

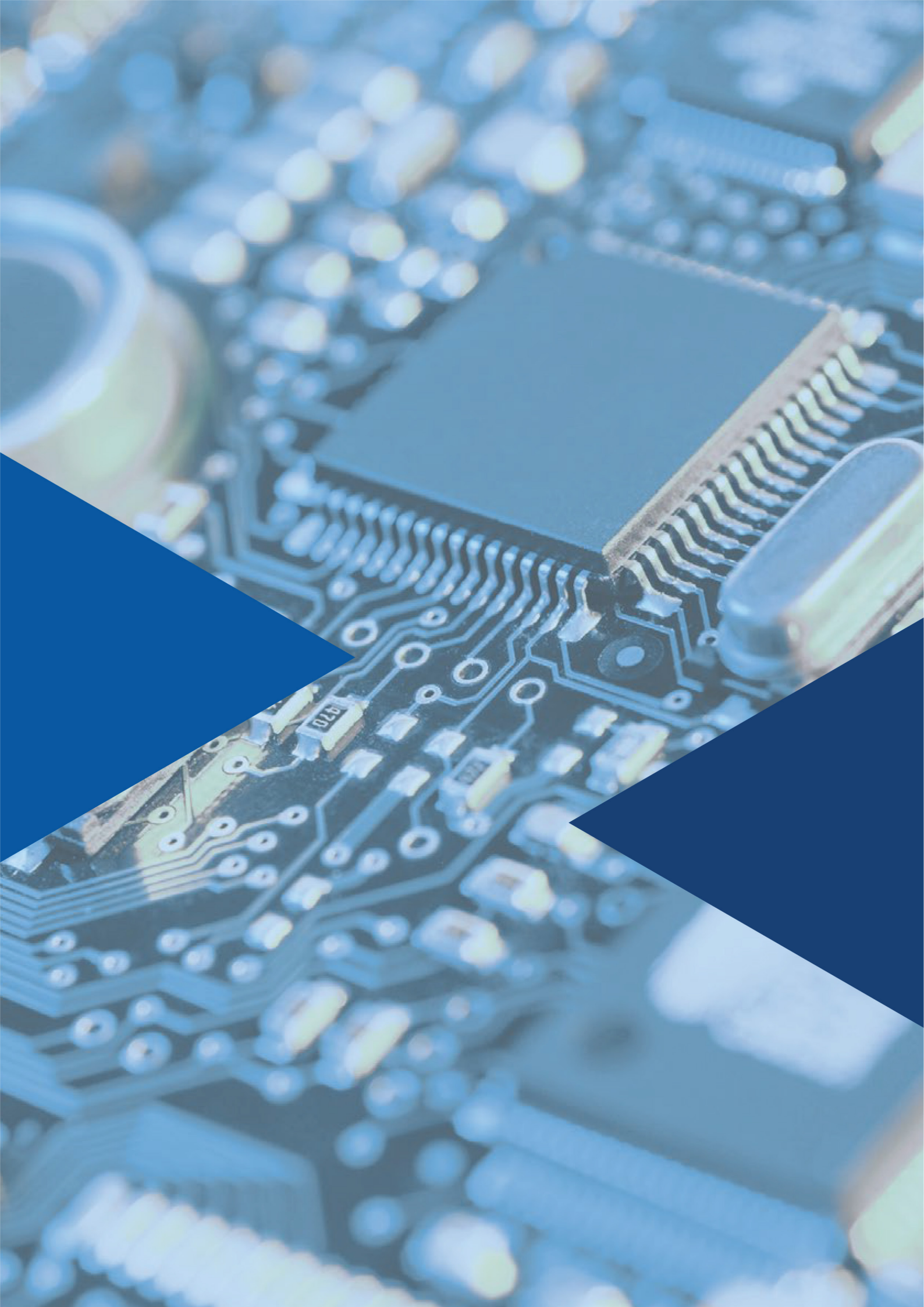


# ANNUAL REPORT 2020

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

Norway  
Sweden  
Lithuania  
Germany  
Poland  
USA  
China

Your ambition. Our passion.



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## KITRON IN BRIEF

Kitron is an international Electronics Manufacturing Services (EMS) company. The company is located in Norway, Sweden, Lithuania, Germany, Poland, China and the US and has about 1800 employees. Kitron manufactures both electronics that are embedded in the customers' own products, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers. It also increasingly provides various related services within development, industrialisation, supply chain management, logistics and aftermarket services.

Kitron is most competitive within complex manufacturing processes that require niche expertise. Kitron has over the past years chosen to focus its sales and marketing activities within five key sectors: Defence/Aerospace, Energy/Telecoms, Industry, Medical devices and Offshore/Marine. From 2021 these sectors are adjusted to better reflect market changes and growth outlook. Medical Devices and Defence/Aerospace are unchanged, and the other sectors are re-arranged into Connectivity and Electrification and Industry.

The group has a balanced sales mix among its market sectors, which makes Kitron diversified and puts the group in a good position to handle shifts in demand.

The company has strong relationships with large multinational customers.

### Flexible turnkey supplier

Kitron's services range from development and design, through industrialisation, sourcing and logistics, to manufacturing, redesign and upgrading of products in order to extend their lifespan. Kitron endeavours to achieve a seamless integration with customers and suppliers.

The company is working to further enhance its competitiveness by expanding its range of services in those parts of the value chain that demand high levels of expertise. The group is constantly striving to optimise the sourcing function, manufacturing process and logistics in order to reduce its cost base.

### Quality assurance

The group measures quality in all processes. Continuous quality improvement is achieved through training and the implementation of programs such as Six Sigma, LEAN Manufacturing, 5S and 7W. Kitron is striving to achieve superior quality and thereby create a competitive advantage relative to other EMS companies.

### Global sourcing

Kitron's global sourcing is responsible for performing sourcing activities for the whole group, working in close connection with Kitron's local sourcing. Kitron's global sourcing consists of dedicated specialists working directly with carefully selected manufacturers and distributors. Continuously monitoring the market globally, Kitron is able to negotiate competitive prices and ensure a reliable supply of components.

### Vision and values

Kitron's vision is to provide solutions that deliver success for its customers. Kitron shall contribute to develop customers' businesses into leading companies within their respective markets.

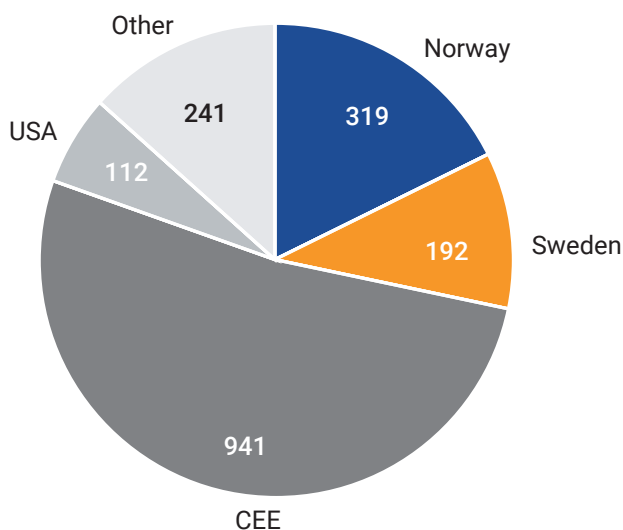
The company's values are commitment, innovation and engagement. We are committed to customers, suppliers, shareholders, colleagues, sustainability and the environment, we foster creativity, striving for even better processes, services and solutions, benefiting both our customers and employees, and individuals and teams are provided equal opportunities for growth, development and realization of their potentials.

### Strategy

The group will continue to pursue profitable growth in the Northern European, US and Chinese EMS markets, targeting professional customers. Kitron's current strategy contains three key elements: accelerated organic growth, continuous operational improvements and growth through targeted acquisitions.

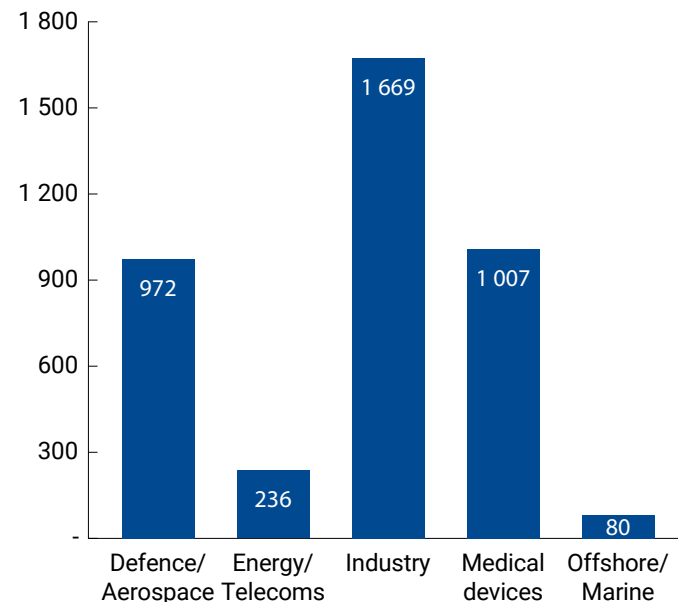
#### Full time employees 2020

Geographical description



#### Revenue per market sector in 2020

Revenue in NOK million





## Accelerate organic growth

Kitron will continue to increase market shares in its Nordic home markets by leveraging its key competences and competitive edge. There will be a particular focus on gaining market share in Northern Europe. Germany, China & Asia and the US are large markets where Kitron sees attractive opportunities. The German operation is focusing on sales and technical services while the manufacturing will be performed elsewhere, primarily in Lithuania and Poland. Kitron has expanded its factory in Kaunas, Lithuania, and in 2019 production was started at a new site in Grudziądz in Poland, further increasing capacity in Eastern Europe.

The company is also increasing service sales, contributing both to increased revenues and margin expansion.

In addition to targeting new customers, Kitron see substantial opportunities in deepening its relationships with existing customers, many of which are large, complex multinationals with a number of different divisions with potential for Kitron.

## Continuous operational improvement

Kitron will focus on reducing the cost base through global sourcing, increased manufacturing efficiency, system and process improvements and transfer of manufacturing and services to lower-cost countries. Within all these areas there are ongoing programs and clear targets. An improvement program has been ongoing since 2015 and is progressing well. Kitron's employees and their competences are key factors in fulfilling the company's strategy. In the future, innovative use of advanced manufacturing technology will increasingly determine the competitiveness of Kitron.

## Growth through targeted acquisitions

In 2019, Kitron completed the acquisition of the EMS division of API Technologies Corp., strengthening the position in the United States. The company intends to pursue further M&A activities to grow and will explore M&A value creation to grow the customer base, realize synergies and expand margins.

## Kitron's history

Kitron has its origin in companies which were established in the 1960s in Arendal, Norway. The Kitron name was established in the 1980s, and Kitron's business idea changed to providing services relating to the manufacturing and assembly of electronics and industrial products. Kitron was listed on the Oslo Stock Exchange in 1997.

In order to strengthen its market position and competence, Kitron has carried out several mergers and acquisitions in Norway, Sweden, Lithuania and the U.S.

Based on this history, Kitron has developed into a leading Scandinavian electronics manufacturing services company with production facilities on three continents.



## BOARD OF DIRECTORS' REPORT 2020

### An exceptional year

Kitron's revenue for the year reached NOK 3 963.9 million (NOK 3 299.4 million), which represented a 20 per cent increase compared with 2019. Revenue from all business units grew. EBITDA for the group reached NOK 414.4 million compared to NOK 285.6 million in 2019. Net profit for the year amounted to NOK 213.1 million (NOK 132.5 million), corresponding to NOK 1.19 per share (NOK 0.74). The Board of Directors will, on this basis, propose to the Annual General Meeting an ordinary dividend of NOK 0.70 per share for the financial year 2020. The Board proposes a changed policy of dividend payments in two equal tranches to be paid in May and October 2021. Last year, the ordinary dividend was NOK 0.50.

In the Annual Report 2019, Kitron indicated an expected revenue range of between NOK 3 300 and 3 700 million and an EBIT margin of 6.4 to 7.0 per cent for 2020. Both figures ended significantly higher than the indicated ranges, primarily due to extraordinary strong demand within the Medical devices market sector, due to the global pandemic.

### The business

Kitron's business model is to provide manufacturing and assembly services for products containing electronics. The business model covers the whole value chain from development, industrialisation, purchasing, logistics and maintenance/repair to redesign. For customers having Kitron as their professional manufacturing partner, this means increased flexibility, reduced costs and improved quality. The growing competition among OEMs requires focus on manufacturing efficiency and cost reduction. Hence, an increasing share of OEMs focus on their own core competences and transfer a larger part of the value chain to specialised EMS providers such as Kitron. When selecting an EMS partner, geographical proximity and access to competitive manufacturing play a crucial role in the customer's choice of supplier. With its global presence, Kitron is well placed in this market.

The company has operations in Norway, Sweden, Lithuania, Germany, Poland, China and the United States. All employees have been certified in accordance with international quality standards for the applicable manufacturing.

### Market sectors

Kitron's services are most competitive within complex manufacturing processes that require niche expertise. Kitron has over the past years chosen to focus its sales and marketing activities within five key sectors: Defence/Aerospace, Energy/Telecoms, Industry, Medical devices and Offshore/Marine. From 2021 these sectors are adjusted to better reflect market changes and growth outlook, adding two new market sectors, Connectivity and Electrification, while the Industry and Energy/Telecoms sectors are rearranged somewhat. In the following discussion, the market sectors from 2020 are still used.

The order backlog ended at NOK 2.005.5 million, an increase of 6 per cent compared to last year.

#### Defence/Aerospace

Revenue in the Defence/Aerospace sector increased by 31 per cent and ended at NOK 972.4 million in 2020 (NOK 743.2 million). The sector accounted for 25 per cent (23 per cent) of the group's total revenues. Defence spending has been growing over the past years, and the high level of activity in the defence sector continues.

However, this sector is to a large degree project based, and the timing of major projects will influence the revenue level for the particular year.

For Kitron, the F-35 program secures the company's future position as a strong partner within the defence sector. This market sector is especially important to our Norwegian and Swedish plants. The long-term outlook for the Defence/Aerospace sector remains positive.

#### Energy/Telecoms

Revenue in the Energy/Telecoms sector declined by 50 per cent to NOK 236.2 million in 2020 (NOK 474.4 million). This represented 6 per cent of the group's revenues (14 per cent). The reduction in revenue is due to the disengagement of a customer in the end of 2019.

#### Industry

The Industry sector increased its revenue by 31 per cent to NOK 1 668.8 million (NOK 1 271.4 million), accounting for 42 per cent of the group's total revenue (39 per cent). The Industry sector has grown rapidly, leading to the decision to establish a new factory in Poland in 2019. Industry is the market sector within Kitron that tends to be most closely correlated with the general economic development.

#### Medical devices

Revenue in the Medical device sector increased by 69 per cent to NOK 1 006.6 million in 2020 (NOK 595.9 million), corresponding to 25 per cent of the group's revenues (18 per cent). Normally, the medical sector is less cyclical than other market segments and the demand quite stable. However, 2020 was an exceptional year, as the global pandemic created surging demand for ventilators and other medical devices. Kitron expects demand within this sector to normalize in 2021. Longer term, Kitron expects to grow about in line with the total market.

#### Offshore/Marine

Revenue in the Offshore/Marine sector declined by 63 per cent to NOK 79.8 million (NOK 214.5 million). The sector accounted for 2 per cent (7 per cent) of the group's total revenues. Revenues in this sector have historically largely come from the oil and gas industry and it has been particularly important to Kitron's Norwegian factory. The sector now has limited revenue due to the market demand situation for this sector.

### Important events in 2020

#### Impact of the corona pandemic

The outbreak of the corona pandemic in the winter created significant uncertainty. Kitron took decisive action to safeguard employees' health and maintain our operations and supply chain. The impact on health and operations was, due to these efforts, limited. Demand for ventilators surged, and we concentrated resources to meet this. Outside of the Medical devices market sectors, total demand remained solid, although there were variations among customers and market sectors.

#### Customer contracts

During 2020, Kitron has solidified its position as a trusted manufacturing partner for a number of important customers. Besides the pandemic-related surge in the Medical devices market

sectors, there was robust activity in the Defence/Aerospace market sector, and Kitron announced important new orders from Kongsberg as well as orders related to the F-35 program. Kitron's US factory won a strategically important contract with medtech company MedAvail Technologies.

### Investments

After significant capital expenditure in 2019, Kitron's investments were more normalised in 2020. However, Kitron continues to invest in capacity, automation and robotization intended to increase efficiency at the plants.

## Financial statements

The board of directors believes that the annual financial statements provide a true and fair view of the net assets, financial position and result of Kitron ASA and the Kitron group for the year. The group's consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by EU.

### Profit and loss

Operating revenue for 2020 amounted to NOK 3 963.9 million (NOK 3 299.4 million), which represented a 20 per cent increase compared with 2019. Growth adjusted for foreign exchange effects in consolidation was 13.2 per cent.

The order backlog at the end of 2020 amounted to NOK 2.005.5 million, compared to NOK 1 883.9 million in 2019. Kitron recognizes firm orders and four-month customer forecasts in the order backlog, while frame agreements and similar are not included (beyond the four-month forecast).

In absolute numbers, the order backlog increased the most in the Industry market sector. The order backlog in the Defence/Aerospace sector declined, albeit from a very high level. 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.

The number of full-time equivalents (FTE) increased from 1 722 at the end of 2019 to 1 805 at the end of 2020. The work force has increased in Poland and in China. 72 per cent of Kitron FTEs are now in lower-cost countries. The group's payroll expenses increased and amounted to NOK 671.4 million in 2020 compared with 592.9 million in 2019. The payroll expenses as a percentage of revenue declined to 16.9 per cent (18.0 per cent in 2019).

Kitron performs development, industrialization and manufacturing services for its customers and may perform research services related to such projects. Kitron's development activities on the company's own account are limited and are primarily aimed at planning and implementing productivity improvements, building competency and enhancing quality. Such costs are expensed when incurred.

Net financial costs amounted to NOK 38.5 million. The corresponding figure for 2019 was a net cost of NOK 31.9 million. Kitron's pre-tax profit for 2020 amounted to NOK 274.1 million (NOK 169.6 million), an increase of NOK 104.5 million. All tax loss carried forward in the businesses in Norway and USA are capitalised by December.

The group's net profit for the year amounted to NOK 213.1 million (NOK 132.5 million). This corresponds to earnings per share of NOK 1.19 (NOK 0.74). Diluted earnings per share were NOK 1.18 (NOK 0.74).

Kitron's dividend policy is to pay out an annual dividend of at least 50 per cent of the company's consolidated net profit before non-recurring items. The Board proposes a changed policy of dividend payments in two equal tranches to be paid in May and October. When deciding on the annual dividend the company will take into account company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.

On this basis, the Board proposes an ordinary dividend for the accounting year 2020 of NOK 0.70, divided into two tranches of NOK 0.35 each, equivalent to a dividend ratio of 59 per cent.

### Cash flow

In 2020, Kitron's cash flow from operating activities increased by NOK 41.8 million compared to 2019, to NOK 237.0 million (NOK 195.2 million). Net cash flow from investing activities in 2020 ended at minus NOK 59.0 million (minus NOK 248.1 million).

Net cash flow from financing activities was minus NOK 142.0 million (plus NOK 40.0 million). Kitron enters into financial leasing agreements when applicable. The leasing obligation is recognised as debt.

In general, Kitron expects to generate sufficient cash to finance the operation in the foreseeable future.

### Balance sheet and liquidity

Total assets at 31 December 2020 amounted to NOK 2 654.8 (NOK 2 396.2 million). At the same time equity amounted to NOK 885.7 million (NOK 739.2 million) and the equity ratio was 33.4 per cent (30.8 per cent).

Inventories ended at NOK 545.0 million at the end of the year (NOK 445.6 million). Contract assets ended at NOK 386.7 million, compared to NOK 313.7 million last year. Controlling inventory is a major focus area for the company's ongoing improvement program, but during 2020, efforts to ensure supplies during the pandemic have led to some temporary increases, adding to the effect of revenue growth.

Accounts receivable ended at NOK 834.5 million (NOK 696.9 million). Overdue receivables are slightly higher at year-end but low in general and credit losses have been small during 2020.

Accounts payable ended at NOK 702.4 million (NOK 514.4 million).

On 31 December 2020 the group's interest-bearing debt was NOK 910.6 million (NOK 988.3 million). The debt mainly consists of long-term bank debt, short-term bank debt, factoring and leasing.

Cash and cash equivalents amounted to NOK 152.6 million at the balance sheet date (NOK 204.0 million). NOK 21.6 million of this amount was restricted deposits (NOK 19.8 million). The group's liquidity situation is satisfactory.

## Risk factors and risk management

Kitron is exposed to financial risks and has consequently implemented procedures for risk management that are designed to reduce possible negative effects.

The group is exposed to fluctuations in currency exchange rates and has net cash inflow in NOK and SEK. A strengthening of these currencies would consequently have some positive impact on the group's performance. However, revenues and costs in foreign



currencies are in general largely balanced and exchange rate risk over time is consequently limited.

