

FIRST QUARTER
REPORT 2022

Q1

 **Kitron**

Connectivity
Electrification
Industry
Medical Devices
Defence/Aerospace

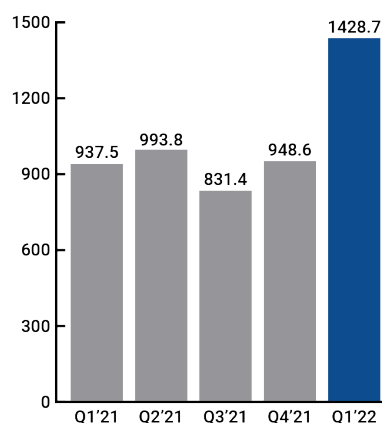
Norway
Sweden
Denmark
Lithuania
Germany
Poland
Czech Republic
China
USA

First quarter report 2022

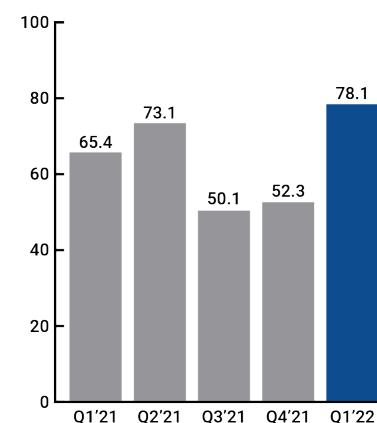
Record revenue and order backlog due to acquisition and strong demand

- **Very strong demand**
- **Record order backlog**
- **EBIT margin 5.5 per cent**
- **Constraints in supply chain**

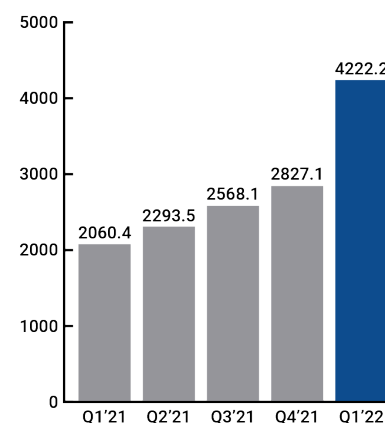
REVENUE Group
NOK million



EBIT Group
NOK million



ORDER BACKLOG Group
NOK million



Very strong demand

Kitron's revenue for the first quarter was NOK 1 429 million (NOK 938 million). The revenue growth reflects the acquisition of Danish EMS provider BB Electronics AS, which was consolidated effective 1 January. Adjusted for this, organic revenue growth was 4 per cent. Demand is very strong, but revenue growth was limited by ongoing component shortages. Nevertheless, there was strong growth within the Connectivity market sector, which partly reflects BB Electronics' strong position within this sector.

Record order backlog

The order backlog ended at NOK 4 222 million, an increase of 105 per cent compared to last year. This is a record and is impacted by the acquisition of BB Electronics. However, even excluding BB Electronics, the organic order backlog was 53 per cent. This reflects a strong total demand situation but also includes revenue delays due to the component shortages. The order backlog increased within all market sectors except Defence and Aerospace. Both percentage-wise and in absolute numbers, the order backlog grew the most within Connectivity.

EBIT margin 5.5 per cent

First quarter EBITDA* was NOK 116.2 million (NOK 90.2 million), an increase of 29 per cent compared to last year.

Operating profit (EBIT)* for the first quarter ended at NOK 78.1 million (NOK 65.4 million), an increase of 19 per cent. Profitability expressed as EBIT margin* was 5.5 per cent (7.0 per cent).

The EBIT margin in the quarter is mainly affected by revenue delays and inefficiencies caused by the component situation, but increased energy costs also have a negative effect.

Profit after tax was NOK 44.4 million (NOK 44.7 million), corresponding to NOK 0.23 earnings per share (NOK 0.25).

Ratios affected by constraints in supply chain

Operating cash flow was NOK -106.9 million (NOK 78.3 million) for the first quarter.

