cash equivalents + Loans (Non- current liabilities) + Loans (Current liabilities)</p>                       |
| <p><b>EBITDA</b><br/>Operating profit (EBIT) + Depreciation and Impairments</p>  | <p><b>Days of Inventory Outstanding</b><br/><math>360 / (\text{Annualised Direct Costs} / (\text{Inventory} + \text{Contract assets}))</math></p>   | <p><b>Interest-bearing debt</b><br/>Loans (non-current liabilities) + Loans (current liabilities)</p>  |
| <p><b>EBIT</b><br/>Operating profit</p>  | <p><b>Days of Inventory Outstanding R3</b><br/><math>360 / ((\text{Last 3 months Direct Costs} \times 4) / (\text{Last 3 months Inventory and Contract assets} / 3))</math></p>                               | <p><b>Inventory turns</b><br/>Annualised direct costs / (Inventory + Contract assets)</p>  |
| <p><b>EBIT margin (%)</b><br/>Operating profit (EBIT) / Revenue</p>  | <p><b>Days of Receivables Outstanding</b><br/><math>360 / (\text{Annualised Revenue} / \text{Trade Receivables})</math></p>   | <p><b>Variable contribution</b><br/>Revenue - Direct cost</p>  |
| <p><b>Net working capital</b><br/>Inventory + Contract assets + Accounts Receivables – Accounts Payable</p>  | <p><b>Days of Receivables Outstanding R3</b><br/><math>360 / ((\text{Last 3 months Revenue} \times 4) / (\text{Last 3 months Trade Receivables} / 3))</math></p>  | <p><b>Net gearing</b><br/>Net interest bearing debt / Equity</p>   |
| <p><b>Operating capital</b><br/>Other intangible assets + Tangible fixed assets + Net working capital</p>  | <p><b>Days of Payables outstanding</b><br/><math>360 / ((\text{Annualised Cost of Material} + \text{Annualised other operational expenses}) / \text{Trade Payables})</math></p>                               | <p><b>Equity Ratio</b><br/>The ratio of Equity to Total Assets</p>   |
| <p><b>Return on operating capital (ROOC) %</b><br/><math>\text{Annualised Operating profit (EBIT)} / \text{Operating Capital}</math></p>   | <p><b>Days of Payables Outstanding (R3)</b><br/><math>360 / (((\text{Last 3 months (Cost of Material} + \text{other operational expenses)} \times 4) / (\text{Last 3 months Trade Payables}) / 3))</math></p> | <p><b>Cash conversion cycle (CCC)</b><br/>Days of inventory outstanding + Days of receivables outstanding – Days of payables outstanding</p>                   |

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.