The group is normally allowed to adjust sales prices with customer, when currency fluctuates outside agreed upon ranges. Other hedge agreements are usually not in use.

The credit risk for the majority of the company's customers is insured in accordance with the terms of the company's factoring agreement. The company is therefore only exposed to credit risk on customers where the credit risk is uninsured. Kitron has only incurred immaterial bad debt costs.

Kitron's debt is a combination of long-term debt and short-term debt related to factored accounts receivable. The latter means that fluctuations in revenue impact the company's liquidity. The group has overdraft facilities that cover expected liquidity fluctuations during the year. The board considers the group's liquidity to be sufficient.

The group's interest-bearing debt attracts interest cost at the market-based rate. Kitron has no financial instruments related to interest rates. The group does not hold any significant interest-bearing assets.

## Social responsibility

Kitron has implemented Ethical guidelines that reflect Kitron core values and Kitron corporate social responsibility. Kitron has implemented an ethical committee whose task is to review and suggest updates of ethical guidelines, decide and/or advice in ethical dilemmas, conduct risk analysis and implement relevant actions and make periodical reviews.

Kitron's Sustainability report for 2020 is presented in the Annual report. The report is prepared in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting and Euronext Guidelines to issuers for ESG reporting from 2020. The report has been reviewed and approved by the Board.

## Health, safety, security and environment (HSSE)

At the end of 2020 the group employed a total of 1740 people. Adjusting for part-time employees and hired-ins, this translates to 1 805 full-time equivalents. The figures have not been adjusted for sick leave. The competence of our employees represents a major asset and competitive advantage for Kitron.

There were no serious work-related accidents in 2020.

Sick leave in Kitron was 3.32 per cent, compared to 3.64 per cent in 2019. The board considers the working environment to be good, despite challenges posed by the global pandemic in 2020, and Kitron participates in the Great Place to Work survey in order to develop an even better working environment.

Kitron does not pollute the external environment to any material extent. Several of the group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards.

## Personnel and organisation

Kitron considers the competence of employees to be the ultimate competitive advantage. Securing required and relevant competence now and for the future is a fundamental priority and Kitron competence roadmap has been outlined. Individual career and competence development is part of the current performance management process. The digital learning platform, Kitron Academy, was launched in 2018, and further developed and supplemented with learning and development activities in the following years. The platform offers the possibility to report on training activities per individual and group level. In 2020 42 797 hours were registered as spent on training.

## Equal opportunities

Kitron's basic view is that people with different backgrounds, irrespective of ethnicity, gender, religion, sexual orientation or age, should have the same opportunities for work and career development at Kitron. The company's manufacturing factories have traditionally employed a higher proportion of women. Women represented 54 per cent of the Kitron work force in 2020. Out of 111 managers (manager having direct reports) 26 per cent are female and 74 per cent are male.

Kitron is taking its social responsibility seriously. In addition to ensuring that the work is carried out safely this involves respecting the freedom of association and not accepting any form of forced labour, child labour or work-related discrimination.

The average pay for men and women vary due to differences in job categories and years of service, not because of gender. Women's amount of men's pay per location can be found on page 93. No gender-based differences exist with regard to working hour regulations or the design of workplaces.

Indirect functions include management employees, staff and other support functions. The employees in the subsidiary management teams are predominantly male. The corporate management team has 7 male and 1 female members.

The composition of the board complies with the requirements in the Norwegian Public Limited Companies Act regarding gender balance.



## Corporate governance

The Kitron board has adopted policies for corporate governance to safeguard the interests of the company's owners, employees and other stakeholders. These principles and associated rules and practices are intended to create increased predictability and transparency, and thus reduce uncertainties connected with the business. Kitron endeavours to have in place procedures that comply with the Norwegian code for corporate governance. The board's review of corporate governance is presented in the annual report.

### Salaries and other remuneration to senior executives

The Board of Directors has a separate Remuneration Committee, which deals with all significant matters related to wages and other remuneration to senior executives before the formal discussion and decision by the Board of Directors. In line with the Norwegian Companies Act, the Board of Directors has also prepared a statement on the Group CEO and Executive Management remuneration included in Note 27 to the consolidated financial statements.

### Net profit (loss) of the parent company

The Parent Company Kitron ASA recorded a profit of NOK 77.7 million for 2020 (NOK 77.3 million). The board of directors proposes the following allocations for Kitron ASA:

Dividend	NOK 125.4 million
Transferred from other equity	NOK (47.7) million
Total allocations	NOK 77.7 million

There have been no events to date in 2021 that significantly affect the result for 2020 or valuation of the company's assets and liabilities at the balance sheet date. The board confirms that the conditions for the going concern assumption have been satisfied and that the financial statements for 2020 have been prepared on the basis of this assumption.

## 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, 23 March 2021



Tuomo Lähdesmäki  
Chairman



Espen Gundersen  
Board member



Maalfrid Brath  
Board member



Gro Brækken  
Deputy chairman



Tanja Rørheim  
Employee elected board member



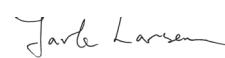
Bjørn Gottschlich  
Employee elected board member



Lars Peter Nilsson  
CEO of Kitron ASA



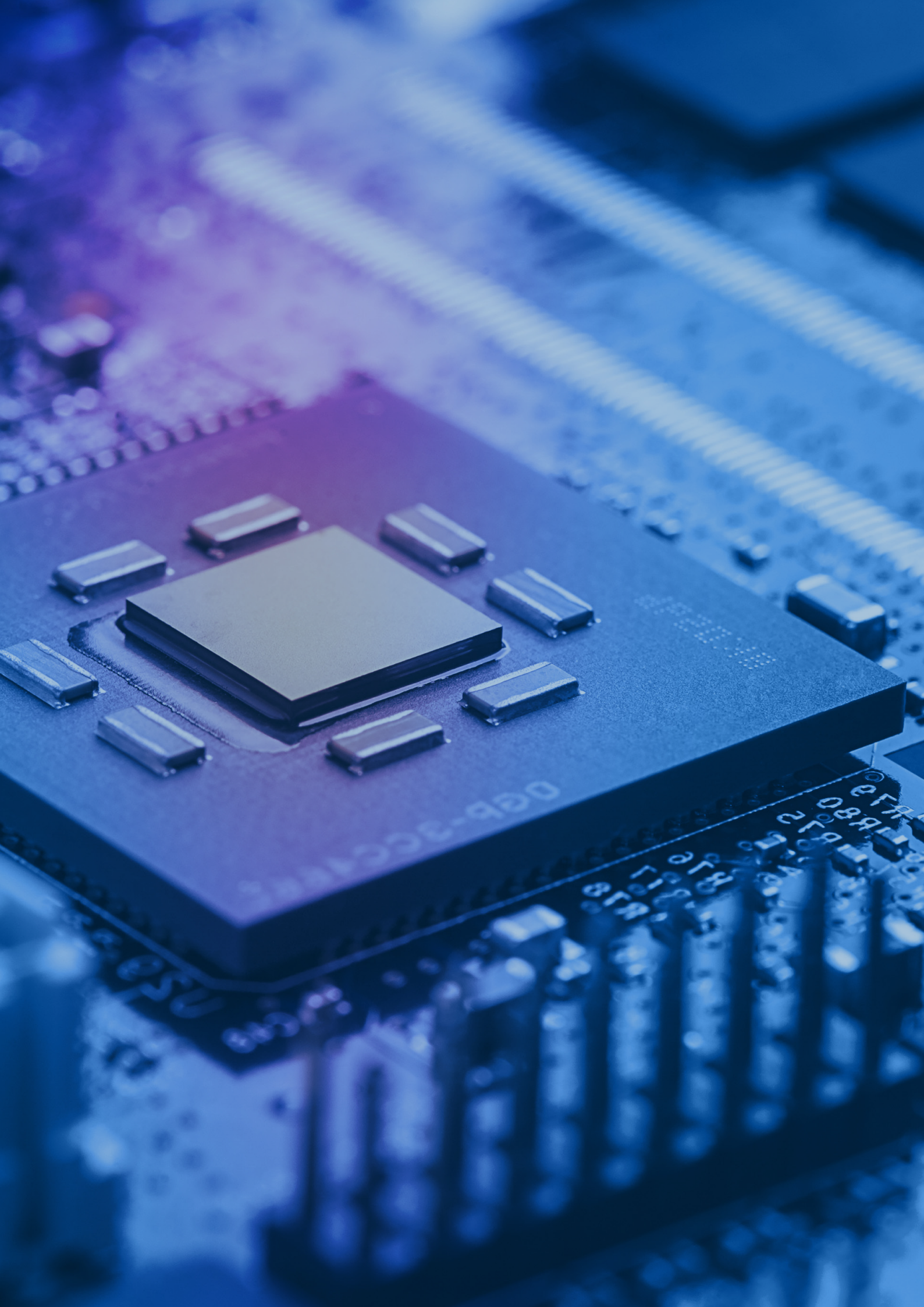
Christian Jebsen  
Board member



Jarle Larsen  
Employee elected board member



Petra Grandinson  
Board member



## CONSOLIDATED ANNUAL ACCOUNTS AND NOTES

### Consolidated income statement

(Amounts in NOK 1000)	Note	2020	2019
<b>Revenue</b>			
Revenues	5,6	3 963 876	3 299 416
<b>Operating costs</b>			
Cost of materials		2 645 855	2 220 203
Payroll expenses	8,19,23,29	671 438	592 859
Depreciation and impairments	12,13,14	101 828	84 056
Other operating expenses	27,29	225 211	196 495
Total operating costs		3 644 332	3 093 612
Other gains/(losses)	7	(6 970)	(4 304)
<b>Operating profit/(loss)</b>		<b>312 574</b>	<b>201 500</b>
<b>Financial income and expenses</b>			
Finance income	9	10 896	4 211
Finance expenses	9	(49 383)	(36 129)
Net financial items		(38 487)	(31 918)
Profit/(loss) before tax		274 087	169 581
Tax	10	61 031	37 079
<b>Net profit/(loss)</b>		<b>213 056</b>	<b>132 502</b>
<b>Allocation</b>			
Shareholders		213 056	132 502
Earnings per share for that part of the net profit/(loss) allocated to the company's shareholders (NOK per share)			
Basic earnings per share	11	1.19	0.74
Diluted earnings per share	11	1.18	0.74

The notes on pages 16 to 49 are an integral part of the consolidated financial statement.

## Consolidated statement of comprehensive income

(Amounts in NOK 1000)	2020	2019
Net profit/(loss)	213 056	132 502
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit and loss</b>		
Actuarial gain / losses pensions	(179)	(257)
	(179)	(257)
<b>Items that may be subsequently reclassified to profit and loss</b>		
Exchange differences on translation of foreign operations	(2 859)	1 222
Currency translation differences	23 090	(3 532)
	20 231	(2 310)
<b>Total other comprehensive income</b>	<b>20 052</b>	<b>(2 567)</b>
<b>Total comprehensive income</b>	<b>233 108</b>	<b>129 935</b>

Items in the statement above are disclosed net of tax. See note 10.

### Allocation

Shareholders	233 108	129 935
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## Consolidated balance sheet

(Amounts in NOK 1000)	Note	31.12.2020	31.12.2019
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	13	36 933	36 933
Other intangible assets	14	52 760	27 958
Property, plant and equipment	12	494 852	507 091
Deferred tax assets	22	72 384	86 770
Other receivables	15	4 598	2 206
<b>Total non-current assets</b>		<b>661 528</b>	<b>660 959</b>
<b>Current assets</b>			
Inventory	16	544 977	445 600
Accounts receivable	15, 27	834 493	696 934
Contract assets	15	386 660	313 719
Other receivables	15, 27	74 589	75 025
Cash and cash equivalents	17	152 572	203 976
<b>Total current assets</b>		<b>1 993 292</b>	<b>1 735 253</b>
<b>Total assets</b>		<b>2 654 820</b>	<b>2 396 212</b>

The notes on pages 16 to 49 are an integral part of the consolidated financial statement.



## Consolidated balance sheet (cont.)

(Amounts in NOK 1000)	Note	31.12.2020	31.12.2019
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Equity attributable to owner of the parent</b>			
Share capital and share premium reserve	18	473 968	473 968
Equity unrecognised in the profit and loss		7 125	(15 812)
Retained earnings		404 560	281 057
<b>Total equity</b>		<b>885 654</b>	<b>739 213</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	22	4 728	16 132
Interest bearing debt	21	267 894	331 029
Pension commitments	23	5 666	5 896
Other liabilities		3 088	
<b>Total non-current liabilities</b>		<b>281 376</b>	<b>353 057</b>
<b>Current liabilities</b>			
Accounts payable	20, 27	702 368	514 430
Other payables	20, 27	128 093	126 471
Tax payable		14 605	5 775
Interest bearing debt	21	642 723	657 266
<b>Total current liabilities</b>		<b>1 487 789</b>	<b>1 303 942</b>
<b>Total liabilities</b>		<b>1 769 166</b>	<b>1 656 999</b>
<b>Total liabilities and equity</b>		<b>2 654 820</b>	<b>2 396 212</b>

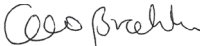
The notes on pages 16 to 49 are an integral part of the consolidated financial statement.

Oslo, 23 March 2021

  
Tuomo Lähdesmäki  
Chairman

  
Espen Gundersen  
Board member

  
Maalfrid Brath  
Board member

  
Gro Brækken  
Deputy chairman

  
Tanja Rørheim  
Employee elected board member

  
Bjørn Gottschlich  
Employee elected board member

  
Lars Peter Nilsson  
CEO of Kitron ASA

  
Christian Jebsen  
Board member

  
Jarle Larsen  
Employee elected board member

  
Petra Grandinson  
Board member

## Consolidated statement of changes in equity

(Amounts in NOK 1000)	Note	Equity attributable to owner of the parent					Retained earnings	Total
		Share capital and share premium reserve	Actuarial gains and losses	Exchange gains/ losses unrecognised in the profit and loss	Other equity unrecognised in the profit and loss			
Equity at 1 January 2019		473 677	(9 604)	(2 091)	10 446	219 031	691 459	
Net profit						132 502	132 502	
Paid dividends						(70 477)	(70 477)	
Issue of ordinary shares		291					291	
Employee share schemes					(11 995)		(11 995)	
Other comprehensive income			(257)	(2 310)	-		(2 567)	
<b>Equity at 31 December 2019</b>		<b>473 968</b>	<b>(9 861)</b>	<b>(4 402)</b>	<b>(1 549)</b>	<b>281 057</b>	<b>739 213</b>	
<b>Equity at 1 January 2020</b>		<b>473 968</b>	<b>(9 861)</b>	<b>(4 402)</b>	<b>(1 549)</b>	<b>281 057</b>	<b>739 213</b>	
Net profit						213 056	213 056	
Paid dividends						(89 552)	(89 552)	
Employee share schemes					2 885		2 885	
Other comprehensive income			(179)	20 231	-		20 052	
<b>Equity at 31 December 2020</b>		<b>473 968</b>	<b>(10 040)</b>	<b>15 829</b>	<b>1 336</b>	<b>404 560</b>	<b>885 654</b>	

The notes on pages 16 to 49 are an integral part of the consolidated financial statement.

## Consolidated statement of cash flow

(Amounts in NOK 1000)	Note	2020	2019
<b>Cash flows from operating activities</b>			
Cash flow from operations	25	308 448	233 905
Interest received		4 787	3 576
Interest paid		(28 639)	(24 742)
Income taxes paid		(47 591)	(17 503)
<b>Net cash (outflow) from operating activities</b>		<b>237 005</b>	<b>195 235</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible fixed assets	12	(29 617)	(99 653)
Acquisition of other intangible assets	14	(29 346)	(12 800)
Acquisition of shares in subsidiary		-	(135 646)
<b>Net cash (outflow) from investing activities</b>		<b>(58 963)</b>	<b>(248 099)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuing ordinary shares		-	291
Proceeds from new loans		80 000	180 000
Repayment of loans		(102 790)	(29 019)
Repayment lease debt		(29 653)	(40 754)
Dividends paid		(89 552)	(70 477)
<b>Net cash (outflow) from financing activities</b>		<b>(141 995)</b>	<b>40 041</b>
<b>Change in cash, cash equivalents and bank overdraft</b>			
Cash, cash equivalents and bank overdraft at 1 January	17	(119 461)	(107 548)
Exchange gains (losses) on cash and cash equivalents		2 375	909
<b>Cash, cash equivalents and bank overdraft at 31 December</b>		<b>(81 039)</b>	<b>(119 461)</b>

The notes on pages 16 to 49 are an integral part of the consolidated financial statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 General information

Kitron ASA and its subsidiaries (the group) comprise one of Scandinavia's leading enterprises in the development, industrialisation and manufacturing of electronics for the defence/aerospace, energy/telecoms, industry, medical equipment and offshore/marine sectors. The group has operations in Norway, Sweden, Lithuania, Germany, Poland, China and the US. Kitron ASA has its head office at Billingstad outside Oslo in Norway and is listed on the Oslo Stock Exchange. The consolidated accounts were considered and approved by the company's board of directors on 23 March 2021.

### Note 2 Summary of the most significant accounting principles

The most significant accounting principles applied in the preparation of the consolidated financial statements are detailed below. These principles have been applied uniformly in all the periods unless otherwise stated.

#### Basis for preparations

The consolidated financial statements of Kitron ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as approved by the European Union (EU). The consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities (including derivative instruments) measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. The consolidated financial statements are prepared based on a going concern assumption.

#### Changes in accounting policy and disclosures

##### a) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting, and
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7:

##### b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current reporting period. For a description about uncertainty for future reporting periods, see note 30 "Subsequent events".

#### Consolidation principles

##### Subsidiaries

Subsidiaries are all entities (including structured entities) over which

the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any noncontrolling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the noncontrolling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

##### Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

##### Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity.

##### Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.



### Associated companies

The group has no joint ventures or associated companies.

### Segment reporting

The Corporate management has evaluated that the group operates in only one segment; Electronics Manufacturing Services (EMS). There is therefore no separate segment reporting in Kitron.

### Translation of foreign currencies

#### Functional and presentation currencies

The accounts of the individual units are compiled in the principal currency used in the economic area in which the unit operates (the functional currency). The consolidated accounts are presented in NOK, which is both the functional and the presentation currency for the parent company.

#### Transaction and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'Financial income and expenses'. All other foreign exchange gains and losses are presented in the income statement within 'Other gains/ (losses)'.

#### Group companies

The income statements and balance sheets for group units (none of which are affected by hyperinflation) in functional currencies which differ from the presentation currency are translated as follows:

- The balance sheet is translated at the closing exchange rate on the balance sheet date
- The income statement is translated at the average exchange rate
- Translation differences are recognised in OCI and specified separately
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

### Property, plant and equipment

Tangible fixed assets primarily embrace buildings and land, machinery, equipment, and fixtures and fittings. They also include right of use assets for leased buildings, machinery and equipment accounted for in accordance with IFRS 16. See more info under "The group's leasing activities and how they are accounted for" later in this note and note 26 "Leases". Tangible fixed assets are stated at historical cost less accumulated depreciation and impairments. They are recognised in the balance sheet and depreciated on a straight-line basis to their residual value over their expected useful life, which is:

- Buildings: 20-33 years
- Machinery and operating equipment: 3-10 years

Land is not depreciated. The useful life of fixed assets and their residual value are reassessed on every balance sheet date and amended if necessary. When the carrying amount of a fixed asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount.

On-going maintenance of fixed assets is charged as an operating cost, while upgrading or improvements are added to the historical cost of the asset and depreciated accordingly. Gain and loss on disposals is recognised in the income statement as the difference between the sales price and the carrying amount.

Fixed assets subject to depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). At each reporting date, an assessment is made of the opportunity for reversing earlier impairment charges on fixed assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses)' in the income statement.

### Intangible assets

#### Goodwill

Goodwill is the difference between the sum of the consideration paid, non-controlling interests recognised and previously held interests at fair value for the acquisition of a business and the fair value of the acquiree's net identifiable assets at the acquisition date. Goodwill is tested annually for impairment and recognised in the balance sheet at its acquisition cost less impairment charges. Impairment losses on goodwill are not reversed. The goodwill is allocated to relevant cash generating units at the time of the acquisition. The allocation is made to those cash-generating units or groups of such units which are expected to benefit from the acquisition. The group allocates goodwill to cash generating units in each country in which it operates.

#### Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Computer software is depreciated on a straight-line basis to their residual value over their expected useful life, which is 7 years.

## Financial assets

The Group's financial assets are: accounts receivable, other receivables at amortized cost and cash and cash equivalents. At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

## Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

## Inventory

Inventory comprises purchased raw materials. It is stated at the lower of average acquisition cost and net realisable value. Cost is determined using the weighted average method.

## Accounts receivable and contract assets

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-120 days and therefore are all classified as current. The group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

To measure the expected credit losses, accounts receivable and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the accounts receivable for the same types of contracts. The group has therefore concluded that the expected loss rates for accounts receivable are a reasonable approximation of the loss rates for the contract assets.