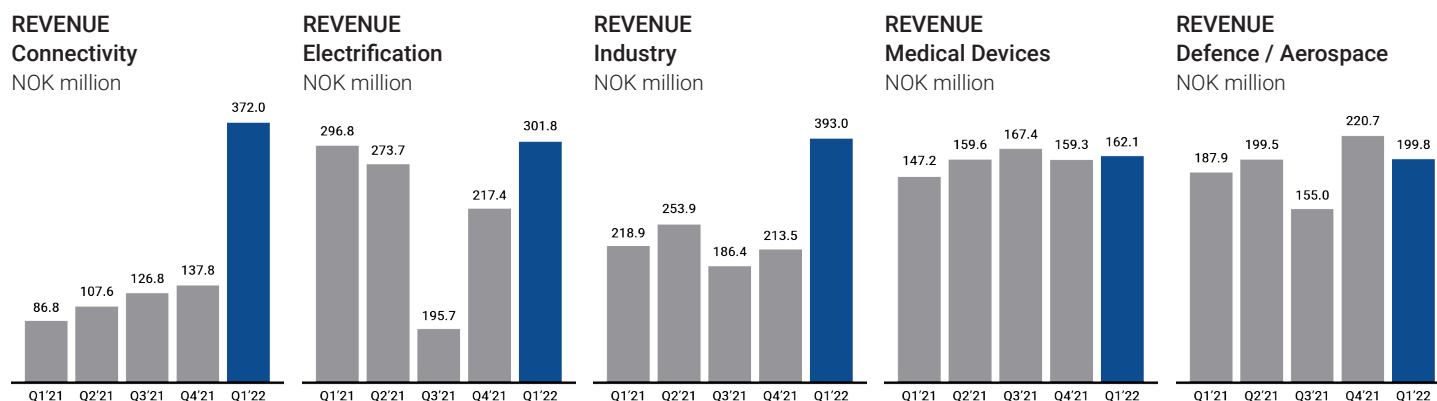
Net working capital was NOK 1 709 million, an increase of 65 per cent compared to the same quarter last year. Cash conversion cycle R3* was up from 103 days to 119 days, and net working capital R3* as a percentage of revenue was 29.2 per cent compared to 27.9 per cent last year. Return on operating capital (ROOC) R3* was 11.1 per cent compared to 16.6 per cent in the same quarter last year.

The acquisition of the Danish EMS company BB Electronics A/S increased net working capital by NOK 445 million. In general, the acquisition does not affect performance measures and ratios significantly.

Capital efficiency ratios are heavily affected by the supply situation, with material decommitments and new delivery dates. The material constraints continue to be difficult. Our focus going forward is on balancing demand with the constraints in supply, executing demand into deliveries and improving cash flow.

Key figures

NOK million	Q1 2022	Q1 2021	Change	Full year 2021
Revenue	1 428.7	937.5	491.1	3 711.4
EBIT	78.1	65.4	12.7	240.8
Order backlog	4 222.2	2 060.4	2 161.8	2 827.1
Operating cash flow	(106.9)	78.3	(185.2)	126.3
Net working capital	1 709.3	1 035.5	673.8	1 227.7



Acquisition of Danish EMS provider

In the first quarter, Kitron completed the acquisition of the Danish EMS company BB Electronics A/S, which has production facilities in Denmark, China and the Czech Republic. The deal is earnings accretive and adds significant shareholder value. BB Electronics is a full-service EMS (Electronics Manufacturing Services) provider based in Horsens, Denmark. The group had revenues of about DKK 1 000 million in 2021 and on average 750 employees and has over the past years grown significantly, both organically and through M&A. The customer base is concentrated within connectivity and industry. Kitron consolidated the acquired business effective 1 January, see note 6 to the financial statements.