Accounts receivable and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on accounts receivable and contract assets

are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## Cash and cash equivalents

Cash and cash equivalents include cash and deposits in bank accounts.

## Share capital

The share capital comprises the number of shares multiplied by their nominal value, and are classified as equity. Expenses which can be attributed directly to the issue of new shares or options (less tax) are recognised in equity as a reduction in the proceeds received.

## Financial liabilities

Financial liabilities are classified, at initial recognition, as liabilities at amortised cost and include accounts payable and other payables and loans.

## Accounts payable and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-120 days of recognition. Accounts payable and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## Loans

Loans are initially recognised at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Loans are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loans are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws which have been substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, and that the temporary differences can be deducted from this profit. Deferred tax is calculated on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the group and it is probable that they will not be reversed in the foreseeable future.

## Pension commitments, bonus schemes and other compensation for employees

### Pension commitments

Group companies have various pension schemes. These schemes are generally funded through payments to insurance companies or pension funds based on periodic actuarial calculations. The group has both defined contribution and defined benefit plans. From 2016 the group has defined benefit plan for former CEO only.

A defined contribution plan is one under which the group pays fixed contributions to a separate legal entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is one that is not a defined contribution plan, and typically defines an amount of pension benefit an employee will receive on retirement. That benefit is normally dependent on one or more factors such as age, years of service and pay. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. An independent actuary calculates the pension commitment annually. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. Estimated payroll tax on the net pension commitment calculated by an actuary is added to the carrying amount of the obligation. Changes in pension plan benefits are recognised immediately in the income statement. Actuarial gains and losses are recognised in other comprehensive income.

For defined contribution plans, the group pays contribution to publicly or privately administered pension insurance plans on an

obligatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The pension plans in Norway comply with the Norwegian mandatory service pension act.

### Share-based payments

The group operates an equity settled share-based compensation plan under which the entity receives services from employees as consideration from equity instruments (options) for the group. The compensation plan comprises senior management only. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value). The social security contribution payable in connection with the grant of the share options is considered as an integral part of the grant itself, and the charge will be settled as a cash-settled transaction. Further details around the arrangement are described in note 19.

### Bonus schemes

Certain senior executives have bonus agreements related to the attainment of specified targets for the business (budgets and activities). Obligations (provisions) and costs (pay) are recognised for bonuses in accordance with the company's contractual obligations.

### Severance pay

Severance pay is given when the contract of employment is terminated by the group before the normal age of retirement or when an employee voluntarily agrees to leave in return for such a payment. The group recognises severance pay in the accounts when it is demonstrably obliged either to terminate the contract of employment for existing employees in accordance with a formal, detailed plan which the group cannot rescind, or to make a payment as a consequence of an offer made to encourage voluntary resignations. Severance pay which falls due more than 12 months after the balance sheet date is discounted to present value.

### Provisions

The group makes provisions when a legal or constructive obligation exists as a result of past events, it is more likely than not that a transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be estimated with a sufficient degree of reliability. Provisions relate primarily to restructuring costs. Obligations falling due more than 12 months after the balance sheet date are discounted to present value.

### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are reducing cost price of the related assets.

## Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

### Sales of goods

The group manufactures and sells electronics that are embedded in the customer's own products as well as box-build electronic products in the EMS market. The products are manufactured based on the customer's specifications and quality standards, and the group does not own the intellectual property of the products. Sales are recognized based on estimated percentage of completion for the relevant contracts going forward as control is transferred to the customer over time. This is determined based on the actual cost relative to the total expected cost. The purchase price agreed between the parties is fixed and specified for each good or service provided. The customer is obligated to pay a minimum fee based on the order status if the order is cancelled.

Some contracts include multiple deliverables, such as test development, engineering change orders and production. These are accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin. In fixed-price contracts, the customer pays the fixed unit amount based on a payment schedule. If the goods/services rendered by the group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

### Sales of services

Sales of services embrace development assignments and services related to industrialisation. Service deliveries are partly project based and partly hourly based. Sales of project-based services are recognised in the period in which the services are rendered, based on the degree of completion of the relevant project. The degree of completion is determined by measuring the services provided as a proportion of the total services to be rendered. Hourly-based services are recognised in the period when the service is rendered.

### Interest income

Interest on bank deposits is recognised in the period when it is earned.

## The group's leasing activities and how they are accounted for

The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 12 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the

lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Kitron does not have lease agreements with variable lease payments of any significance.

Extension and termination options are included in a number of property leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

## Dividend payments

Possible dividend payments to the company's shareholders are recognised as a liability in the group's financial statements in the period when the dividend is approved by the general meeting.



## Note 3 Financial risk

The company is exposed through its business to a number of financial risks. The corporate routines for risk management focus on the unpredictability of the financial markets, and endeavour to minimise potential negative effects arising from the company's financial dispositions.

### Market risk

**Currency risk:** the group is exposed to changes in foreign exchange rates because a significant share of the group's goods and services are sold in such currencies. At the same time raw material are bought in foreign currency and the operating costs in foreign group entities are in local currency. To reduce the currency risk the company's standard contracts include currency clauses which allow the company to adjust the price when the actual exchange rate differs significantly from the agreed base rate. The group has not established other significant currency hedge arrangements over and above its standard contracts with customers. The most significant foreign currencies are SEK, EUR and USD. The group has significant investments in foreign operations whose net assets are exposed to foreign currency translation risk in SEK, EUR, USD, PLN and RMB.

At 31 December, if the (NOK) currency had weakened/strengthened by 1 per cent against the US dollar with all variables held constant, post-tax profit for the year would have been NOK 0.6 million (2019: NOK 0.3 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits, trade receivables and debt.

At 31 December, if the (NOK) currency had weakened/strengthened by 1 per cent against the EUR with all variables held constant, post-tax profit for the year would have been NOK 0.9 million (2019: NOK 1.2 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of EUR denominated bank deposits, trade receivables and debt.

**Price risk:** the company is exposed to price risk both because raw materials follow international market prices for electronic

and mechanical components and because the company's goods and services are subject to price pressures. Routines have been established for procurement by the company's own sourcing organisation, which negotiates group contracts. The sourcing function allows Kitron to achieve improved material prices.

### Credit risk

Credit risk arises from cash and cash equivalents, deposits with bank, accounts receivables and contract assets. The major part of accounts receivable are credit insured. Kitron accordingly bears credit risk only for accounts receivable which are not insured. The company has routines to ensure that uninsured sales on credit are made only to creditworthy customers.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

### Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities.

Kitron's financing is primarily short-term and based on factoring finance for accounts receivable. This means that fluctuations in turnover affect the company's liquidity. In addition, drawing facilities have been established in banks which counteract the liquidity fluctuations related to turnover.

The table below shows the group's financial loans including interest into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date.

Periods to maturity of financial liabilities incl. interest:

(Amounts in NOK 1000)	Less than one year	Between one and two years	Between two and five years	More than five years
<b>At 31 December 2020</b>				
Bank overdraft	238 178	-	-	-
Leasing	57 607	49 893	103 592	24 812
Factoring debt	275 336	-	-	-
Other financial loans	84 038	43 326	55 107	-
Trade and other payables	702 368	-	-	-
<b>Total</b>	<b>1 358 527</b>	<b>93 219</b>	<b>158 699</b>	<b>24 812</b>
<b>At 31 December 2019</b>				
Bank overdraft	333 671	-	-	-
Leasing	47 482	33 262	130 152	32 860
Factoring debt	255 295	-	-	-
Other financial loans	40 936	51 486	115 469	-
Trade and other payables	640 901	-	-	-
<b>Total</b>	<b>1 318 285</b>	<b>84 749</b>	<b>245 621</b>	<b>32 860</b>

## Interest rate risk

The group's interest rate risk arises mainly from short-term borrowings (factoring debt and bank overdraft) and long-term bank debt. The group's borrowings are mainly with variable rates which expose the group to cash flow interest rate risk.

Interest on the group's interest-bearing debt is charged at the relevant market rate prevailing at any given time (mainly one month interbank offered rate – Nibor, Stibor, Libor or Vilibor as the case may be – plus the agreed interest margin). There will not occur any gain/loss on the balance sheet amounts in case interest rates are increased or lowered. At 31 December 2020, if interest rate on NOK borrowings had been 1 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 5.1 million (2019: NOK 4.5 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2020, if interest rate on borrowings in foreign currency had been 1 percentage points higher/lower with all other variables

held constant, post-tax profit for the year would have been NOK 4.0 million (2019: NOK 5.3 million) lower/higher. External financing for the group's operational companies takes place in the functional currency. No interest rate instruments have been established in the group. The group does not have significant interest-bearing assets, so that its income and cash flow from operational activities are not significantly exposed to changes in the market interest rate.

## Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios at 31 December 2020 and 2019 were as follows:

(Amounts in NOK 1000)	2020	2019
Total borrowings (note 21)	910 617	988 295
Cash and cash equivalents (note 17)	(152 572)	(203 976)
<b>Net debt</b>	<b>758 045</b>	<b>784 319</b>
Total equity	885 654	739 213
<b>Total capital</b>	<b>1 643 699</b>	<b>1 523 532</b>
Gearing ratio	46 %	51 %

## Note 4 Important accounting estimates and discretionary assessments

Estimates and discretionary assessments are based on historical experience and other factors, including expectations of future events that are considered likely under present conditions. The group prepares estimates and makes assumptions about the future.

Accounting estimates derived from these will by definition seldom accord fully with the outcome. Estimates and assumptions which represent a substantial risk for significant changes in the carrying amount of assets and liabilities during the coming fiscal year are discussed below.

## Deferred tax assets

The group performs annual tests for impairment of deferred tax assets. Part of the basis for recognising deferred tax assets are based on applying the loss carried forward against future taxable income in the group. This requires the use of estimates for calculating future taxable income.

## Note 5 Geographical breakdown of revenues and assets

The revenues come from sales of goods and services in the fields of development, industrialization and production to customers involved in Defence/Aerospace, Energy/Telecoms, Industry, Medical devices and Offshore/Marine. For 2019 part of revenues is related to indemnification from insurance. This revenue is geographical related to USA and the line of business for Defence/Aerospace. For further information see note 6.

### Revenues by lines of business

The table shows the EMS turnover by industry:

(Amounts in NOK 1000)	2020	2019
Defence/Aerospace <sup>*)</sup>	972 439	743 228
Energy/Telecoms	236 242	474 360
Industry	1 668 788	1 271 420
Medical devices	1 006 582	595 868
Offshore/Marine	79 825	214 540
<b>Total sales</b>	<b>3 963 876</b>	<b>3 299 416</b>

### Geographical breakdown revenues

The geographical distribution is based on countries where the different customers are located.

(Amounts in NOK 1000)	2020	2019
Norway	570 835	589 034
Sweden	1 728 743	1 374 225
Rest of Europe	806 980	685 526
USA <sup>*)</sup>	764 911	558 971
Other	92 407	91 660
<b>Total sales</b>	<b>3 963 876</b>	<b>3 299 416</b>

The largest customer counts for 14.7 % (9.2 %) of sales, the next counts for 11.3 % (6.7 %), the third counts for 9.2% (5.7%) and the others are below 4.8 % (5.7 %) each.

<sup>\*)</sup> Included for 2019 is other revenues related to Indemnification from insurance. See note 6 for further information.

### Geographical breakdown of assets

(Amounts in NOK 1000)	Norway		Sweden		Lithuania		Poland	
	2020	2019	2020	2019	2020	2019	2020	2019
Assets	94 822	77 810	70 760	73 974	131 603	154 042	136 313	137 650

(Amounts in NOK 1000)	China		Germany		USA	
	2020	2019	2020	2019	2020	2019
Assets	47 840	39 711	570	434	62 767	48 481

Included in assets under geographical segment is property, plant and equipment and intangible assets excluding deferred tax asset and goodwill.

## Note 6 Revenues

### Revenues consist of

Amounts in NOK 1000	2020	2019
Revenues from contracts with customers	3 962 408	3 268 959
Other income <sup>*)</sup>	1 468	30 457
<b>Total revenues</b>	<b>3 963 876</b>	<b>3 299 416</b>

### Timing of revenue recognition

Amounts in NOK 1000	2020	2019
Revenues from contracts with customers, over time	3 962 408	3 268 959

<sup>\*)</sup> Other income is related to Indemnification from insurance.

## Note 7 Other gains / (losses)

(Amounts in NOK 1000)	2020	2019
Currency gains	73 344	25 396
Currency losses	(80 315)	(29 700)
<b>Other gains/(losses)</b>	<b>(6 970)</b>	<b>(4 304)</b>

## Note 8 Employee benefit

(Amounts in NOK 1000)	2020	2019
Payroll	563 420	481 805
Payroll tax	62 398	72 268
Net pension costs (gain) defined benefit plans (note 23)	101	148
Pension costs defined contribution plans	24 020	23 721
Other remuneration	21 499	14 917
<b>Total</b>	<b>671 438</b>	<b>592 859</b>

Average number of man-years (including hired-ins)	1 764	1 664
Average number of employees	1 728	1 729

## Note 9 Financial income and expenses

(Amounts in NOK 1000)	2020	2019
Interest income	4 787	3 576
Other financial income	1 187	24
Agio related to borrowings, cash and cash equivalents	4 921	611
<b>Finance income</b>	<b>10 896</b>	<b>4 211</b>
Interest expenses	(28 639)	(24 742)
Other financial expenses	(7 159)	(7 816)
Disagio related to borrowings, cash and cash equivalents	(13 585)	(3 571)
<b>Finance expenses</b>	<b>(49 383)</b>	<b>(36 129)</b>
<b>Net financial items</b>	<b>(38 487)</b>	<b>(31 918)</b>

## Note 10 Income tax expense

(Amounts in NOK 1000)	2020	2019
Tax payable	59 409	30 908
Deferred tax (Note 22)	1 622	6 171
Change in tax rate	0	0
<b>Income tax expense</b>	<b>61 031</b>	<b>37 079</b>

The tax on the group's profit before tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits of the consolidated entities as follows:

(Amounts in NOK 1000)	2020	2019
Ordinary profit before tax	274 087	169 581
Tax calculated at the domestic rate (22%)	60 300	37 308
Expenses not deductible for tax purposes	903	(3 281)
Tax loss for which no deferred income tax asset was recognised	(83)	2 506
Change in deferred tax asset booked against equity	0	4 001
Effect on different tax rates in countries in which the group operates	(89)	(3 455)
<b>Tax cost</b>	<b>61 031</b>	<b>37 079</b>

The income tax expense is calculated using the domestic tax rate.

The tax rate is 22,0 % in Norway, 21,4 % in Sweden, 15,0 % in Lithuania, 25,0 % in China, 16,5 % in Hong Kong, 30,9 % in USA, 19 % in Poland and 15,0 % in Germany.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

(Amounts in NOK 1000)	2020			2019		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gain / losses pensions	(230)	(50)	(179)	(330)	(73)	(257)
Exchange differences on translation of foreign operations	(3 665)	(806)	(2 859)	1 567	345	1 222
Currency translation differences	23 090	0	23 090	(3 532)	0	(3 532)
<b>Other comprehensive income</b>	<b>19 195</b>	<b>(856)</b>	<b>20 052</b>	<b>(2 295)</b>	<b>272</b>	<b>(2 567)</b>
Current tax		0			0	
Deferred tax		(856)			272	

## Note 11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by weighted average number of ordinary shares in issue during the year. The company has no own shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one category, which is share options, of dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options (note 19).

(Amounts in NOK 1000)	2020	2019
Profit attributable to equity holders of the company	213 056	132 502
<b>Profit used to determine basic and diluted earnings per share</b>	<b>213 056</b>	<b>132 502</b>
<b>Weighted average number of ordinary shares in issue (thousands)</b>	<b>179 104</b>	<b>177 891</b>
Adjusted for share options (thousands)	1 385	-
<b>Weighted average number of ordinary shares for diluted earnings per share (thousands)</b>	<b>180 489</b>	<b>177 891</b>
<b>Basic earnings per share</b>	<b>1.19</b>	<b>0.74</b>
<b>Diluted earnings per share</b>	<b>1.18</b>	<b>0.74</b>



## Note 12 Property, plant and equipment

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	Right-of-use assets	Total
<b>At 1 January 2019</b>				
Acquisition cost	1 025 240	178 988	-	1 204 228
Accumulated depreciation/impairment	(822 435)	(88 599)	-	(911 034)
<b>Accounting carrying amount</b>	<b>202 805</b>	<b>90 389</b>	<b>-</b>	<b>293 194</b>
<b>Fiscal 2019</b>				
Opening balance	202 805	90 389	-	293 194
Implementation IFRS16	-	-	63 015	63 015
Currency translation adjustment	(28)	(1 698)	-	(1 725)
Additions	135 933	46 696	83 801	266 430
Reclassification *)	(7 396)	-	-	(7 396)
Impairment charge	(8 080)	(19 118)	-	(27 198)
Depreciation	(54 884)	(8 703)	(15 641)	(79 228)
<b>Closing balance</b>	<b>268 350</b>	<b>107 566</b>	<b>131 175</b>	<b>507 091</b>
<b>At 31 December 2019</b>				
Acquisition cost	1 145 669	204 869	146 816	1 497 353
Accumulated depreciation/impairment	(877 319)	(97 302)	(15 641)	(990 262)
<b>Accounting carrying amount</b>	<b>268 350</b>	<b>107 566</b>	<b>131 175</b>	<b>507 091</b>
<b>Fiscal 2020</b>				
Opening balance	268 350	107 566	131 175	507 091
Currency translation adjustment	9 238	8 904	-	18 142
Additions	55 116	1 607	8 488	65 211
Depreciation	(63 568)	(11 484)	(20 540)	(95 592)
<b>Closing balance</b>	<b>269 136</b>	<b>106 593</b>	<b>119 123</b>	<b>494 852</b>
<b>At 31 December 2020</b>				
Acquisition cost	1 210 023	215 380	155 304	1 580 706
Accumulated depreciation/impairment	(940 887)	(108 787)	(36 181)	(1 085 854)
<b>Accounting carrying amount</b>	<b>269 136</b>	<b>106 593</b>	<b>119 123</b>	<b>494 852</b>

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as right of use assets, see note 21. In 2020 the difference of NOK 36.6 millions between additions in the table above and acquisitions of assets in Consolidated statement of cash flow consists of right of use assets minus assets written of (2019 NOK 143.3 million).

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 116.5 million and NOK 42.3 million (2019: NOK 132.5 million and NOK 45.6 million), see note 21.

Building and land installations are depreciated over 7 years, machinery is depreciated over 5-7 years, other equipment and vehicles are depreciated over 3-5 years while general-purpose IT hardware and software is depreciated over 3 years.

\*) Part of value of ERP system is reclassified to intangible assets.

## Note 13 Goodwill

(Amounts in NOK 1000)	Goodwill
<b>At 1 January 2019</b>	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>26 786</b>
<b>Fiscal 2019</b>	
Opening balance	26 786
Currency translation adjustment	9
Additions	10 138
<b>Closing balance</b>	<b>36 933</b>
<b>At 31 December 2019</b>	
Acquisition cost	40 765
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>36 933</b>
<b>Fiscal 2020</b>	
Opening balance	36 933
<b>Closing balance</b>	<b>36 933</b>
<b>At 31 December 2020</b>	
Acquisition cost	40 765
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>36 933</b>

The company's cash-generating units are identified by country

### Allocation of carrying amount of goodwill by business area and by country:

(Amounts in NOK 1000)	2020	2019
Norway	715	715
Sweden	3 555	3 555
Lithuania	20 062	20 062
Germany	2 454	2 454
USA	10 147	10 147
<b>Total</b>	<b>36 933</b>	<b>36 933</b>

The recoverable amount for a cash-generating unit is based on a calculation of value in use.

The cash flow assumption is based on financial budgets approved by the company's board. These calculations are based on growth assumptions which correspond with industry expectations of growth in the EMS market in the coming years and no significant changes in margins. The calculated values are also sustainable against write offs due to a fair change in assumptions. The calculations are based on cash flows for the next three years and a residual value for future earnings. The discount rate is 8 per cent.

## Note 14 Other intangible assets

(Amounts in NOK 1000)	System Software	Other intangible assets	Total
<b>At 1 January 2019</b>			
Acquisition cost	67 820	896	68 717
Accumulated depreciation	(55 718)	(398)	(56 116)
<b>Accounting carrying amount</b>	<b>12 102</b>	<b>498</b>	<b>12 601</b>
<b>Fiscal 2019</b>			
Opening balance	12 102	498	12 601
Currency translation adjustment	5	(16)	(11)
Additions	7 371	5 429	12 800
Reclassification *)	7 396	-	7 396
Depreciation	(4 596)	(231)	(4 828)
<b>Closing balance</b>	<b>22 278</b>	<b>5 680</b>	<b>27 958</b>
<b>At 31 December 2019</b>			
Acquisition cost	82 592	6 309	88 902
Accumulated depreciation	(60 315)	(629)	(60 944)
<b>Accounting carrying amount</b>	<b>22 278</b>	<b>5 680</b>	<b>27 958</b>
<b>Fiscal 2020</b>			
Opening balance	22 278	5 680	27 958
Currency translation adjustment	1 411	280	1 691
Additions	29 010	336	29 346
Depreciation	(5 851)	(385)	(6 236)
<b>Closing balance</b>	<b>46 849</b>	<b>5 911</b>	<b>52 760</b>
<b>At 31 December 2020</b>			
Acquisition cost	113 014	6 926	119 939
Accumulated depreciation	(66 165)	(1 014)	(67 179)
<b>Accounting carrying amount</b>	<b>46 849</b>	<b>5 911</b>	<b>52 760</b>

Additions to System Software in 2020 refers to the ERP system and will be depreciated over 7 years. Other intangible assets consists of cyber security system for Kitron AB which also are depreciated over 7 years. Remaining amortisation period for the the cyber security system is 4 years.

\*) Part of value of ERP system was in 2019 reclassified from tangible assets.

## Note 15 Accounts receivable and other receivables

(Amounts in NOK 1000)	2020	2019
Accounts receivable	834 493	696 934
Provision for bad debts	-	-
<b>Accounts receivable - net</b>	<b>834 493</b>	<b>696 934</b>

(Amounts in NOK 1000)	2020	2019
Earned non-invoiced income	5 750	2 998
Prepaid costs	39 758	36 021
Other	29 081	36 005
<b>Other receivables</b>	<b>74 589</b>	<b>75 025</b>

### Fair value of accounts receivable and other receivables:

(Amounts in NOK 1000)	2020	2019
Accounts receivable - net	834 493	696 934
<b>Accounts receivable - net</b>	<b>834 493</b>	<b>696 934</b>

(Amounts in NOK 1000)	2020	2019
Earned non-invoiced income	5 750	2 998
Prepaid costs	39 758	36 021
Other	29 081	36 005
<b>Other receivables</b>	<b>74 589</b>	<b>75 025</b>

For current receivables, the carrying amount is virtually identical with the fair value.

As of 31 December 2020 accounts receivables of NOK 834.5 million were fully performing. (2019: 696.9 million).

As of 31 December 2020 accounts receivables of 76.3 million (2019: NOK 55.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

### The ageing analysis of these trade receivables is as follows:

(Amounts in NOK 1000)	2020	2019
Not past due	758 241	641 305
Past due 1-30 days	58 554	43 086
Past due 31-60 days	11 894	7 165
Past due 61-90 days	4 814	2 164
Past due > 90 days	990	3 215
<b>Total</b>	<b>834 493</b>	<b>696 934</b>

As of 31 December 2020 no trade receivables were impaired and provided for (2019: NOK 0.0 million).



The carrying amount of the groups trade and other receivables are denominated in the following currencies:

(Amounts in NOK 1000)	2020	2019
CNY	27 496	22 342
EUR	286 264	222 129
NOK	211 163	210 176
SEK	94 845	74 001
USD	279 301	237 511
GBP	-	838
PLN	10 014	4 960
<b>Total</b>	<b>909 083</b>	<b>771 959</b>

Movements on the group provision for impairment of trade receivables are as follows:

(Amounts in NOK 1000)	2020	2019
Provision at 1 January	-	-
Receivables written off during the year as uncollectable	-	-
<b>Provision at 31 December</b>	<b>-</b>	<b>-</b>

The creation and release of provision for impaired receivables have been included in other operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The group does not hold any collateral as security. However, the group has credit insurance that reduces the credit risk on account receivables. See note 3.

No impairment charge was recognised in the profit and loss account for the year. (2019: NOK 0.0 million).

Impairment charge was assessed independent of the credit insurance.

No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 December 2020 provided security for NOK 364.4 million (2019: 315.9 million), see note 21.

### Contract assets

The group has recognised assets related to contract with customers. No increase in loss allowance in 2020 (2019 NOK 0.0 thousands).

(Amounts in NOK 1000)	2020	2019
Contract assets	386 660	313 719
Loss allowance	-	-
<b>Contract assets - net</b>	<b>386 660</b>	<b>313 719</b>

## Note 16 Inventories

(Amounts in NOK 1000)	2020	2019
Raw materials and purchased semi-manufactures	544 977	445 600
<b>Total inventory</b>	<b>544 977</b>	<b>445 600</b>

For obsolete goods in year 2020 there was recognised a change of NOK 10.3 million. In 2019 NOK (0.8) million. Impairment charge recorded in the balance sheet as per 31 December 2020 was NOK 17.1 million, per 31 December 2019 NOK 6.8 million. Inventory at 31 December 2020 provides security for NOK 705.3 million (2019: 453.0 million), see note 21.

## Note 17 Cash, cash equivalents and bank overdraft

(Amounts in NOK 1000)	2020	2019
Cash and cash equivalents	152 572	203 976

### Cash, cash equivalents and bank overdraft in the cash flow statement comprise:

(Amounts in NOK 1000)	2020	2019
Cash and cash equivalents	152 572	203 976
Overdraft drawn down (Note 21)	(233 611)	(323 437)
<b>Total</b>	<b>(81 039)</b>	<b>(119 461)</b>

(Amounts in NOK 1000)	2020	2019
Bank overdraft facilities 31 December	320 830	392 400
Net drawn on overdraft facilities 31 December	(233 611)	(323 437)

### Locked-in bank deposits 31 December

(Amounts in NOK 1000)	2020	2019
Security for factoring receivables	11 716	11 526
Security for leasing contracts	9 851	8 280
<b>Total</b>	<b>21 567</b>	<b>19 806</b>

Kitron ASA has established a group account agreement with the company's principal bank. This embraces Kitron ASA and Norwegian, Swedish, German, Polish and US subsidiaries.

## Note 18 Share capital and premium reserve

### Share capital and share premium reserve

(Amounts in NOK 1000)	Number of shares (thousands)	Share capital	Premium reserve	Total
At 1 January 2019	176 193	17 619	456 058	473 677
Issue of new shares <sup>*)</sup>	2 911	291	-	291
At 31 December 2019	179 104	17 910	456 058	473 968
At 1 January 2020	179 104	17 910	456 058	473 968
At 31 December 2020	179 104	17 910	456 058	473 968

<sup>\*)</sup> Issue of shares from exercise of option program

### Shares and shareholder information

The company's share capital at 31 December 2020 comprised 179 103 990 shares with a nominal value of NOK 0.10 each.

Each share carries one vote. There were 7 570 shareholders at 31 December 2020. (31 December 2019: 5 293 shareholders).

## The 20 largest shareholders of Kitron ASA at 31 December 2020:

Shareholder	Number	Percentage
Vevlen Gård AS	17 208 374	9.61
Folketrygdfondet	13 475 230	7.52
MP Pensjon PK	9 682 767	5.41
J.P. Morgan Bank Luxembourg S.A.	8 467 169	4.73
AAT Invest AS	5 350 000	2.99
Danske Invest Norge Vekst	5 337 432	2.98
VJ Invest AS	3 962 557	2.21
Morgan Stanley & Co. Int. Plc. <sup>1)</sup>	3 889 666	2.17
The Bank of New York Mellon SA/NV	3 757 000	2.10
J.P. Morgan Bank Luxembourg S.A.	3 450 695	1.93
The Bank of New York Mellon SA/NV	3 000 000	1.68
Avanza Bank AB <sup>2)</sup>	2 902 370	1.62
Equinor Pensjon	2 767 606	1.55
KBC Bank NV	2 729 993	1.52
Morgan Stanley & Co. International	2 559 459	1.43
Verdipapirfondet Holberg Norge	2 500 000	1.40
The Northern Trust Comp, London Br	2 164 204	1.21
J.P. Morgan Bank Luxembourg S.A.	2 023 703	1.13
Verdipapirfondet Pareto Nordic	1 994 000	1.11
Varner Equities AS	1 968 529	1.10
<b>Total 20 largest shareholders</b>	<b>99 190 754</b>	<b>55.38</b>
<b>Total other shareholders</b>	<b>79 913 236</b>	<b>44.62</b>
<b>Total outstanding shares</b>	<b>179 103 990</b>	<b>100.00</b>

<sup>1)</sup> Beneficial owner: Taiga Funds

<sup>2)</sup> Beneficial owner: CEO Peter Nilsson 2 079 182 shares (1.16 per cent)

## Authorized share capital

### Authorization to the board to issue shares

The ordinary general meeting of 23 April 2020 authorized the board of directors of Kitron ASA to increase the share capital in accordance with the Norwegian Public Limited Liability Companies Act section 10-14 on the following conditions:

The share capital may, in one or more rounds, in total be increased with up to NOK 1 791 039.90. The authorization shall be valid until the Annual General Meeting in 2021, but no later than 30 June 2021. The shareholders' pre-emptive rights according to the Norwegian Public Limited Liability Companies Act section 10-4 may be set aside. The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company. The authorization encompasses share capital increase by contribution in any kind and the right to incur Kitron ASA with special obligations according to the Norwegian Public Limited Liability Companies Act section 10-2. The authorization encompasses resolutions on merger according to the Norwegian Public Limited Liability Companies Act section 13-5. The authorization is limited to encompass capital requirements or issuance of consideration shares in relation to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, for remuneration to the members of the board of directors of Kitron ASA, for incentive schemes, and acquisition of property and business within Kitron ASA's purpose. The board of directors decides on the other terms and conditions and is authorized to amend the articles of association as implied by the use of this authorization. This authorization replaces any previously granted authorizations for the board of directors to increase the share capital. The authority had not been exercised at 31 December 2020. The authorized share capital of the Company is therefore NOK 17 910 399.00.

### Authorization to the board to buy own shares

The ordinary general meeting on 23 April 2020 authorized the board of directors of Kitron ASA to acquire Kitron ASA's own shares, for the purpose of ownership or charge, in accordance with the Norwegian Public Limited Liability Companies Act sections 9-4 and 9-5 on the following conditions:

The Board of Directors may acquire shares in Kitron ASA, on one or several occasions, provided that the total combined nominal value of the acquired shares after the acquisition must not exceed ten per cent of the share capital, i.e. up to a total nominal value of NOK 1,791,039.90. The authorization also includes contract liens in the shares of Kitron ASA. The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company. Under this authorization the board of directors may pay minimum NOK 1 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the maximum amount does not exceed NOK 25 per share. Any and all previous authorizations given to the board of directors to acquire own shares shall be, and hereby are, withdrawn with effect from the date this authorization is registered with the Norwegian Register of Business Enterprises. Shares acquired according to the authorization shall either be cancelled, used as remuneration to the members of the board of directors of Kitron ASA, used in incentive schemes or be used as consideration in connection with acquisition of other companies or businesses, joint ventures or joint business operations, and acquisition of property and business within Kitron ASA's purpose. This authorization shall be valid until the 2021 annual general meeting, but not longer than 30 June 2021. The authority had not been exercised at 31 December 2020.

## Note 19 Share-based payment

In 2018 the Board introduced a new share option program for executive management comprising of up to 5 000 000 shares. The program is divided into four three-year subprograms, each with an allocation of 1 250 000 option, where the first program started in 2019, followed by one program every year until 2023. The total program corresponds to approximately 3 per cent of the market capitalization.

The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years. The number of options that are vested for each subprogram are linked to the development of the market capitalization at Oslo Stock Exchange, adjusted for dividends and share buy-backs. For each program to vest fully, the market capitalization adjusted for dividends and share buy-backs must increase 50 per cent. The program starts to vest at an increase of 20 per cent and will vest linearly between 20 per cent to 50 per cent. Each subprogram is capped at 200 per cent increase of the market capitalization, adjusted for dividends and share buy-backs. The program has a clawback clause. Each of the subprograms has a lock up-period of one year and a down-sale period of two years

The Company utilizes a Monte Carlo simulation to determine the impact of stock option grants in accordance with IFRS 2, Share-based payment, on the Company's net income. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimate the likelihood of performance fulfillment and takes this into account in the valuation.

During the period ended 31 December 2020, the Company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2020 show grants gross before forfeited options.



Granted	2019	2020
Type of arrangement	Equity Settled	Equity Settled
Date of Grant	23.10.2019	10.07.2020
Options granted as of 31.12.2020	1 250 000	1 250 000
Contractual life	2.94 years	3.12 years
Vesting conditions	100% of the options will vest three years after the start of the second calendar quarter of 2019.  The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.  The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause.	100% of the options will vest three years after the start of the second calendar quarter of 2020.  The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.  The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause.
Expiry date	30.09.2022	30.09.2023

Fair value of Share Options granted is calculated using the Monte Carlo option pricing model. The weighted average inputs to Monte Carlo model and Fair values per 31 December 2020 are listed below (calculated at grant):

Granted	2019	2020
Exercise price	0.10	0.10
Share price grant date	9.14	13.90
Expected life from grant date	2.77 years	2.95 years
Volatility	29 %	36 %
Interest rate	1.19%	0.17%
Fair value per option	2.57	6.65

Expected volatility is based on historical volatility of the Company.

The Company is listed on the Oslo Stock Exchange.

Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2020 arising from the option plans are NOK 2 885 125, not including social security (2019: NOK 2 117 762).

The total carrying amount per 31 December 2020 is NOK 9 003 790, not including social security (2019: NOK 2 959 885). Accrued social security at 31 December 2020 is NOK 2 374 419 (2019: 0).

## Activity overview

### Quantity and weighted average prices

Activity	Number of instruments	Weighted Average Strike Price
Outstanding OB (01.01.2019)	5 337 500	0.10
Granted	1 250 000	0.10
Exercised	(4 938 737)	0.10
Forfeited	(398 763)	0.10
Expired	-	-
Outstanding CB (31.12.2019)	1 250 000	0.10
Vested CB	-	-
Outstanding OB (01.01.2020)	1 250 000	0.10
Granted	1 400 000	0.10
Exercised	-	-
Forfeited	(150 000)	0.10
Expired	-	-
Outstanding CB (31.12.2020)	2 500 000	0.10
Vested CB	-	-

## Outstanding instruments year end

### Outstanding instruments overview

Strike price	Outstanding instruments			Vested instruments	
	Number of instruments	Weighted average remaining contractual life	Weighted average strike price	Vested instruments 31.12.2020	Weighted average strike price
0.10	2 500 000	2.25	0.10	-	0.00

Board	Number of shares		Number of options	
	2020	2019	2020	2019
Tuomo Lähdesmäki, chairman	215 854	197 702	-	-
Gro Brækken, board member	43 147	37 472	-	-
Espen Gundersen, board member	49 147	43 742	-	-
Maalfrid Brath, board member	19 147	13 472	-	-
Christian Jebsen, board member	19 147	13 472	-	-
Petra Grandinson, board member	9 081	-	-	-
Jarle Larsen, employee elected board member	12 491	6 816	-	-
Tanja Rørheim, employee elected board member	19 147	13 472	-	-
Bjørn M. Gottschlich, employee elected board member	19 347	13 472	-	-

Corporate management team	Number of shares		Number of options	
	2020	2019	2020	2019
Peter Nilsson, CEO	2 079 182	2 079 182	760 000	200 000
Cathrin Nylander, CFO	868 752	868 752	270 000	150 000
Israel Losada Salvador, COO and Sales Director	743 831	743 831	270 000	150 000
Stian Haugen, Vice President and Technical Director	-	-	120 000	-
Anne Lise Hjelseth, CHRO (01.01.2020-30.04.2020)	-	113 846	-	150 000
Mindaugas Sestokas, Vice President and Managing Director	316 978	516 978	270 000	150 000
Hans Petter Thomassen, Vice President and Managing Director	431 770	431 770	270 000	150 000
Stefan Hansson Mutas, Managing Director	219 261	219 261	270 000	150 000
Zygimantas Dirse, Managing Director	452 622	452 622	270 000	150 000

## Note 20 Accounts payable and other payables

(Amounts in NOK 1000)	2020	2019
Accounts payable	702 368	514 430

(Amounts in NOK 1000)	2020	2019
Public duties	26 583	40 232
Payable to related parties (note 27)	11 342	5 111
Other accruals	90 168	81 128
<b>Other payables</b>	<b>128 093</b>	<b>126 471</b>

The carrying amount of the group's trade and other payables are denominated in the following currencies:

(Amounts in NOK 1000)	2020	2019
<b>Trade and other payables</b>		
CNY	30 504	28 547
EUR	193 977	142 320
NOK	145 149	69 370
SEK	81 757	71 140
USD	361 605	313 339
HKD	16	16
CHF	1 054	854
GBP	4 664	7 478
JPY	11 527	2 255
PLN	36	4 796
DKK	172	787
<b>Total trade and other payables</b>	<b>830 461</b>	<b>640 900</b>

## Note 21 Borrowings

(Amounts in NOK 1000)	2020	2019
<b>Long-term loans</b>		
Leasing	171 340	185 498
Other <sup>1)</sup>	96 554	145 531
<b>Total</b>	<b>267 894</b>	<b>331 029</b>
<b>Current loans</b>		
Debt to credit institutions <sup>2)</sup> (Note 17)	233 611	323 437
Factoring debt <sup>3)</sup>	271 267	248 583
Leasing	55 391	45 656
Other	82 454	39 590
<b>Total</b>	<b>642 723</b>	<b>657 266</b>
<b>Total loans</b>	<b>910 617</b>	<b>988 295</b>

<sup>1)</sup> Other long-term loans consist of long-term bank loans from the group's principle banks.

<sup>2)</sup> Kitron has established a group account agreement with the group's principle bank. This embraces the Norwegian, Swedish, German, Polish and US companies. The group's short term bank financing is a revolving facility. There was a draft at the group account agreement at 31 December 2020 of NOK 174.7 million (2019: 226.2).

The loan facilities with the company's principle bank, described in 1) and 2), include covenants relating to factors as the company's equity and earnings.

The company complies with these covenants at 31 December 2020.

Unrestricted bank deposits and unused credit lines amounted to NOK 218.2 million for the group at 31 December 2020 (NOK 253.1 million at 31 December 2019).

<sup>3)</sup> Kitron has per 31 December 2020 factoring arrangements for the Norwegian and Swedish entities. The factoring facility is a rolling facility and is subject to yearly renewal.

### Periods to maturity of long-term loans:

(Amounts in NOK 1000)	2020	2019
Between one and two years	90 428	78 909
Between two and five years	153 608	223 705
Over 5 years	23 858	28 415
<b>Total</b>	<b>267 894</b>	<b>331 029</b>

### Effective interest rate at the balance sheet date:

	2020		2019	
	NOK	Other	NOK	Other
Bank overdraft	1.2%	1.2%-5.0%	2.7%	1.5%-5.9%
Other loans	1.8% - 4.0%	1.8%-5.0%	3.4% - 4.0%	1.5%-5.9%

### Carrying amount and fair value of long-term loans:

(Amounts in NOK 1000)	Carrying amount		Fair value	
	2020	2019	2020	2019
Leasing	171 340	185 498	164 750	183 981
Other	96 554	145 531	92 840	133 644
<b>Total</b>	<b>267 894</b>	<b>331 029</b>	<b>257 590</b>	<b>317 626</b>

Fair value is based on discounted cash flow with a discount rate of 4.0 per cent (2019: 4.0 per cent). The carrying amount of current loans is virtually identical with fair value.



### Carrying amount of the group's loans in various currencies:

(Amounts in NOK 1000)	2020	2019
NOK	512 325	454 932
SEK	25 234	89 066
EUR	213 445	230 563
USD	88 012	139 886
CNY	71 602	73 849
<b>Total</b>	<b>910 617</b>	<b>988 295</b>

The company's financing agreements include covenants relating to such factors as the company's equity and earnings. The company complies with the covenants at 31 December 2020. Loans include NOK 787.8 million (2019: 854.3 million) in secured commitments (bank loans and other secured loans).

### Mortgages

(Amounts in NOK 1000)	2020	2019
Debt secured by mortgages	787 768	854 261

### Carrying amount of assets provided as security:

(Amounts in NOK 1000)	2020	2019
Buildings and land	42 262	45 601
Machinery and equipment	116 532	132 461
Cash	21 567	120 380
Receivables	364 443	315 904
Inventory and contract assets	705 253	452 955
<b>Total</b>	<b>1 250 057</b>	<b>1 067 302</b>

For the Swedish entity there are company mortgages of SEK 46.5 million at 31 December 2020 (2019: SEK 46.1 million).

Debt secured by mortgages includes leasing liabilities for machinery and equipment. The carrying amount of these fixed assets is included in the carrying amount of assets provided as security. Of the mortgage debt in the consolidated accounts, the commitment related to leasing recognised in the balance sheet amounted to NOK 103.5 million at 31 December 2020 (2019: NOK 95.3 million).

Conditions in the form of vendor's fixed charge are moreover related to deliveries from Kitron's suppliers of goods.

The group's receivables recognised in the balance sheet are provided as security (factoring mortgage) for obligations to DNB Finans.

The group's guarantee provider had provided guarantees at 31 December for leasing obligations and tax due but not paid. These totalled NOK 3.5 million (2019: NOK 28.2 million) and NOK 15.0 million (2019: NOK 11.0 million) respectively for the group.