Order intake

Order intake in the quarter was NOK 1 668 million, which is 68.1 per cent higher than for the first quarter 2021. The order backlog ended at NOK 4 222.2 million, which is 105 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 1 133.2 million at the beginning of the first quarter to NOK 1 302.3 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

Markets

Connectivity

Kitron's Connectivity sector is focused on connected devices. Many of these devices are sensors, continuously feeding data into increasingly advanced software, utilizing artificial intelligence to make predictions and improve efficiency and safety. Examples are multiplying, in everything from industrial control systems to medical devices monitoring vital functions and modern cars, containing many sensors communicating with the Internet. Another part of the connectivity market sector is communication, which supplies the backbone for sensors and IOT. Typical products here are wireless communication, optical transmission and networking products.

Electrification

Kitron's Electrification sector is focused on the megatrend that sees the world increasingly moving to renewable energy and electrification. Examples are battery management, power grid transmission, power and electric drive management, charging and fuel cell technology. Kitron is involved with electrification from the power grid to end-user products, from control systems for offshore wind power to battery management systems and charging stations.

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 the product areas diagnostics, life support, surgical, hospital and home care.

Kitron is especially strong in ultrasound and cardiology systems, respiratory medical devices and Lab/IVD (In-Vitro Diagnostics).

Defence/Aerospace

Aerospace is mainly navigation and communication equipment for civil and military avionics. Defence is primarily communication, encryption, and surveillance systems. The Defence/Aerospace sector is in general characterized by project deliveries.

Revenue market sectors

NOK million	Q1 2022	Q1 2021	Change	Full year 2021
Connectivity	372.0	86.8	285.2	458.9
Electrification	301.8	296.8	5.0	983.2
Industry	393.0	218.9	174.1	872.7
Medical devices	162.1	147.2	14.9	633.5
Defence & Aerospace	199.8	187.9	11.9	763.1
Total group	1 428.7	937.5	491.1	3 711.4

Order backlog market sectors

NOK million	31.03.2022	31.03.2021	Change	31.12.2021
Connectivity	940.2	167.5	772.6	303.5
Electrification	1 137.2	533.2	604.1	1 024.4
Industry	1 096.4	355.8	740.6	473.8
Medical devices	306.7	239.2	67.5	264.1
Defence & Aerospace	741.7	764.7	(23.0)	761.2
Total group	4 222.2	2 060.4	2 161.8	2 827.1

Operations

Organisation

The Kitron workforce corresponded to 2 788 full-time employees (FTE) on 31 March 2022. This is an increase of 1 039 FTE since the first quarter of 2021. Of the increase 990 FTEs are related to BB Electronics. The number of FTE in lower-cost regions now accounts for 80 per cent of the total.

The company's total payroll expenses in the first quarter were NOK 61.1 million higher than in the corresponding period in 2021. The relative payroll costs ended at 17.5 per cent, down from 20.1 per cent of revenue in the first quarter last year.

Revenue business entities

NOK million	Q1 2022	Q1 2021	Change	Full year 2021
Nordics	572.0	423.8	148.2	1 819.0
CEE	438.4	366.6	71.8	1 297.8
Rest of the world	456.7	167.9	288.8	696.0
Group and eliminations	(38.4)	(20.8)	(17.7)	(101.4)
Total group	1 428.7	937.5	491.1	3 711.4

EBIT business entities

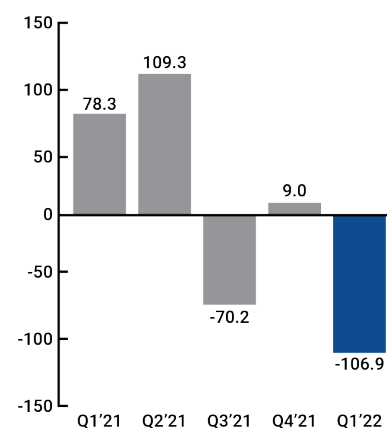
NOK million	Q1 2022	Q1 2021	Change	Full year 2021
Nordics	38.1	29.9	8.2	134.7
CEE	29.0	36.4	(7.4)	96.7
Rest of the world	24.4	3.8	20.6	37.7
Group and eliminations	(13.4)	(4.7)	(8.7)	(28.3)
Total group	78.1	65.4	12.7	240.8

Full time employees

NOK million	31.03.2022	31.03.2021	Change	31.12.2021
Nordics	744	533	211	556
CEE	1 070	956	114	839
Rest of world	974	318	656	354
Total group	2 788	1 807	981	1 749

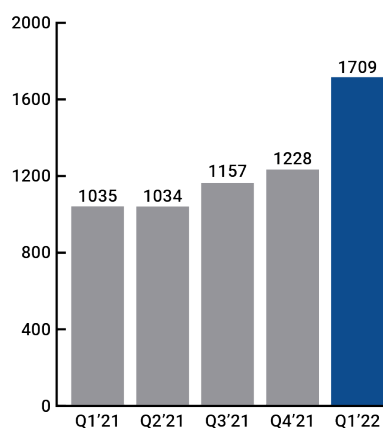
OPERATING CASH FLOW Group

NOK million



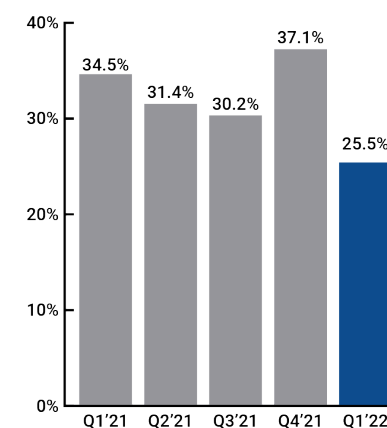
NET WORKING CAPITAL Group

NOK million



EQUITY RATIO Group

NOK million



Finance

Net financial items

During the quarter, net financial items amounted to a net cost of NOK 23.7 million. The corresponding figure for the first quarter last year was a net cost of NOK 13.1 million. Net disagio for the first quarter amounted to NOK 7.2 million (2021: disagio NOK 6.0 million).

Balance sheet

Kitron's gross balance sheet as of 31 March 2022 amounted to NOK 4 903.3 million, compared to NOK 2 637.0 million at the same time in 2021. Equity was NOK 1 252.2 million (NOK 911.0 million), corresponding to an equity ratio of 25.5 per cent (34.5 per cent).

Equity is influenced by foreign exchange effects from consolidation of foreign subsidiaries.

Inventory was NOK 1 494.1 million as of 31 March 2022 (NOK 551.8 million). Inventory turns* was 2.2 in the first quarter 2022, which is an increase compared to the first quarter last year (3.5).

Accounts receivables amounted to NOK 1 072.1 million at the end of the first quarter of 2022. The corresponding amount at the same time in 2021 was NOK 849.2 million.

Contract assets were NOK 552.3 million as of 31 March 2022, compared to NOK 367.3 million at the same time in 2021.

Right-of-use assets amounted to NOK 250.9 million at the end of the first quarter compared to NOK 238.7 million at the same time last year.

Right-of-use assets consist of buildings, land and vehicles amounting to NOK 137.1 million (2021: NOK 112.4 million) and machinery and equipment amounting to NOK 113.8 million (2021: NOK 126.3 million). Depreciation and interest costs related to leased buildings, land and vehicles were NOK 7.4 million and NOK 1.5 million respectively for the first quarter (2021: NOK 4.9 million and NOK 1.7 million respectively).

The group's reported net interest-bearing debt* amounted to NOK 1 631.4 million as of 31 March 2022 (NOK 669.6 million). Net gearing of the company was 1.30 (0.74). Net interest-bearing debt/ EBITDA is 3.5 for 12 months rolling compared to 1.6 for the same period last year. The net gearing and net interest-bearing debt/ EBITDA exclusive IFRS 16 effects are 1.19 and 3.4 respectively.