Per 31 December Kitron ASA has granted parent company guarantees of 14.3 million EUR related to lease obligations for the polish subsidiary Kitron sp. z o.o (2019: 15.0 million EUR).

## Note 22 Deferred income tax

Deferred tax is recognised net when the group has a legal right to net deferred tax assets against deferred tax in the balance sheet and if the deferred tax is payable to the same tax authority.

	2020	2019
<b>Deferred tax asset:</b>		
Deferred tax asset to be recovered after more than 12 months	72 384	86 770
<b>Deferred tax liability:</b>		
Deferred tax liability to be recovered after more than 12 months	4 728	16 132
<b>Deferred tax asset (net)</b>	<b>67 656</b>	<b>70 638</b>

## Change in carrying amount of deferred tax asset

(Amounts in NOK 1000)	2020	2019
Opening balance	70 638	44 791
Currency translation differences	(2 216)	(75)
Profit and loss account	(1 622)	(6 171)
Other comprehensive income	856	-272
Equity for the period	-	4 001
Business combination	-	28 365
Change in tax rate	-	-
<b>Closing balance</b>	<b>67 656</b>	<b>70 638</b>

## Changes in deferred tax assets and deferred tax (with netting in same tax regime)

### Deferred tax liabilities

	Fixed assets	Provision and current assets	Contract assets	Gain and loss account	Total
<b>At 1 January 2019</b>	-	742	6 753	63	7 558
Profit/(loss) for the period	3 409	(742)	4 976	(13)	7 630
Other comprehensive income	-	-	-	-	-
Business combination	4 786	-	-	-	4 786
Currency translation differences	(28)	-	39	-	11
<b>At 31 December 2019</b>	<b>8 167</b>	<b>-</b>	<b>11 768</b>	<b>50</b>	<b>19 985</b>
<b>At 1 January 2020</b>	<b>8 167</b>	<b>-</b>	<b>11 768</b>	<b>50</b>	<b>19 985</b>
Profit/(loss) for the period	(1 922)	-	(575)	(5)	(2 502)
Other comprehensive income	-	-	-	-	-
Currency translation differences	196	-	58	-	254
<b>At 31 December 2020</b>	<b>6 441</b>	<b>-</b>	<b>11 251</b>	<b>45</b>	<b>17 737</b>

## Deferred tax asset

	Fixed assets	Provision and current assets	Loss carried forward	Pension	Total
<b>At 1 January 2019</b>	<b>247</b>	<b>-</b>	<b>50 788</b>	<b>1 312</b>	<b>52 347</b>
Profit/(loss) for the period	-247	729	1 064	-87	1 459
Other comprehensive income	-	-	-345	73	-272
Equity for the period	-	-	33 151	-	33 151
Business combination	-	-	4 001	-	4 001
Currency translation differences	-	4	-69	-	-65
<b>At 31 December 2019</b>	<b>-</b>	<b>733</b>	<b>88 590</b>	<b>1 298</b>	<b>90 622</b>
<b>At 1 January 2020</b>	<b>-</b>	<b>733</b>	<b>88 590</b>	<b>1 298</b>	<b>90 622</b>
Profit/(loss) for the period	-	914	-4 934	-102	-4 122
Other comprehensive income	-	-	806	50	856
Currency translation differences	-	9	-1 971	-	-1 962
<b>At 31 December 2020</b>	<b>-</b>	<b>1 656</b>	<b>82 491</b>	<b>1 246</b>	<b>85 393</b>

Deferred tax assets related to tax loss carried forward is recognised in the balance sheet to the extent that it is probable that the group can apply this against future taxable profit. Tax losses carried forward are related to the operations in Norway and USA.

Deferred tax assets related to losses carried forward amounted to TNOK 32 456 in Norway (2019: TNOK 43 763) and TNOK 50 035 in USA (2019: TNOK 44 827). Based on the company's budgets and strategic plans it is expected that the deferred tax asset related to tax losses carried forward in the USA will be fully utilized within 5 to 10 years.

The group did not recognise deferred tax assets of TNOK 3 990 (2019: TNOK 3 787) in respect of losses amounting to TNOK 26 603 (2019: TNOK 25 212).

There are no restrictions on the right to carry the tax loss forward

## Note 23 Retirement benefit obligations

The pension obligation below is relating to life-long pension benefits to a former CEO. The pension plan is unfunded.

The AFP-scheme is a defined benefit multi-enterprise scheme, but is recognised in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet.

### Carrying amount of the obligation

(Amounts in NOK 1000)	2020	Unfunded 2019
Pension commitments	5 666	5 896
<b>Costs recognised in the profit and loss account (incl in note 8)</b>		
Pension costs (gain) defined benefit plans	101	148
<b>Cost recognised in other comprehensive income</b>		
Actuarial losses (gains) pensions	229	330

## Defined pension benefit plans

Carrying amount of the obligation is determined as follows

(Amounts in NOK 1000)	2020	2019
Present value of pension obligation	(5 666)	(5 896)
Fair value of plan asset	-	-
Net commitments in unfunded defined benefit plans	(5 666)	5 896
Hereof payroll tax on the pension obligations	(700)	(728)
<b>Net pension obligation in the balance sheet</b>	<b>(5 666)</b>	<b>(5 896)</b>

### Net pension costs comprise

(Amounts in NOK 1000)	2020	2019
Interest cost	(101)	(148)
<b>Total, included in payroll costs</b>	<b>(101)</b>	<b>(148)</b>

### Change in carrying amount of pension commitments

(Amounts in NOK 1000)	2020	2019
Opening balance	(5 896)	(5 966)
Cost recognised in the profit and loss account for the year	(101)	(148)
Cost recognised in other comprehensive income	(229)	(330)
Benefits paid	560	548
<b>Closing balance</b>	<b>(5 666)</b>	<b>(5 896)</b>

The following assumptions have been applied in calculating pension commitments:

	2020	2019
Discount rate	1.50 %	1.80 %
Annual pension adjustment	1.75 %	2.00 %
Social security tax rate	14.10 %	14.10 %
Assumptions on mortality rates are based on published statistics in Norway	K2013	K2013
	<b>2020</b>	<b>2019</b>
Number of employees in defined benefit plans	1	1

## Note 24 Dividends per share

For 2019 a dividend of NOK 0.50 per share was paid. The Kitron Board of Directors will propose a total dividend of NOK 0.70 per share for the financial year 2020 to the Annual General Meeting in April 2021. The Board proposes a changed policy of dividend payments in two equal tranches to be paid in May and October 2021, respectively: NOK 0.35 per share for shareholders registered in Kitron's shareholder register with the Norwegian Central Securities Depository (VPS) as of expiry of 23 April 2021 (being shareholders as of the date of the Annual General Meeting's resolution) and NOK 0.35 per share for shareholders registered in Kitron's shareholder register with the Norwegian Central Securities Depository (VPS) as of expiry of 6 October 2021. The total ordinary dividends proposed for the financial year 2020 is NOK 125.3 million.

## Note 25 Cash flow from operations

(Amounts in NOK 1000)	2020	2019
Profit/(loss) before tax	274 087	169 581
Depreciation and impairment	101 828	84 056
(Profit)/loss in disposal of property, plant and equipment	-	-
Change in inventory	(99 378)	68 635
Change in contract assets	(72 941)	(48 395)
Change in accounts receivable and other short term receivables	(139 515)	17 158
Change in factoring debt	22 683	51 446
Change in accounts payable and other short term payables	164 021	(105 477)
Change in pension funds/obligations	(409)	(400)
Effect from option costs	2 885	(16 067)
Change in other items	23 546	(5 582)
Interest cost - net	23 852	20 608
Foreign exchange losses / (gains) on operating activities	7 790	(1 658)
<b>Cash flow from continuing operations</b>	<b>308 448</b>	<b>233 905</b>

## Loans presented as financing activities in the cash flow statement

(Amounts in NOK 1000)	2020	2019
Leasing - long-term	171 340	185 498
Leasing - short-term	55 391	45 656
<b>Total lease liabilities</b>	<b>226 731</b>	<b>231 154</b>
Long-term bank loans	96 554	145 531
Short-term bank loans	82 454	39 590
<b>Total borrowings</b>	<b>179 008</b>	<b>185 121</b>

	Finance leases	Borrowings	Total
<b>Loans as at 31 December 2019</b>	<b>(231 154)</b>	<b>(185 121)</b>	<b>(416 275)</b>
Cash flows	29 653	22 790	52 443
Lease liabilities recognised	(21 359)	-	(21 359)
Foreign exchange adjustments	(3 871)	(7 264)	(11 135)
Other non-cash movements	-	(9 413)	(9 413)
<b>Loans as at 31 December 2020</b>	<b>(226 731)</b>	<b>(179 008)</b>	<b>(405 739)</b>

	Finance leases	Borrowings	Total
<b>Loans as at 31 December 2018</b>	<b>(54 043)</b>	<b>(37 418)</b>	<b>(91 461)</b>
Cash flows	40 724	(173 019)	(132 295)
Lease liabilities recognised	(189 256)	-	(189 256)
Foreign exchange adjustments	(595)	(2 583)	(3 178)
Other non-cash movements	(27 984)	27 899	(85)
<b>Loans as at 31 December 2019</b>	<b>(231 154)</b>	<b>(185 121)</b>	<b>(416 275)</b>



## Note 26 Leases

### Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Amounts in TNOK	31.12.2020	31.12.2019
<b>Right of use assets *</b>		
Buildings and land	116 288	128 654
Machinery and equipment	142 094	128 138
	<b>258 382</b>	<b>256 792</b>

\* included in the line item "Property, plant and equipment" in the balance sheet.

Amounts in TNOK	31.12.2020	31.12.2019
<b>Lease liabilities **</b>		
Current	55 391	45 656
Non-Current	171 340	185 498
	<b>226 731</b>	<b>231 154</b>

\*\* included in the line items "Loans" in the balance sheet.

Additions to the right-of-use assets in 2020 were NOK 37.8 million in machinery and equipment (2019: NOK 83.8 million in properties) (Note12).

### Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

Amounts in NOK 1000	2020	2019
Depreciation charge of right-of-use assets		
Buildings and land	17 730	13 726
Machinery and equipment	32 617	21 788
<b>Total</b>	<b>50 347</b>	<b>35 514</b>
Interest expense	9 456	7 685
Expenses relating to short-term leases	4 674	5 864
Expenses relating to leases of low-value		487
Expenses relating to variable lease payments not included in lease liabilities	-	-
Income from subleasing right of use assets	-	-
Gains or losses arising from sale and leaseback transactions	-	-

The total cash outflow for leases in 2020 was NOK 29.7 million (2019: NOK 40.7 million) (Note 25).

## Note 27 Related parties

(Amounts in NOK 1000)	2020	2019
<b>Remuneration of senior executives</b>		
Pay and other short-term benefits <sup>(1)</sup>	29 470	63 253

### Balance items at 31 December resulting from purchase/sale of goods and services

#### Payable to related parties:

Senior executives <sup>(1)</sup>	11 342	5 111
<b>Total</b>	<b>11 342</b>	<b>5 111</b>

<sup>(1)</sup>Senior executives comprise the corporate management team at Kitron ASA. See table below for a more extensive description of remuneration of senior executives. The amount at 31 December comprises accrued bonuses to corporate management team.

### Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)	2020	2019
<b>Directors' fee</b>	<b>2 595</b>	<b>2 407</b>
- chairman	523	515
- board members	2 072	1 892
<b>Auditors fee</b>	<b>3 082</b>	<b>2 859</b>
- statutory audit	2 735	2 444
- audit related services	-	37
- tax related services	176	191
- other services	171	187

## Pay and other remuneration of senior executives in 2020:

(Amounts in NOK 1000)

Name	Function	Period	Basic salary (A)	Bonus earned <sup>*)</sup> (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	01.01.2020-31.12.2020	3 019	2 134	281	5 434	1 371
Cathrin Nylander	CEO	01.01.2020-31.12.2020	2 172	1 516	177	3 865	305
Israel Losada Salvador	COO and Sales Director	01.01.2020-31.12.2020	2 172	1 536	170	3 878	263
Anne Lise Hjelseth	CHRO	01.01.2020-30.04.2020	661	-	63	724	75
Stian Haugen	CTO	01.01.2020-31.12.2020	1 086	857	166	2 109	75
Hans Petter Thomassen	Vice President and Managing Director	01.01.2020-31.12.2020	1 822	1 296	203	3 321	239
Mindaugas Sestokas	Vice President and Managing Director	01.01.2020-31.12.2020	2 069	1 477	127	3 673	-
Zygmantas Dirse	Managing Director	01.01.2020-31.12.2020	1 726	1 267	327	3 321	-
Stefan Hanson Mutas	Managing Director	01.01.2020-31.12.2020	1 763	1 259	124	3 146	605
<b>Total</b>			<b>16 490</b>	<b>11 342</b>	<b>1 638</b>	<b>29 470</b>	<b>2 933</b>

(Amounts in NOK 1000)

Name	Function	Period	Shares (A)	Cash (B)	Total pay & remunerat. (A+B)
Tuomo Lähdesmaki	Chairman of the board	01.01.2020-31.12.2020	206	317	523
Bjørn Gottschlich	Board member	01.01.2020-31.12.2020	64	191	255
Gro Brekken	Deputy chairman	01.01.2020-31.12.2020	64	207	271
Tanja Rørheim	Board member	01.01.2020-31.12.2020	64	223	287
Petra Grandinson	Board member	23.04.2020-31.12.2020	103	90	193
Jarle Larsen	Board member	01.01.2020-31.12.2020	64	173	237
Espen Gundersen	Board member	01.01.2020-31.12.2020	64	220	284
Christian Jebsen	Board member	01.01.2020-31.12.2020	64	221	285
Maalfrid Brath	Board member	01.01.2020-31.12.2020	64	196	260
<b>Total</b>			<b>757</b>	<b>1 838</b>	<b>2 595</b>

<sup>\*)</sup> Bonuses earned in 2020. The bonuses will be paid in 2021.

## Pay and other remuneration of senior executives in 2019:

(Amounts in NOK 1000)

Name	Function / Period	Basic salary (A)	Bonus earned <sup>1)</sup> (B)	Benefit from options <sup>2)</sup> (C)	Other remunerat. (D)	Total pay & remunerat. (A+B+C+D)	Pension contribution
Peter Nilsson	CEO <sup>1)</sup> / 01.10.2019-31.12.2019	2 912	976	13 597	251	17 736	1 355
Cathrin Nylander	CFO and CEO <sup>2)</sup> / 01.01.2019-31.12.2019	2 285	728	4 511	200	7 724	400
Israel Losada Salvador	COO and Sales Director / 01.01.2019-31.12.2019	2 096	702	5 999	196	8 993	275
Anne Lise Hjelseth	CHRO / 01.01.2019-31.12.2019	1 483	497	1 665	217	3 862	158
Hans Petter Thomassen	Vice President and Managing Director / 01.01.2019-31.12.2019	1 656	558	3 975	219	6 408	204
Mindaugas Sestokas	Vice President and Managing Director / 01.01.2019-31.12.2019	1 792	591	4 251	121	6 755	-
Zygimantas Dirse	Managing Director / 01.01.2019-31.12.2019	1 560	537	3 169	385	5 653	68
Stefan Hanson Mutas	Managing Director / 01.01.2019-31.12.2019	1 499	520	4 036	67	6 122	488
<b>Total</b>		<b>15 283</b>	<b>5 111</b>	<b>41 203</b>	<b>1 656</b>	<b>63 253</b>	<b>2 948</b>

<sup>1)</sup> (on leave 01.01.2019-30.09.2019)

<sup>2)</sup> (01.01.2019-30.09.2019)

(Amounts in NOK 1000)

Name	Function	Period	Shares (A)	Cash (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmaki	Chairman of the board	01.01.2019-31.12.2019	174	320	21	515
Bjørn Gottschlich	Board member	01.01.2019-31.12.2019	62	185	-	247
Elisabeth Jacobsen	Board member	01.01.2019-26.04.2019	-	61	6	67
Gro Brekken	Deputy chairman	01.01.2019-31.12.2019	62	185	21	268
Tanja Rørheim	Board member	01.01.2019-31.12.2019	62	185	12	259
Jarle Larsen	Board member	26.04.2019-31.12.2019	62	125	19	206
Espen Gundersen	Board member	01.01.2019-31.12.2019	62	199	29	290
Christian Jebsen	Board member	01.01.2019-31.12.2019	62	197	20	279
Maalfrid Brath	Board member	01.01.2019-31.12.2019	62	189	25	276
<b>Total</b>			<b>608</b>	<b>1 646</b>	<b>153</b>	<b>2 407</b>

<sup>\*)</sup> Bonuses earned in 2019. The bonuses were paid in 2020.

<sup>\*\*)</sup> Calculated benefit from exercise of a three year share option program. The program was established in 2016 and exercised in 2019. The benefit consists partly of share issue, and partly of cash consideration from termination of options.

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

The company has not given any loans or security for directors or senior executives at 31 December 2020.

## The Board of Directors Declaration on salaries and other remuneration to the senior executive management

The table above includes information on all individuals covered by the disclosure obligation at any time during the year, while the following declaration is limited to the CEO and the vice presidents.

The Board proposes that the following guidelines be applied for 2021 and until the Annual General Meeting in 2022. The executive remuneration policy for Kitron ASA applies to all units in the group.

### Kitron group remuneration policy

The Kitron group general remuneration policy is described in the HR policy and states that salaries are diversified depending on level or responsibility, complexity of tasks, competence, ability and performance. Kitron strives to have fair employment conditions following legal requirements and practice in each country. The remuneration should, together with other employment related conditions make it possible for Kitron to recruit, develop and retain the best possible employees supporting the growth and development of the Kitron group. The policy naturally also forms the basis for salary and benefit levels among senior executives in Kitron.

### Executive remuneration

The current compensation and benefit system for senior executives in Kitron is divided in several parts. These parts together are competitive and based on market conditions. The total remunerations consist of fixed annual compensation that includes annual base salary and other benefits (such as pension plan and company car). The total compensation also includes a short term incentive scheme (STI) and a long term incentive scheme (LTI).

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like are linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, incentivise performance and are based on quantifiable factors over which the employee in question can influence. Performance related remuneration is subject to an absolute limit.

## 1. Principles that guide the Board of Directors

### Fixed compensation

The actual level of annual base salaries (ABS) is based on market conditions and salary levels related to the actual position in the country in question. Kitron uses the Hay tool for determining market levels on an annual basis. The executive positions are evaluated using the Hay positioning grading tool.

Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. The CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that applies to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2020 the Norwegian based members of the Corporate Management Team (except the CEO) have received an additional pension contribution corresponding to 20 per cent of the base salary between 12G and 24G. The CEO may receive an additional yearly pension contribution for an amount equivalent to up to 15G. "G" is the basic amount of the Norwegian Social Insurance Scheme regulated by Parliament as of 1 May each year, currently NOK 101,351.

The company may at any time terminate the CEO employment without further jurisdiction. In such case severance pay constitutes a gross lump sum corresponding to 9 month base salaries at the time of termination.

The board may grant specific purpose bonuses to members of senior executive management.

Other benefits are according to company policy and regulations in country of residence.

### Short term incentive scheme

The STI system has specific targets and defined maximum pay-outs and is set on annual basis. The possible maximum pay-out for 2020 is 85 per cent of annual basic salary.

### Regular salary reviews

Annual salary reviews are performed in accordance with the employment contract and with reference to market reviews (e.g. Hay etc), as well as to the Kitron group financial performance.

See further details in this note for additional information about pay and other remuneration of senior executives in 2020.

## 2. Principles that are binding on the Board of Directors

### Long-term incentive scheme

In 2018 the Board introduced a new share option program for executive management comprising of up to 5 000 000 shares. The program is divided into four three-year sub programs, each with an allocation of 1 250 000 option, where the first program starts in 2019, followed by one program every year until 2022. The total program corresponds to approximately 3 per cent of the market cap.

The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years. The number of options that are vested for each sub program, are linked to development of the market capitalization at Oslo Stock Exchange, adjusted for dividends and share buy-backs. For each program to vest fully, the market capitalization adjusted for dividends and share buy-backs must increase 50 per cent. The program starts to vest at an increase of 20 per cent, and will vest linearly between 20 per cent to 50 per cent.

Each sub program is capped at 200 per cent increase of the market capitalization, adjusted for dividends and share buy-backs. The program has a claw back clause. Each of the sub programs has a lock up-period of one year and a down-sale period of two years.

Per 31 December 2020, 2 500 000 options have been granted to executive management. The share option program is described in more detail in note 19 in the annual financial statements.



## Note 28 Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2020. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their place of principal place of business.