Outlook

For 2022, Kitron expects revenue between NOK 5 200 and 5 800 million, including BB Electronics. Operating profit (EBIT) is expected to be between NOK 330 and 430 million. Growth is driven by the Electrification, Connectivity and Industry market sectors. Currently, the growth is constrained by the material supply situation.

Oslo, 26 April 2022, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q1 2022	Q1 2021	Full Year 2021
Revenue	1 428 655	937 523	3 711 373
Cost of materials	993 368	613 055	2 449 714
Payroll expenses	249 815	188 714	719 144
Other operational expenses	71 795	45 891	197 050
Other gains / (losses)	2 569	326	(3 604)
Operating profit before depreciation and impairments (EBITDA)	116 246	90 188	341 861
Depreciation	38 181	24 834	101 048
Operating profit (EBIT)	78 065	65 355	240 813
Net financial items	(23 654)	(13 089)	(36 648)
Profit (loss) before tax	54 411	52 266	204 165
Tax	10 006	7 580	51 323
Profit (loss) for the period	44 405	44 686	152 843
Earnings per share-basic	0.23	0.25	0.78
Earnings per share-diluted	0.22	0.25	0.77

Condensed balance sheet

NOK 1 000	31.03.2022	31.03.2021	31.12.2021
ASSETS			
Goodwill	272 455	36 933	36 933
Other intangible assets	554 614	46 252	44 917
Property, plant and equipment	321 422	189 924	195 550
Right-of-use assets	250 945	276 179	256 892
Deferred tax assets	81 144	74 054	73 989
Other receivables	10 068	10 771	10 316
Total non-current assets	1 490 649	634 112	618 598
Inventory	1 494 142	551 809	880 297
Accounts receivable	1 072 061	849 165	864 598
Contract assets	552 324	367 313	400 586
Other receivables	151 988	69 437	117 302
Cash and cash equivalents	142 100	165 117	428 035
Total current assets	3 412 614	2 002 841	2 690 818
Total assets	4 903 263	2 636 953	3 309 417
LIABILITIES AND EQUITY			
Equity	1 252 222	911 012	1 228 046
Total equity	1 252 222	911 012	1 228 046
Deferred tax liabilities	116 783	4 431	4 223
Loans	1 129 736	234 536	206 230
Pension commitments	5 597	5 666	5 557
Other liabilities	11 735	4 163	4 227
Total non-current liabilities	1 263 851	248 796	220 237
Accounts payable	1 409 270	732 828	917 779
Other payables	310 458	129 505	131 057
Tax payable	23 739	14 636	19 050
Loans	643 723	600 177	793 247
Total current liabilities	2 387 190	1 477 145	1 861 133
Total liabilities and equity	4 903 263	2 636 953	3 309 417

Condensed cash flow statement

NOK 1 000	Q1 2022	Q1 2021	Full year 2021
Profit before tax	54 411	52 266	204 165
Depreciations	38 181	24 834	101 048
Change in inventory, accounts receivable, contract assets and accounts payable	(161 538)	28 303	(163 940)
Change in net other current assets and other operating related items	30 898	(19 015)	(102 622)
Change in factoring debt	(68 819)	(8 078)	87 661
Net cash flow from operating activities	(106 868)	78 310	126 314
Net cash flow from investing activities	(885 077)	(4 958)	(45 974)
Net cash flow from financing activities	716 778	(32 296)	225 381
Change in cash and bank credit	(275 167)	41 055	305 721
Cash and bank credit opening balance	222 414	(81 039)	(81 039)
Currency conversion of cash and bank credit	750	(1 747)	(2 269)
Cash and bank credit closing balance	(52 004)	(41 731)	222 414

Condensed statement of comprehensive income

NOK 1 000	Q1 2022	Q1 2021	Full year 2021
Profit (loss) for the period	44 405	44 686	152 843
Actuarial gain / losses pensions	-	-	(299)
Gain/losses forward contract	-	-	(7 474)
Exchange differences on translation of foreign operations	9 070	(686)	3 316
Currency translation differences	(32 226)	(19 829)	(12 261)
Total comprehensive income for the period	21 249	24 170	136 125
Allocated to shareholders	21 249	24 170	136 125