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
Kitron AS	Arendal / Norway	100%	100%	EMS manufacturing
Kitron AB	Jönköping / Sweden	100%	100%	EMS manufacturing
Kitron Hong Kong Ltd	Hong Kong	100%	100%	Trading, sourcing
Kitron GmbH	Nürtingen / Germany	100%	100%	Sales
Kitron Holding USA Inc	Windber, USA	100%	100%	Shareholding
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	Property
UAB Kitron	Kaunas, Lithuania	100%	100%	EMS manufacturing
Kitron sp. z o.o	Grudziadz, Poland	100%	100%	EMS Manufacturing

The Kitron Hong Kong Ltd subsidiary owns shares in the following subsidiaries:

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
Kitron Electronics Manufacturing (Ningbo) CO., Ltd.	Ningbo China	100%	100%	EMS manufacturing
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	Purchasing

The Kitron Inc subsidiary owns share in the following subsidiary:

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
Kitron Holding USA Inc.	Windber, USA	100%	100%	Shareholding

The Kitron Holding USA Inc subsidiary owns shares in the following subsidiaries:

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
Kitron Technologies Inc	Windber, USA	100%	100%	EMS manufacturing
Kitron Systems Inc	Windber, USA	100%	100%	Dormant

## Note 29 Government grants

The group has received grants in 2020 of TNOK 2 594 (2019: 1 258). TNOK 1 785 was for Covid 19 support, TNOK 670 for training and NOK 139 was a business reward. The amount has reduced payroll expenses and other operating expenses correspondingly.

## Note 30 Subsequent events

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.



# ANNUAL ACCOUNTS AND NOTES

## Kitron ASA

### Income statement, Kitron ASA

(Amounts in NOK 1000)	Note	2020	2019
<b>Revenues</b>			
Sales revenues	2,7	113 322	99 165
<b>Total revenues</b>		<b>113 322</b>	<b>99 165</b>
<b>Operating costs</b>			
Payroll expenses	3,4,7,11,13	70 377	58 132
Depreciation and impairments	5,6	6 286	4 500
Other operating expenses	13	59 793	56 439
<b>Total operating costs</b>		<b>136 456</b>	<b>119 071</b>
<b>Operating profit / (loss)</b>		<b>(23 134)</b>	<b>(19 906)</b>
Financial income and expenses			
Intra group interest income	7	7 592	5 898
Other interest income		3 925	782
Other financial income	7,18	96 693	100 540
Interest expenses		9 402	7 747
Other financial expenses	18	1 729	2 696
<b>Net financial items</b>		<b>97 079</b>	<b>96 777</b>
<b>Profit before tax</b>		<b>73 945</b>	<b>76 871</b>
<b>Tax</b>	<b>8</b>	<b>(3 787)</b>	<b>(380)</b>
<b>Net profit / (loss)</b>		<b>77 733</b>	<b>77 251</b>



## Balance sheet at 31 December, Kitron ASA

(Amounts in NOK 1000)

	Note	2020	2019
<b>Assets</b>			
<b>Fixed Assets</b>			
<b>Intangible fixed assets</b>			
Deferred tax	8	35 717	45 265
Other intangible assets	6	38 343	22 555
<b>Total intangible fixed assets</b>		<b>74 060</b>	<b>67 820</b>
<b>Tangible fixed assets</b>			
Machinery, equipment etc.	5,16	620	356
<b>Financial fixed assets</b>			
Investment in subsidiaries	9,16	421 254	421 254
Intra-group loans	7,14,16	138 521	167 628
<b>Total financial fixed assets</b>		<b>559 775</b>	<b>588 882</b>
<b>Total fixed assets</b>		<b>634 455</b>	<b>657 058</b>
<b>Current Assets</b>			
<b>Receivables</b>			
Accounts receivables	7,16	53 091	25 420
Other receivables	7,16	159 391	110 328
<b>Total receivables</b>		<b>212 482</b>	<b>135 748</b>
Bank deposits, cash in hand etc.	17	11 716	11 526
<b>Total current assets</b>		<b>224 198</b>	<b>147 274</b>
<b>Total assets</b>		<b>858 653</b>	<b>804 332</b>

## Balance sheet at 31 December, Kitron ASA (cont.)


(Amounts in NOK 1000)	Note	2020	2019
<b>Liabilities and equity</b>			
<b>Equity</b>			
<b>Paid-in equity</b>			
Share capital (179 103 990 shares at NOK 0,10)	10,12	17 910	17 910
Share premium reserve	10	242 827	242 827
<b>Total paid-in equity</b>		<b>260 737</b>	<b>260 737</b>
Other Equity	10,11	130 958	265 443
<b>Total equity</b>		<b>391 695</b>	<b>526 180</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Pension commitments	4	5 666	5 896
Loans	15	90 000	133 250
<b>Total long-term liabilities</b>		<b>95 666</b>	<b>139 146</b>
<b>Current liabilities</b>			
Loans	15,16,17	219 508	119 935
Accounts payable	7	7 296	6 996
Dividend	10	125 373	-
Other current liabilities		19 115	12 075
<b>Total current liabilities</b>		<b>371 292</b>	<b>139 006</b>
<b>Total liabilities</b>		<b>466 958</b>	<b>278 152</b>
<b>Total liabilities and equity</b>		<b>858 653</b>	<b>804 332</b>

Oslo, 23 March 2021

  
Tuomo Lähdesmäki  
Chairman

  
Espen Gundersen  
Board member

  
Maalfrid Brath  
Board member

  
Gro Brækken  
Deputy chairman

  
Tanja Rørheim  
Employee elected board member

  
Bjørn Gottschlich  
Employee elected board member

  
Lars Peter Nilsson  
CEO of Kitron ASA

  
Christian Jebesen  
Board member

  
Jarle Larsen  
Employee elected board member

  
Petra Grandinson  
Board member

## Cash flow statement, Kitron ASA

(Amounts in NOK 1000)	2020	2019
<b>Cash flows from operational activities</b>		
Profit before tax	73 945	76 871
Ordinary depreciation	6 286	4 500
Change in accounts receivables	(27 671)	(13 326)
Change in accounts payables	300	(3 883)
Change in pension funds/ obligations	(409)	(400)
Option costs without cash effect	2 885	2 118
Cash effect from termination of options		(18 185)
Change in other accrual items	409	(86 050)
<b>Net cash flow from operational activities</b>	<b>55 756</b>	<b>(38 355)</b>
<b>Cash flows from investment activities</b>		
Acquisition of fixed assets	(22 337)	(8 485)
Investment in subsidiaries		(91 628)
<b>Net cash flow from investment activities</b>	<b>(22 337)</b>	<b>(100 113)</b>
<b>Cash flows from financing activities</b>		
Net change in overdraft facilities	57 573	55 014
Payment from new borrowings	80 000	180 000
Repayment of borrowings	(81 250)	(25 000)
Issue of ordinary shares		291
Payment of dividend	(89 552)	(70 477)
<b>Net cash flow from financing activities</b>	<b>(33 229)</b>	<b>139 828</b>
<b>Net change in cash and cash equivalents</b>	<b>190</b>	<b>1 360</b>
Cash and cash equivalents at 1 January	11 526	10 166
<b>Cash and cash equivalents at 31 December</b>	<b>11 716</b>	<b>11 526</b>



## NOTES TO THE FINANCIAL STATEMENTS

### Kitron ASA

#### Accounting principles

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles (NGAAP). All amounts are in NOK 1 000 unless otherwise stated.

#### Revenue recognition

Income from the sale of goods and services is recognised at the time of delivery.

#### Classification and recognition of assets and liabilities

Assets intended for long-term ownership or use, are classified as fixed. Other assets are classified as current. Accounts receivable which fall due within one year are always classified as current assets. Analogue criteria are applied in classifying liabilities. Current assets are recognised at the lower of cost price and fair value. Current liabilities are recognised in the balance sheet at the nominal value on the establishment date. Fixed assets are recognised at their acquisition cost. Tangible fixed assets which decline in value are depreciated on a straight-line basis over their expected useful lifetime. Fixed assets are written down to their fair value where this is lower than the cost price and the decline in value is not considered to be temporary. Long-term debt in Norwegian kroner, with the exception of other provisions, is recognised at the nominal value on the establishment date. Provisions are discounted if the interest element is significant.

#### Intangible fixed assets

Intangible fixed assets, excluding deferred tax benefit, consist of activated computer software costs. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Computer software is depreciated on a straight-line basis to their residual value over their expected useful life, which is 7 years.

#### Tangible fixed assets

Tangible fixed assets are recognised in the balance sheet and depreciated on a straight line basis over their expected useful lifetime if they have an expected lifetime of more than three years and a cost price which exceeds NOK 15 000. Maintenance costs for tangible fixed assets are recognised as an operating expense as they

arise, while upgrades or improvements are added to the cost price of the asset and depreciated accordingly. The distinction between maintenance and upgrading/improvement is calculated in relation to the condition of the asset when it was acquired. Leased fixed assets are recognised in the balance sheet as tangible fixed assets if the lease is regarded as financial.

#### Subsidiaries

Subsidiaries are recognised in the company accounts using the cost method. The investment is written down to its fair value when the fair value is lower than the cost price and this fall in value is not expected to be temporary.

#### Accounts receivables

Accounts receivable from customers and other receivables are recorded at their nominal value after deducting a provision for bad debts. The latter is based on an individual assessment of each receivable. An unspecified provision is made for minor receivables to cover estimated bad debts.

#### Foreign currencies

Balance sheet items in foreign currencies are translated at exchange rate at 31 December. Transactions in foreign currency are translated at exchange rate at transaction date.

#### Pensions

The company has both defined contribution- and defined benefit plan. From 2016 the company has defined benefit plan for former CEO only. A defined contribution plan is one under which the company pays fixed contributions to a separate legal entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is one that is not a defined contribution plan, and typically defines an amount of pension benefit an employee will receive on retirement. That benefit is normally dependent on one or more factors such as age, years of service and pay. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. An independent actuary calculates the pension commitment annually. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. Estimated payroll tax on the net pension commitment calculated by an actuary is added to the carrying amount of the obligation. Changes in pension plan benefits are recognised immediately in the income statement. Actuarial gains and losses are recognised in other comprehensive income. For defined contribution plans, the company pays contribution to publicly- or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The pension plan comply with the Norwegian mandatory service pension act.

**Tax**

Tax cost in the profit and loss account comprises the sum of tax payable for the period and changes to deferred tax or deferred tax assets. Deferred tax is calculated at a rate of 22 per cent on the basis of temporary differences between accounting and tax values, plus possible tax loss for carrying forward at the end of the fiscal year. Tax increasing and reducing temporary differences which reverse or could reverse in the same period are eliminated, and are recorded net in the balance sheet. Recognition of deferred tax assets on net tax-reducing differences which have not been eliminated, and tax loss for carrying forward, is based on expected future earnings. Deferred tax and tax assets which can be recognised in the balance sheet are stated net.

Tax on group contribution paid which is recognised as an increase in the cost price of shares in other companies, and tax on group contribution received which is recognised directly against equity, is recognised directly against tax in the balance sheet (against tax payable if the group contribution has an effect on tax payable and against deferred tax if the group contribution has an effect on deferred tax).

**Cash flow statement**

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other short-term liquid placements which immediately and with insignificant currency risk can be converted to known amounts of cash and with a maturity which is less than three months from the acquisition date.

## Note 1 Financial risk

### Interest rate risk

Interest on the group's interest-bearing debt is charged at the relevant market rate prevailing at any given time (base rate plus interest margin). No interest rate instruments have been established in the company. The company does not have significant interest-bearing assets except from inter-company loans, so that its income and cash flow from operational activities are not significantly exposed to changes in the market interest rate.

### Currency risk

Exchange rate developments represent a risk for the company both directly and indirectly. No contracts which reduce this risk had been concluded at 31 December 2020.

### Price risk

The business of Kitron ASA is administration of its subsidiaries, and revenues consist primarily of group contributions. The company is not exposed to significant commodity price risk.

## Note 2 Sales revenues

The business of Kitron ASA is administration of its subsidiaries, and revenues consist primarily of fees and group contributions.

### Sales revenues by geographical area

(Amounts in NOK 1000)	2020	2019
Norway	32 050	27 850
Sweden	20 295	20 237
Lithuania	43 013	40 112
Other	17 954	10 966
<b>Total</b>	<b>113 322</b>	<b>99 165</b>

## Note 3 Payroll expenses

### Payroll costs

(Amounts in NOK 1000)	2020	2019
Pay	61 550	48 612
Payroll taxes	3 093	6 560
Pension costs	1 819	1 118
Other remuneration	3 915	1 842
<b>Total</b>	<b>70 377</b>	<b>58 132</b>
Average number of FTEs	67	57

## Note 4 Pensions and similar obligations

The pension obligation below includes life-long benefits to a former CEO. The pension plan is unfunded.

The AFP-scheme is a defined benefit multi-enterprise scheme, but is recognised in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet.

### Defined pension benefit plans

(Amounts in NOK 1000)	2020	2019
<b>Carrying amount of the obligation is determined as follows:</b>		
Present value of accrued pension commitments in unfunded benefit plans	5 666	5 896
+/- unrecognised actuarial gains and losses	-	-
<b>Net commitments in unfunded defined benefit plans</b>	<b>5 666</b>	<b>5 896</b>
Hereof payroll tax on the pension obligation	700	728
<b>Pension costs comprise:</b>		
Interest costs	101	148
<b>Net pension cost for unfunded plans</b>	<b>101</b>	<b>148</b>
<b>Net pension cost for contribution based pension plans</b>	<b>1 718</b>	<b>970</b>
<b>Net pension costs included in note 3</b>	<b>1 819</b>	<b>1 118</b>
<b>Cost recognised in equity</b>		
Actuarial losses pensions	229	330

### The following assumptions have been applied in calculating pension commitments

	2020	2019
Discount rate	1.5 %	1.8 %
Annual pension adjustment	1.75 %	2.0 %
Social security tax rate	14.1 %	14.1 %

## Note 5 Tangible fixed assets and depreciation

### Tangible fixed assets and depreciation

(Amounts in NOK 1000)	Machinery and equipment
Acquisition cost at 1 January	17 591
Additions during the year	1 239
Disposal during the year	-
<b>Acquisition cost at 31 December</b>	<b>18 830</b>
Accumulated depreciation 1 January	17 236
Depreciation during the year	974
Disposal during the year	-
<b>Accumulated depreciation at 31 December</b>	<b>18 210</b>
<b>Book value 31 December</b>	<b>620</b>
Useful lifetime	3-5years
Depreciation plan	Linear

### Annual lease of fixed assets unrecognised in the balance sheet

Fixed asset	Length of lease	Annual rent
Premises	>2021	955
Company cars	>2021	608

## Note 6 Other intangible assets

### Other intangible assets

(Amounts in NOK 1000)	System software
Acquisition cost at 1 January	71 124
Additions during the year	21 101
<b>Acquisition cost at 31 December</b>	<b>92 225</b>
Accumulated depreciation at 1 January	48 570
Depreciation during the year	5 312
<b>Accumulated depreciations at 31 December</b>	<b>53 882</b>
<b>Book value 31 December</b>	<b>38 343</b>
Depreciation plan	Linear
Useful lifetime	5-7years

## Note 7 Related parties

(Amounts in NOK 1000)	2020	2019
<b>Sales revenues</b>		
From subsidiaries <sup>(1)</sup>	113 322	99 045
<b>Purchase of goods and services</b>		
From subsidiaries <sup>(1)</sup>	41 835	33 507
<b>Remuneration of senior executives</b>		
Pay and other short-term benefits <sup>(2)</sup>	16 010	38 314
<b>Financial income</b>		
Interest income from subsidiaries <sup>(1)</sup>	7 592	5 898
Dividend and group contribution from subsidiaries	95 160	100 540
<b>Total</b>	<b>102 752</b>	<b>106 439</b>

**Balance items at 31 December resulting from**  
transactions with related parties

<b>Receivables and loans</b>		
Subsidiaries <sup>(1)</sup>	338 610	282 942
<b>Total</b>	<b>338 610</b>	<b>282 942</b>
<b>Payables</b>		
Subsidiaries <sup>(1)</sup>	3 843	3 342
<b>Total</b>	<b>3 843</b>	<b>3 342</b>

<sup>(1)</sup> Revenues from subsidiaries consist primarily of fees and group contributions. Purchase and sales of goods and services from subsidiaries consist primarily of services from corporate personnel employed in subsidiaries. Interest income from subsidiaries consist of interest on long-term loans.

<sup>(2)</sup> Senior executives comprise member of corporate management team employed in Kitron ASA. See table in note 13 for a more extensive description of remuneration of senior executives.

No loans/security have been provided for the chief executive, the chairman or other related parties. No single loan/security totals more than five per cent of the company's equity.



## Note 8 Taxes

(Amounts in NOK 1000)	2020	2019
<b>Tax cost for the year breaks down into:</b>		
Tax payable	-	-
Change in deferred tax	(3 837)	(4 453)
Deferred tax booked against equity	50	4 073
<b>Total tax cost</b>	<b>(3 787)</b>	<b>(380)</b>
<b>Calculation of tax base for the year:</b>		
Profit before tax	73 930	76 870
Permanent differences <sup>*)</sup>	(91 377)	(116 111)
Change in temporary differences	4 301	(6 498)
Group contribution received	60 849	19 000
Change in tax loss carried forward	(47 703)	26 739
<b>Tax base for the year</b>	<b>-</b>	<b>-</b>
<b>Overview of temporary differences</b>		
Fixed assets	(876)	(1 054)
Pensions	(5 666)	(5 896)
Other temporary differences	(4 685)	-
Gain and loss account	97	121
<b>Total</b>	<b>(11 130)</b>	<b>(6 829)</b>
Loss carried forward	(151 220)	(198 923)
<b>Total</b>	<b>(162 350)</b>	<b>(205 752)</b>
<b>Deferred tax asset (22%)</b>	<b>35 717</b>	<b>45 265</b>
<b>Explanation of why tax cost for the year does not equal 22% of pre-tax result</b>		
22% of profit-/loss before tax	16 265	16 911
Permanent differences 22%	(20 103)	(25 544)
Group contribution received	-	4 180
Tax effect of actuarial losses booked against equity	50	73
Tax effect of stock option program booked against equity	-	4 000
<b>Calculated tax cost</b>	<b>(3 787)</b>	<b>(380)</b>
Effective tax rate <sup>**)</sup>	(5.1%)	(0.5%)

<sup>\*)</sup> Includes non-tax-deductible costs such as entertainment, group contribution and dividend

<sup>\*\*\*)</sup> Tax cost in relation to pre-tax result

## Note 9 Investment in subsidiaries

### Investment in subsidiaries

(Amounts in NOK 1000)	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron AS	Arendal	100%	100%	190 584	49 367	243 737
Kitron AB	Jönköping, Sweden	100%	100%	102 106	33 869	13 463
Kitron Hong Kong Ltd	Hong Kong	100%	100%	38 822	21 772	1
Kitron GmbH	Metzingen, Germany	100%	100%	1 738	(515)	30 194
Kitron Holding USA Inc	Windber, US	100%	100%	-	-	69 433
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	5 757	589	12 422
UAB Kitron	Kaunas, Lithuania	100%	100%	336 084	68 764	29 201
Kitron sp. z o.o	Grudziadz, Poland	100%	100%	11 103	1 120	22 804
<b>Total investment in subsidiaries</b>						<b>421 254</b>

### The Kitron Hong Kong Ltd subsidiary owns shares in the following subsidiaries:

(Amounts in NOK 1000)	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron Electronics Manufacturing (Ningbo) Co., Ltd.	Ningbo China	100%	100%	154 734	84 960	37 216
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	14 310	6 719	1 987

### The Kitron Holding USA Inc subsidiary owns shares in the following subsidiaries:

(Amounts in NOK 1000)	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron Technologies Inc	Windber, US	100%	100%	44 200	(6 019)	-
Kitron Systems USA Inc	Windber, US	100%	100%	-	-	-

## Note 10 Equity

### Equity

(Amounts in NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2019	17 910	242 827	265 443	526 180
Net profit	-	-	77 733	77 733
Effect from option costs	-	-	2 885	2 885
Actuarial gains and losses pensions	-	-	(179)	(179)
Accrued dividend	-	-	(125 373)	(125 373)
Additional dividend paid in 2020	-	-	(89 552)	(89 552)
At 31 December 2020	17 910	242 827	130 958	391 695

## Note 11 Share-based payment

In 2018 the Board introduced a new share option program for executive management comprising of up to 5 000 000 shares. The program is divided into four three-year subprograms, each with an allocation of 1 250 000 option, where the first program started in 2019, followed by one program every year until 2023. The total program corresponds to approximately 3 per cent of the market capitalization.

The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years. The number of options that are vested for each subprogram are linked to the development of the market capitalization at Oslo Stock Exchange, adjusted for dividends and share buy-backs. For each program to vest fully, the market capitalization adjusted for dividends and share buy-backs must increase 50 per cent. The program starts to vest at an increase of 20 per cent and will vest linearly between 20 per cent to 50 per cent. Each subprogram is capped at 200 per cent increase of the market capitalization, adjusted for dividends and share buy-backs. The program has a clawback clause. Each of the subprograms has a lock up-period of one year and a down-sale period of two years

The Company utilizes a Monte Carlo simulation to determine the impact of stock option grants in accordance with IFRS 2, Share-based payment, on the Company's net income. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimate the likelihood of performance fulfillment and takes this into account in the valuation.

During the period ended 31 December 2020, the Company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2020 show grants gross before forfeited options.

Granted	2019	2020
Type of arrangement	Equity Settled	Equity Settled
Date of Grant	23.10.2019	10.07.2020
Options granted as of 31.12.2020	1 250 000	1 250 000
Contractual life	2.94 years	3.12 years
Vesting conditions	100% of the options will vest three years after the start of the second calendar quarter of 2019.  The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.  The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause.	100% of the options will vest three years after the start of the second calendar quarter of 2020.  The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.  The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause.
Expiry date	30.09.2022	30.09.2023

Fair value of Share Options granted is calculated using the Monte Carlo option pricing model. The weighted average inputs to Monte Carlo model and Fair values per 31 December 2020 are listed below (calculated at grant):

Granted	2019	2020
Exercise price	0.10	0.10
Share price grant date	9.14	13.90
Expected life from grant date	2.77 years	2.95 years
Volatility	29 %	36 %
Interest rate	1.19%	0.17%
Fair value per option	2.57	6.65

Expected volatility is based on historical volatility of the Company.

The Company is listed on the Oslo Stock Exchange.

Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2020 arising from the option plans are NOK 2 885 125, not including social security (2019: NOK 2 117 762).

The total carrying amount per 31 December 2020 is NOK 9 003 790, not including social security (2019: NOK 2 959 885). Accrued social security at 31 December 2020 is NOK 2 374 419 (2019: 0).

## Activity overview

### Quantity and weighted average prices

Activity	Number of instruments	Weighted Average Strike Price
Outstanding OB (01.01.2019)	5 337 500	0.10
Granted	1 250 000	0.10
Exercised	(4 938 737)	0.10
Forfeited	(398 763)	0.10
Expired	-	-
Outstanding CB (31.12.2019)	1 250 000	0.10
Vested CB	-	-
Outstanding OB (01.01.2020)	1 250 000	0.10
Granted	1 400 000	0.10
Exercised	-	-
Forfeited	(150 000)	0.10
Expired	-	-
Outstanding CB (31.12.2020)	2 500 000	0.10
Vested CB	-	-

## Outstanding instruments year end

### Outstanding instruments overview

Strike price	Outstanding instruments			Vested instruments	
	Number of instruments	Weighted average remaining contractual life	Weighted average strike price	Vested instruments 31.12.2020	Weighted average strike price
0.10	2 500 000	2.25	0.10	-	0.00

Board	Number of shares		Number of options	
	2020	2019	2020	2019
Tuomo Lähdesmäki, chairman	215 854	197 702	-	-
Gro Brækken, board member	43 147	37 472	-	-
Espen Gundersen, board member	49 147	43 742	-	-
Maalfrid Brath, board member	19 147	13 472	-	-
Christian Jebsen, board member	19 147	13 472	-	-
Petra Grandinson, board member	9 081	-	-	-
Jarle Larsen, employee elected board member	12 491	6 816	-	-
Tanja Rørheim, employee elected board member	19 147	13 472	-	-
Bjørn M. Gottschlich, employee elected board member	19 347	13 472	-	-

Corporate management team	Number of shares		Number of options	
	2020	2019	2020	2019
Peter Nilsson, CEO	2 079 182	2 079 182	760 000	200 000
Cathrin Nylander, CFO	868 752	868 752	270 000	150 000
Israel Losada Salvador, COO and Sales Director	743 831	743 831	270 000	150 000
Stian Haugen, CTO	-	-	120 000	-
Anne Lise Hjelseth, CHRO (01.01.2020-30.04.2020)	-	113 846	-	150 000
Mindaugas Sestokas, Vice President and Managing Director	316 978	516 978	270 000	150 000
Hans Petter Thomassen, Vice President and Managing Director	431 770	431 770	270 000	150 000
Stefan Hansson Mutas, Managing Director	219 261	219 261	270 000	150 000
Zygimantas Dirse, Managing Director	452 622	452 622	270 000	150 000

## Note 12 Shares and shareholders information

The company's share capital at 31 December 2020 comprised 179 103 990 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 7 570 shareholders at 31 December 2020.

### The 20 largest shareholders of Kitron ASA at 31 December 2020:

Shareholder	Number	Percentage
Vevlen Gård AS	17 208 374	9.61
Folketrygdfondet	13 475 230	7.52
MP Pensjon PK	9 682 767	5.41
J.P. Morgan Bank Luxembourg S.A.	8 467 169	4.73
AAT Invest AS	5 350 000	2.99
Danske Invest Norge Vekst	5 337 432	2.98
VJ Invest AS	3 962 557	2.21
Morgan Stanley & Co. Int. Plc. <sup>1)</sup>	3 889 666	2.17
The Bank of New York Mellon SA/NV	3 757 000	2.10
J.P. Morgan Bank Luxembourg S.A.	3 450 695	1.93
The Bank of New York Mellon SA/NV	3 000 000	1.68
Avanza Bank AB <sup>2)</sup>	2 902 370	1.62
Equinor Pensjon	2 767 606	1.55
KBC Bank NV	2 729 993	1.52
Morgan Stanley & Co. International	2 559 459	1.43
Verdipapirfondet Holberg Norge	2 500 000	1.40
The Northern Trust Comp, London Br	2 164 204	1.21
J.P. Morgan Bank Luxembourg S.A.	2 023 703	1.13
Verdipapirfondet Pareto Nordic	1 994 000	1.11
Varner Equities AS	1 968 529	1.10
<b>Total 20 largest shareholders</b>	<b>99 190 754</b>	<b>55.38</b>
<b>Total other shareholders</b>	<b>79 913 236</b>	<b>44.62</b>
<b>Total outstanding shares</b>	<b>179 103 990</b>	<b>100.00</b>

<sup>1)</sup> Beneficial owner: Taiga Funds

<sup>2)</sup> Beneficial owner: CEO Peter Nilsson 2 079 182 shares (1.16 per cent)

## Authorized share capital

### Authorization to the board to issue shares

The ordinary general meeting of 23 April 2020 authorized the board of directors of Kitron ASA to increase the share capital in accordance with the Norwegian Public Limited Liability Companies Act section 10-14 on the following conditions:

The share capital may, in one or more rounds, in total be increased with up to NOK 1 791 039.90. The authorization shall be valid until the Annual General Meeting in 2021, but no later than 30 June 2021. The shareholders' pre-emptive rights according to the Norwegian Public Limited Liability Companies Act section 10-4 may be set aside. The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company. The authorization encompasses share capital increase by contribution in any kind and the right to incur Kitron ASA with special obligations according to the Norwegian Public Limited Liability Companies Act section 10-2. The authorization encompasses resolutions on merger according to the Norwegian Public Limited Liability Companies Act section 13-5. The authorization is limited to encompass capital requirements or issuance of consideration shares in relation to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, for remuneration to the members of the board of directors of Kitron ASA, for incentive schemes, and acquisition of property and business within Kitron ASA's purpose. The board of directors decides on the other terms and conditions and is authorized to amend the articles of association as implied by the use of this authorization. This authorization replaces any previously granted authorizations for the board of directors to increase the share capital. The authority had not been exercised at 31 December 2020. The authorized share capital of the Company is therefore NOK 17 910 399.00.

### Authorization to the board to buy own shares

The ordinary general meeting on 23 April 2020 authorized the board of directors of Kitron ASA to acquire Kitron ASA's own shares, for the purpose of ownership or charge, in accordance with the Norwegian Public Limited Liability Companies Act sections 9-4 and 9-5 on the following conditions:

The Board of Directors may acquire shares in Kitron ASA, on one or several occasions, provided that the total combined nominal value of the acquired shares after the acquisition must not exceed ten per cent of the share capital, i.e. up to a total nominal value of NOK 1,791,039.90. The authorization also includes contract liens in the shares of Kitron ASA. The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company. Under this authorization the board of directors may pay minimum NOK 1 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the maximum amount does not exceed NOK 25 per share. Any and all previous authorizations given to the board of directors to acquire own shares shall be, and hereby are, withdrawn with effect from the date this authorization is registered with the Norwegian Register of Business Enterprises. Shares acquired according to the authorization shall either be cancelled, used as remuneration to the members of the board of directors of Kitron ASA, used in incentive schemes or be used as consideration in connection with acquisition of other companies or businesses, joint ventures or joint business operations, and acquisition of property and business within Kitron ASA's purpose. This authorization shall be valid until the 2021 annual general meeting, but not longer than 30 June 2021. The authority had not been exercised at 31 December 2020.

## Note 13 Remuneration of senior executives directors and auditor

### Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)	2020	2019
<b>Directors' fee</b>	<b>2 595</b>	<b>2 407</b>
- chairman	523	515
- board members	2 072	1 892
<b>Auditors fee <sup>*)</sup></b>	<b>1 454</b>	<b>1 348</b>
- statutory audit	1 251	1 164
- audit related services	-	15
- tax related services	78	88
- other services	125	81

<sup>\*)</sup> All figures without VAT



## Pay and other remuneration of senior executives in 2020:

(Amounts in NOK 1000)

Name	Function	Period	Basic salary (A)	Bonus earned <sup>*)</sup> (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	01.01.2020-31.12.2020	3 019	2 134	281	5 434	1 371
Cathrin Nylander	CEO	01.01.2020-31.12.2020	2 172	1 516	177	3 865	305
Israel Losada Salvador	COO and Sales Director	01.01.2020-31.12.2020	2 172	1 536	170	3 878	263
Anne Lise Hjelseth	CHRO	01.01.2020-30.04.2020	661		63	724	75
Stian Haugen	Technical Director	01.01.2020-31.12.2020	1 086	857	166	2 109	75
Hans Petter Thomassen	Vice President and Managing Director	01.01.2020-31.12.2020	1 822	1 296	203	3 321	239
Mindaugas Sestokas	Vice President and Managing Director	01.01.2020-31.12.2020	2 069	1 477	127	3 673	-
Zygmantas Dirse	Managing Director	01.01.2020-31.12.2020	1 726	1 267	327	3 321	-
Stefan Hanson Mutas	Managing Director	01.01.2020-31.12.2020	1 763	1 259	124	3 146	605
<b>Total</b>			<b>16 490</b>	<b>11 342</b>	<b>1 638</b>	<b>29 470</b>	<b>2 933</b>

(Amounts in NOK 1000)

Name	Function	Period	Shares (A)	Cash (B)	Total pay & remunerat. (A+B)
Tuomo Lähdesmaki	Chairman of the board	01.01.2020-31.12.2020	206	317	523
Bjørn Gottschlich	Board member	01.01.2020-31.12.2020	64	191	255
Gro Brekken	Deputy chairman	01.01.2020-31.12.2020	64	207	271
Tanja Rørheim	Board member	01.01.2020-31.12.2020	64	223	287
Petra Grandinson	Board member	23.04.2020-31.12.2020	103	90	193
Jarle Larsen	Board member	01.01.2020-31.12.2020	64	173	237
Espen Gundersen	Board member	01.01.2020-31.12.2020	64	220	284
Christian Jebsen	Board member	01.01.2020-31.12.2020	64	221	285
Maalfrid Brath	Board member	01.01.2020-31.12.2020	64	196	260
<b>Total</b>			<b>757</b>	<b>1 838</b>	<b>2 595</b>

<sup>\*)</sup> Bonuses earned in 2020. The bonuses will be paid in 2021.

## Pay and other remuneration of senior executives in 2019:

(Amounts in NOK 1000)

Name	Function / Period	Basic salary (A)	Bonus earned <sup>1)</sup> (B)	Benefit from options <sup>2)</sup> (C)	Other remunerat. (D)	Total pay & remunerat. (A+B+C+D)	Pension contribution
Peter Nilsson	CEO <sup>1)</sup> / 01.10.2019-31.12.2019	2 912	976	13 597	251	17 736	1 355
Cathrin Nylander	CFO and CEO <sup>2)</sup> / 01.01.2019-31.12.2019	2 285	728	4 511	200	7 724	400
Israel Losada Salvador	COO and Sales Director / 01.01.2019-31.12.2019	2 096	702	5 999	196	8 993	275
Anne Lise Hjelseth	CHRO / 01.01.2019-31.12.2019	1 483	497	1 665	217	3 862	158
Hans Petter Thomassen	Vice President and Managing Director / 01.01.2019-31.12.2019	1 656	558	3 975	219	6 408	204
Mindaugas Sestokas	Vice President and Managing Director / 01.01.2019-31.12.2019	1 792	591	4 251	121	6 755	-
Zygimantas Dirse	Managing Director / 01.01.2019-31.12.2019	1 560	537	3 169	385	5 653	68
Stefan Hanson Mutas	Managing Director / 01.01.2019-31.12.2019	1 499	520	4 036	67	6 122	488
<b>Total</b>		<b>15 283</b>	<b>5 111</b>	<b>41 203</b>	<b>1 656</b>	<b>63 253</b>	<b>2 948</b>

<sup>1)</sup> (on leave 01.01.2019-30.09.2019)

<sup>2)</sup> (01.01.2019-30.09.2019)

(Amounts in NOK 1000)

Name	Function	Period	Shares (A)	Cash (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmaki	Chairman of the board	01.01.2019-31.12.2019	174	320	21	515
Bjørn Gottschlich	Board member	01.01.2019-31.12.2019	62	185	-	247
Elisabeth Jacobsen	Board member	01.01.2019-26.04.2019	-	61	6	67
Gro Brekken	Deputy chairman	01.01.2019-31.12.2019	62	185	21	268
Tanja Rørheim	Board member	01.01.2019-31.12.2019	62	185	12	259
Jarle Larsen	Board member	26.04.2019-31.12.2019	62	125	19	206
Espen Gundersen	Board member	01.01.2019-31.12.2019	62	199	29	290
Christian Jebsen	Board member	01.01.2019-31.12.2019	62	197	20	279
Maalfrid Brath	Board member	01.01.2019-31.12.2019	62	189	25	276
<b>Total</b>			<b>608</b>	<b>1 646</b>	<b>153</b>	<b>2 407</b>

<sup>\*)</sup> Bonuses earned in 2019. The bonuses were paid in 2020.

<sup>\*\*)</sup> Calculated benefit from exercise of a three year share option program. The program was established in 2016 and exercised in 2019. The benefit consists partly of share issue, and partly of cash consideration from termination of options.

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

The company has not given any loans or security for directors or senior executives at 31 December 2020.

## The Board of Directors Declaration on salaries and other remuneration to the senior executive management

The table above includes information on all individuals covered by the disclosure obligation at any time during the year, while the following declaration is limited to the CEO and the vice presidents.

The Board proposes that the following guidelines be applied for 2021 and until the Annual General Meeting in 2022. The executive remuneration policy for Kitron ASA applies to all units in the group.

### Kitron group remuneration policy

The Kitron group general remuneration policy is described in the HR policy and states that salaries are diversified depending on level or responsibility, complexity of tasks, competence, ability and performance. Kitron strives to have fair employment conditions following legal requirements and practice in each country. The remuneration should, together with other employment related conditions make it possible for Kitron to recruit, develop and retain the best possible employees supporting the growth and development of the Kitron group. The policy naturally also forms the basis for salary and benefit levels among senior executives in Kitron.

### Executive remuneration

The current compensation and benefit system for senior executives in Kitron is divided in several parts. These parts together are competitive and based on market conditions. The total remunerations consist of fixed annual compensation that includes annual base salary and other benefits (such as pension plan and company car). The total compensation also includes a short term incentive scheme (STI) and a long term incentive scheme (LTI).

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like are linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, incentivise performance and are based on quantifiable factors over which the employee in question can influence. Performance related remuneration is subject to an absolute limit.

## 1. Principles that guide the Board of Directors

### Fixed compensation

The actual level of annual base salaries (ABS) is based on market conditions and salary levels related to the actual position in the country in question. Kitron uses the Hay tool for determining market levels on an annual basis. The executive positions are evaluated using the Hay positioning grading tool.

Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. The CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that applies to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2020 the Norwegian based members of the Corporate Management Team (except the CEO) have received an additional pension contribution corresponding to 20 per cent of the base salary between 12G and 24G. The CEO may receive an additional yearly pension contribution for an amount equivalent to up to 15G. "G" is the basic amount of the Norwegian Social Insurance Scheme regulated by Parliament as of

1 May each year, currently NOK 101,351.

The company may at any time terminate the CEO employment without further jurisdiction. In such case severance pay constitutes a gross lump sum corresponding to 9 month base salaries at the time of termination.

The board may grant specific purpose bonuses to members of senior executive management.

Other benefits are according to company policy and regulations in country of residence.

### Short term incentive scheme

The STI system has specific targets and defined maximum pay-outs and is set on annual basis. The possible maximum pay-out for 2020 is 85 per cent of annual basic salary.

### Regular salary reviews

Annual salary reviews are performed in accordance with the employment contract and with reference to market reviews (e.g. Hay etc), as well as to the Kitron group financial performance.

See further details in this note for additional information about pay and other remuneration of senior executives in 2020.

## 2. Principles that are binding on the Board of Directors

### Long-term incentive scheme

In 2018 the Board introduced a new share option program for executive management comprising of up to 5 000 000 shares. The program is divided into four three-year sub programs, each with an allocation of 1 250 000 option, where the first program starts in 2019, followed by one program every year until 2022. The total program corresponds to approximately 3 per cent of the market cap.

The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years. The number of options that are vested for each sub program, are linked to development of the market capitalization at Oslo Stock Exchange, adjusted for dividends and share buy-backs. For each program to vest fully, the market capitalization adjusted for dividends and share buy-backs must increase 50 per cent. The program starts to vest at an increase of 20 per cent, and will vest linearly between 20 per cent to 50 per cent.

Each sub program is capped at 200 per cent increase of the market capitalization, adjusted for dividends and share buy-backs. The program has a claw back clause. Each of the sub programs has a lock up-period of one year and a down-sale period of two years.

Per 31 December 2020, 2 500 000 options have been granted to executive management. The share option program is described in more detail in note 19 in the annual financial statements.

## Note 14 Receivables

NOK 138.5 million of the NOK 138.5 million in intra-group loans at 31 December 2020 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2020	2019
Kitron Hong Kong Ltd	-	21 509
Kitron Technologies Inc	118 994	122 482
UAB Kitron Real Estate	19 527	18 387
Kitron AS	-	5 250
<b>Total</b>	<b>138 521</b>	<b>167 628</b>

## Note 15 Information on long-term liabilities to financial institutions

The company has long-term bank loans of NOK 126.0 million at 31 December 2020 (NOK 167.3 million at 31 December 2019). Of this is NOK 36.0 million short-term part and is due within one year. The group's long-term and short-term bank financing includes covenants relating to factors such as the company's equity and earnings. The company complies with these covenants at 31 December 2020.

## Note 16 Mortgages

### Mortgages

(Amounts in NOK 1000)	2020	2019
Debt secured by mortgages:	309 508	253 185
<b>Carrying amount of assets provided as security:</b>		
Machinery and equipment	620	356

The carrying amount of assets provided as security for the debt include assets in Kitron ASA only. In addition the bank has security in assets in other Norwegian and Swedish Kitron companies.

The group's guarantee provider had provided guarantees at 31 December for leasing obligations and tax due but not paid. These totalled NOK 0.5 million (2019: NOK 0.5 million) and NOK 4.0 million (2019: NOK 2.0 million) respectively.

Per 31 December 2020 Kitron ASA has granted a parent company guarantee of 14.3 million EUR related to lease obligations for the Polish subsidiary Kitron sp. z.o.o (2019 15.0 million EUR).

## Note 17 Liquid assets

Kitron ASA has established a group account agreement with the company's principal bank. This embraces Kitron ASA and its Norwegian, Swedish, German, US and Polish subsidiaries. Unused credit lines amounted to NOK 45.3 million at the end of 2020. The company has a cash deposit of NOK 11.7 million related to the group's factoring agreement with DNB Finans.