Changes in equity

NOK 1 000	31.03.2022	31.03.2021	31.12.2021
Equity opening balance	1 228 046	885 654	885 654
Profit (loss) for the period	44 405	44 686	152 843
Paid dividends	-	-	(125 373)
Issue of ordinary shares	-	-	338 775
Employee share schemes	2 926	1 188	5 243
Other adjustments	-	-	(12 377)
Other comprehensive income for the period	(23 156)	(20 515)	(16 718)
Equity closing balance	1 252 222	911 012	1 228 046

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the first quarter of 2022 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 2021. 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 2021, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2021 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 2021.

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.

Notes to the financial statements, continued

Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses.

Note 5 – Coronavirus pandemic

Market demand for Kitron in the first quarter was strong. However, the supply chain is affected by the general material supply situation, which continues to be a challenge to lead times and deliveries. Kitron continuously makes capacity adjustments based on demand fluctuations and has prepared for significantly larger fluctuations, if they should occur.

Note 6 – Business combinations

In the first quarter, Kitron completed the acquisition of the Danish EMS company BB Electronics A/S, which has production facilities in Denmark, China and the Czech Republic.

BB Electronics is a full-service EMS (Electronics Manufacturing Services) provider based in Horsens, Denmark. The group had revenues of about DKK 1,000 million in 2021 and on average 750 employees and has over the past years grown significantly, both organically and through M&A.

The customer base is concentrated within industry, telecom and medical. The acquisition was completed early in January 2022.

The purchase price to be paid, after certain post signing adjustments, is DKK 663.9 million (NOK 896.0 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:

NOK 1 000	01.01.2022
Other intangible assets	25 400
Other intangible assets, customer contacts	509 263
Property, plant and equipment	115 395
Right-of-use assets	38 084
Deferred tax assets	15 936
Inventory	464 073
Accounts receivable	218 270
Contract assets	74 896
Other receivables	34 888
Cash and cash equivalents	26 565
Deferred tax	(114 302)
Loans	(124 796)
Accounts payable	(434 937)
Other payables	(182 882)
Tax payable	(6 174)
Loans	(15 934)
Net identifiable assets acquired	643 744
Add: goodwill	252 273
Net assets acquired	896 017

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

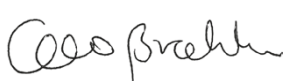
Revenue and profit contribution

The acquired business contributed revenues of NOK 457.4 million, EBITDA of NOK 32.0 million, EBIT of NOK 24.7 million and net profit of NOK 19.1 million to the group for the period from 1 January 2022 to 31 March 2022. In addition other intangible assets (customer contracts) included in the preliminary fair value assessment are amortized with NOK 6.2 million in the period.

Oslo, 26 April 2022



Tuomo Lähdesmäki
Chairman



Gro Brækken
Deputy Chairman



Christian Jebesen
Board Member



Espen Gundersen
Board Member



Petra Grandinson
Board Member



Maalfrid Brath
Board Member



Bjørn Gottschlich
Employee Elected Board
Member



Tanja Rørheim
Employee Elected Board
Member



Jarle Larsen
Employee Elected Board
Member



Lars Peter Nilsson
CEO of Kitron ASA

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 %

(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)

Variable contribution


Revenue - Direct cost

Net gearing

Net interest bearing debt / Equity

Equity Ratio

The ratio of Equity to Total Assets



Kitron is a leading Scandinavian electronics manufacturing services company for the Connectivity, Electrification, Industry, Medical Devices, and Defence/Aerospace sectors. The group is located in Norway, Sweden, Denmark, Lithuania, Germany, Poland, the Czech Republic, China, and the United States. Included the acquisition of BB Electronics in January 2022, Kitron has about 2 500 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 industrialization, 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, resilience testing, or sourcing any other part of the customer's product. Customers typically serve international markets and provide equipment or systems for professional or industrial use.