## Note 18 Items consolidated in the accounts

(Amounts in NOK 1000)	2020	2019
<b>Other financial income</b>		
Dividend and group contribution	95 160	100 540
Currency gain	1 533	-
<b>Total other financial income</b>	<b>96 693</b>	<b>100 540</b>
<b>Financial expenses</b>		
Currency loss	-	875
Other financial expenses	1 729	1 821
<b>Total financial expenses</b>	<b>1 729</b>	<b>2 696</b>



To the General Meeting of Kitron ASA

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

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#### *Opinion*

We have audited the financial statements of Kitron ASA, which comprise:

- The financial statements of the parent company Kitron ASA (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Kitron ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and  
authorised accounting firm*



### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. Operating costs and percentage of completion method contains approximately the same complexity and risks as previous year and have been in focus for our audit also this year.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Operating costs and percentage of completion method</i></p> <p>Based on the guidance for IFRS 15, a significant portion of the revenues is recognized over the contract period based on estimated percentage of completion for the relevant contracts.</p> <p>We focused on this area because calculating the cost incurred for partly satisfied performance obligations and estimating the percentage of completion involves determining direct and indirect production cost. The determination requires management to use judgment to estimate costs and production time. Further, it requires, considering large amounts of data, which adds a degree of complexity to the estimation procedures.</p> <p>See also note 2 and 6 to the financial statements where management explain how they account for revenue from contracts with customers.</p>	<p>We reviewed management policy, which form the basis for the calculation of the cost incurred for partly satisfied performance obligations and how percentage of completion is estimated. We found the policy to be in line with IFRS requirements. To satisfy ourselves that internal controls related to the accounting for costing were appropriate, we evaluated and tested controls directed at the accuracy in the cost price calculations.</p> <p>We tested the accuracy of data used in the model that calculated costs incurred by tracing the details back to original sources. Our procedures include reconciliation of input data towards management's estimates and recalculation of both direct and indirect costs.</p> <p>We also tested the estimates for reasonableness by comparing the costing model with actual cost as they occur. Through discussions with management we were satisfied that no significant variances were identified that triggered a need for additional adjustments of the costing model.</p> <p>No significant exception was noted from our work.</p> <p>We assessed the appropriateness of the related disclosures in notes and found them to appropriately explain accounting for revenue and to be in accordance with IFRS requirements.</p>





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### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## *Report on Other Legal and Regulatory Requirements*

### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 23 March 2021

**PricewaterhouseCoopers AS**



Bjørn Lund  
State Authorised Public Accountant

## RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

- the consolidated financial statements for 2020 have been prepared in accordance with IFRS as adopted by the EU as well as additional information requirements in accordance with the Norwegian Accounting Act and that
- the financial statements for the parent company for 2020 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway

and that:

- the information presented in the financial statements gives a true and fair view of the Company's and Group's assets liabilities financial position and result for the period viewed in their entirety and that
- the Board of Directors' report gives a true and fair view of the development performance and financial position of the Company and Group and includes a description of the principle risks and uncertainties."

Oslo, 23 March, 2021

  
Tuomo Lähdesmäki  
Chairman

  
Espen Gundersen  
Board member

  
Maalfrid Brath  
Board member

  
Gro Brækken  
Deputy chairman

  
Tanja Rørheim  
Employee elected board member

  
Bjørn Gottschlich  
Employee elected board member

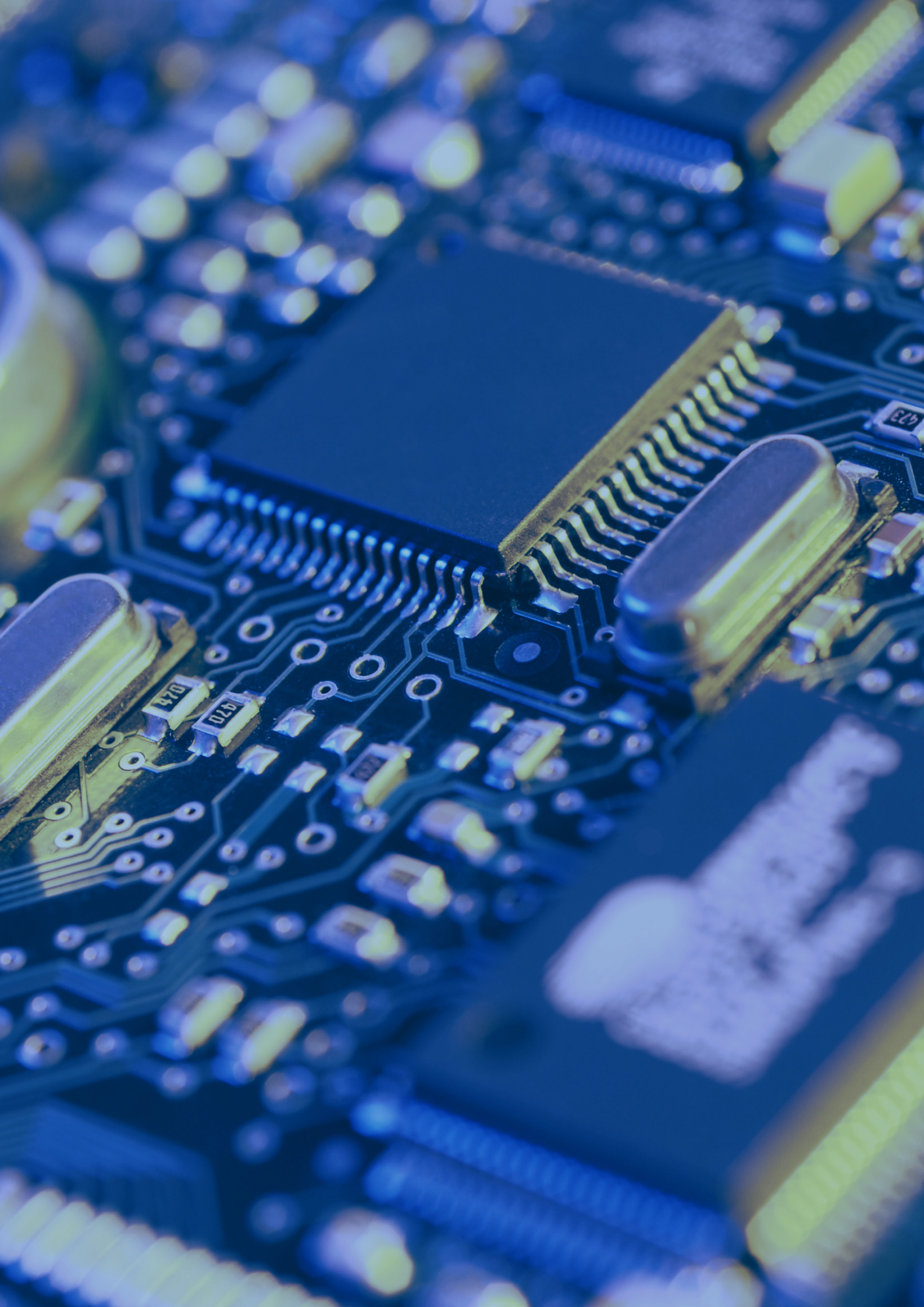
  
Lars Peter Nilsson  
CEO of Kitron ASA

  
Christian Jebsen  
Board member

  
Jarle Larsen  
Employee elected board member

  
Petra Grandinson  
Board member





## 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



## CORPORATE GOVERNANCE

Kitron's corporate governance principles clarify the division of roles between shareholders, the board of directors and the corporate management. The principles are also intended to help safeguard the interests of shareholders, employees and other stakeholders, such as customers and suppliers, as well as society at large. The primary intention is to increase predictability and transparency, and thereby reduce uncertainties associated with the business.

It is Kitron's intent to practice good corporate governance in accordance with laws and regulations and the recommendations of Oslo Børs under the 'comply or explain' concept. This review has been prepared by the board of Kitron based on Norwegian Code of Practice for Corporate Governance dated 17 October 2018 ("the Code"). The code is available at [www.nues.no](http://www.nues.no).

According to the Kitron's own evaluation, Kitron deviates from the code on the following points:

### §6 General meetings

Vote separately on each candidate. For practical reasons in the voting, the candidates are grouped into one vote.

- All members of the Board of Directors, the Nomination Committee and the auditor are present. The Chairman of the Board and the auditor are always present to respond to any questions. From the Group perspective, this is considered sufficient.
- Independent chairman for the general meeting.
- The Chairman of the Board normally chairs the General Meeting. The Board will make arrangements for an independent chair if the setting so requires.

### 1. Report on Corporate Governance

The report follows the structure of the Code of Practice. The Corporate Governance report is subject to annual evaluation and discussion by the Board. The following report was issued at the Board meeting on 23 March 2021.

### 2. Business

Kitron's business purpose clause is stated in the company's articles of association: Kitron's business purpose is manufacturing and development activities related to electronics. The business includes purchase and sale of shares and companies in the same or related business sectors. The business may also include related consultancy activities and other activities associated with the operation.

The company's main goals, strategies and risk profiles are presented in the annual report. It is the board's opinion that these objectives, strategies and risk profiles are within the scope of the business purpose clause. The objectives for the business are set with a view to creating value for shareholders.

Long term objectives, strategies and the risk profile are evaluated once a year in connection with the work on strategy, or as necessary in connection with major events or structural changes.

Kitron's vision is to provide solutions that deliver success for its customers. Kitron's core values to support the vision are commitment, innovation and engagement.

The group's current Ethical Code (Ethical Guidelines, Supplier Guidelines and Anti-Bribery policy) was approved by the Board 27 August 2014. It is based largely on international initiatives and guidelines related to social responsibility, including the ILO conventions.

The Ethical Code includes topics such as human rights, environment, relations with our customers and suppliers, corruption and confidentiality.

The Code applies to all Kitron board members, elected officers, permanent and temporary employees, hired staff, consultants and agents acting in or on behalf of Kitron. The Code also applies to all contractors, sub-contractors, suppliers and sub-suppliers. It includes all companies in the Kitron group.

### 3. Equity and dividends

The parent company's share capital at 31 December 2020 amounted to NOK 17 910 399.

Total equity for the group at 31 December 2020 was NOK 885.7 million, corresponding to an equity ratio of 33.4 per cent. Considering the nature and scope of Kitron's business, the board considers that the company has adequate equity and capital structure.

Existing mandates granted to the board, to issue shares and to purchase its own shares, are presented in the shareholder information section of the annual report. The mandates are restricted to defined purposes and limited in time to no later than the date of the next Annual General Meeting.

Kitron's dividend policy states: "Kitron's dividend policy is to pay out an annual dividend of at least 50 per cent of the company's consolidated net profit before non-recurring items. When deciding on the annual dividend the company will take into account company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth."

### 4. Equal treatment of shareholders and transactions with close associates

There is only one class of shares and all shares have equal voting rights. The nominal amount per share is NOK 0.10. The articles of association place no restriction on voting rights. Kitron has issued an insider manual with guidelines and control procedures. According to the company's ethical guidelines, board members and the executive management must notify the board if they have any direct or indirect material interest in any transaction contemplated or entered into by the company.

All transactions with close associates are disclosed in the notes to the annual accounts. All business activities are based on arm's length terms. In the event of transactions with insiders or close associates, such transactions will be carried out in accordance with the relevant recommendations in the Code.

### 5. Shares and negotiability

There are no provisions in the Company's Articles of Association that limit the right to own, trade or vote for shares in the Company.

### 6. General meetings

Shareholders exercise the ultimate authority in Kitron through the Annual General Meeting. All shareholders are entitled to attend a general meeting as long as they are recorded in the company's share register no later than the fifth business day before the date of the general meeting. Representatives of the board, Chairman of the Nomination Committee, the nomination committee, and the auditor are present.



The notice of the meeting, the agenda and detailed and comprehensive supporting information, including the nomination committee's justified recommendations, are made available on Kitron's website at least 21 days before a general meeting takes place. At the same time the notice and agenda are distributed to all shareholders. For administrative purposes, the shareholders must give notice of their attendance at the meeting minimum two working days before the meeting.

The general meeting deals with such matters as required by Norwegian law. Shareholders who cannot attend the meeting in person can vote by proxy and voting instructions can be given on each item on the agenda. In addition, shareholders may vote in advance, either in writing or by electronic means, up to 2 days prior to the general meeting.

The general meetings are opened by the chair of the board. Normally, the board proposes that the chair of the board shall also chair the general meetings. The board will propose an independent chair for the general meeting if any of the matters to be considered calls for such arrangement. The notices and minutes of the general meetings are published in Oslo Børs' information system ([www.newsweb.oslobors.no](http://www.newsweb.oslobors.no), ticker: KIT) and on Kitron's website.

## 7. Nomination committee

Kitron's nomination committee is stated in the articles of association. The committee shall have two or three members, including the head of the committee. The general meeting elects the head and the members of the nomination committee and determines its remuneration. The general meeting has resolved a mandate and stipulated guidelines for the duties of the nomination committee that is compliant with the Code. The members of the nomination committee are elected for a period of up to two years.

The nomination committee shall propose and present to the general meeting: Candidates for election to the board, remuneration of the board, the nomination committee, and new members of the nomination committee.

### Composition

The committee shall have two to three members, including the head of the committee. At the composition of the nomination committee, the interests of the shareholders will be taken into account, as well as the members' independence of the board and of the executive management.

### The nomination committee members

After the Annual General Meeting 23 April 2020, the nomination committee had the following members:

- Ola Wessel-Aas, chairperson elected until the Annual General Meeting in 2021
- Ole Petter Kjerkreit, elected until the Annual General Meeting in 2021

The committee's members Ola Wessel-Aas and Ole Petter Kjerkreit are independent of the Kitron's management and the Board.

### Submitting proposals to the nomination committee

Deadline for submitting proposals to the nomination committee is four weeks prior to General Meeting Notice.

## 8. Board of directors: composition and independence

According to the articles of association, the board shall consist of 3 to 6 shareholder elected members as resolved by the general meeting. The board currently consists of six shareholder-elected members and three members elected by and among the employees.

Board members are elected for a period of up to two years. The chairman of the board is elected by the general meeting. There is no corporate assembly in Kitron.

The board's composition shall ensure that it can effectively and proactively perform its supervisory and strategic functions. Furthermore, the board is composed to enable it to always act independently of special interests. The representation of shareholders was proposed by the nomination committee and unanimously resolved by the general meeting.

After the General Meeting 23 April 2020, the board of directors consists of nine members and currently has the following composition:

- Tuomo Lähdesmäki (Chairman), re-elected until the Annual General Meeting in 2021
- Gro Brækken (Vice chairman), re-elected until the Annual General Meeting in 2021
- Espen Gundersen, re-elected until the Annual General Meeting in 2021
- Maalfrid Brath, re-elected until the Annual General Meeting in 2021
- Christian Jebsen, re-elected until the Annual General Meeting in 2021
- Petra Grandinson, elected until the Annual General Meeting in 2021
- Bjørn M. Gottschlich, elected by and among employees
- Jarle Larsen, elected by and among employees
- Tanja Rørheim, elected by and among employees

All shareholder-elected directors are considered as independent of the management. The same applies in relation to important business relations and owners.

### Board members who own shares in Kitron

At 31 December 2020 Tuomo Lähdesmäki owned 215 864 shares, Gro Brækken 43 147 shares, Espen Gundersen 49 147 shares, Maalfrid Brath 19 147 shares, Christian Jebsen 19 147, Petra Grandinson 9 081 shares, Tanja Rørheim 19 147 shares and Bjørn M. Gottschlich 19 347 shares, Jarle Larsen 12 491 shares in Kitron. See presentation of board members for details.

## 9. The work of the board of directors

The board has an overall responsibility for safeguarding the interests of all shareholders and other stakeholders. Furthermore, it is the board's duty and responsibility to exercise overall control of the company, and to supervise the management and the company's operations. The division of roles between board and management is specified in Kitron's rules of procedure for the board. The board has approved an annual meeting plan for its work, which includes meetings with a special focus on strategy and budgeting. The board conducts a self-evaluation once a year.

Kitron's board shall also serve as a constructive and qualified discussion partner for the executive management. One of the board's key duties is to establish appropriate strategies for the group. It is important in this context that the board, in cooperation with the management, ensures that the strategies are implemented, that the results are measured and evaluated and that the strategies are developed in the most appropriate way. Kitron has defined performance parameters for the strategies and can thus measure its performance.

The board receives financial reports on a monthly basis from the administration. The underlying data for these reports are prepared at each reporting unit. The information is checked, consolidated, and processed by the group's corporate financial staff to produce the consolidated reports that are submitted to the board. The reports also include relevant operational matters. The group does not have a separate internal audit function. Account controls are exercised through segregation of duties, guidelines and approval procedures. The corporate financial staff is responsible for establishing guidelines and principles. The corporate financial staff handles the group's financial transactions. Each profit centre is responsible for the commercial benefit of manufacturing contracts. Responsibility for the commercial content of significant procurement contracts rests with the corporate sourcing organisation.

The board conducts annual evaluations of the executive managers and their performance. These evaluations also cover an assessment of cooperation between the board and the management. The results of these evaluations represent an important element in the remuneration and incentive programs, which are described in the notes to the financial statements.

The board had 11 meetings during 2020 with 100 per cent participation.

#### The board's audit committee

The board's audit committee is appointed by Kitron ASA's board of directors and is a sub-committee of the board. The audit committee mandate was revised and updated in 2020 in accordance with new regulations. The audit committee will on behalf of the board supervise the financial reporting process to ensure the integrity of the financial statements. The audit committee will also go through: the company's internal supervisory/control routines and risk management system, the external audit process including a recommendation in the choice of an external auditor, the company's routines regarding compliance with laws and regulations affecting the financial reporting and the company's code of conduct.

The role of the audit committee is to prepare matters for consideration by the Board, to support the Board in its supervisory responsibilities and to ensure that the requirements made of the company in connection with its listing on the stock exchange are complied with.

The committee consists of two shareholder-elected board members and one employee-elected board member. The independent auditor usually attends the meetings. During 2020 there were 5 audit committee meetings.

Members of the audit committee:

- Espen Gundersen, voted chair of the audit committee and re-elected until the Annual General Meeting in 2021
- Christian Jebsen, re-elected until the Annual General Meeting in 2021
- Tanja Rørheim, re-elected by and among the employees

#### The board's HR & remuneration committee

The HR & remuneration Committee is appointed by Kitron ASA's board of directors and is a sub-committee of the Board. The committee consists of three members elected among the members of the board.

The HR & remuneration committee will on behalf of the board supervise remuneration and incentive schemes, mainly related to the CEO and the Corporate Management Team (CMT). The committee will oversee the company's management succession plan as well as the company's talent management. During 2020 there was 6 remuneration committee meetings.

Members of the remuneration committee

- Tuomo Lähdesmäki, voted chair of the remuneration committee and re-elected until the Annual General Meeting in 2021
- Gro Brækken, re-elected until the Annual General Meeting in 2021
- Maalfrid Brath, re-elected until the Annual General Meeting in 2021
- Petra Grandinson, elected until the Annual General Meeting in 2021

## 10. Risk management and internal control

Kitron's business model is to provide manufacturing and assembly of electronics and industrial products containing electronics, including development, industrialisation, purchasing, logistics, maintenance/repair and redesign. The board sees no unusual risks beyond normal business risks that any light industry operation is exposed to.

EMS is a highly competitive industry, presenting the company with an inherent business risk related to Kitron's ability, firstly, to attract and retain customers who are and who will be predictable and successful in their respective markets and, secondly, to make a fair profit margin on its business. The group's customer portfolio consists of reputable companies operating in various segments. Several of the group's customers are world leaders in their respective fields. It is Kitron's perception that the customer portfolio is robust and well balanced. Kitron's value proposition to its customers includes flexibility, competence, quality, closeness and full value chain capability. The board is confident that Kitron is able to maintain a viable, leading and adaptive business. Kitron is organised in distinct manufacturing sites, each fully accountable for its own revenues, profitability and level of capital employed. The structure facilitates closeness between management and the operation, which in turn provides good overview and adequate internal business control.

The group has established a decentralised management model featuring delegated responsibility for profits. As a result, the control function parallels the group's management model, and it is the individual unit's responsibility to make sure that it has the capacity and expertise it requires to carry out responsible internal control. Governing management documents have been adopted, describing the group's requirements for responsible internal control.

Management prepares monthly financial reports that are sent to the Board of Directors. When the group's quarterly financial reports are to be presented, the Audit Committee reviews the reports prior to the board meeting. The auditor participates in the Audit Committee meetings, and also meets with the entire Board in connection with the presentation of the annual financial statements.

The Board annually reviews the strategic plan. In addition, as part of the preparation to the strategic discussion, the Board also annually review the group risks. The group's financial position and risks are described in the Board of Directors' Report.

The health, safety, and environmental risks are limited and well managed, and Kitron's ISO quality systems are certified by certification agencies and also inspected and approved by several of the group's customers.

Kitron's customers are professional product-owning companies, which purchase the manufacturing and related services from Kitron. Kitron is not the product owner and the group's product liability risk is thus negligible.

The Board regularly reviews and amends the Group's key Governance documents. The group's current Ethical Code of Conduct was approved by the Board on 8 October 2018. Combined with Kitron's Supplier Code of Conduct and Anti-Corruption policy, this forms the ethical guidelines for the group's business.

Kitron has established routines for notification and follow-up on any alleged misconduct.

The Group has an Ethical Committee whose task it is, on behalf of the management, to review Governance documents, decide and/or advise in Ethical dilemmas and conduct risk analysis and implement relevant actions.

## 11. Remuneration of the board of directors

The Annual General Meeting approves the remuneration paid to the Board of Directors each year. The Proposal for the remuneration is made by the Chair of the Nominating committee.

The remuneration of the board members reflects responsibility, expertise, time spent and the character of Kitron's business. The remuneration is not linked to the company's performance or share price. The remuneration to the chairman is determined separately from the other members. Additional remuneration is made to the members of the board who are appointed to board committees, on a per meeting basis.

Board members are not encouraged to perform special assignments for the company in addition to their directorship. Such assignments, if any, are reported to the full board and disclosed in the annual report.

Information about each director's remuneration, including shares and subscription rights, is provided in the notes to the annual financial statements.

The members of the Board are encouraged to own shares in Kitron.

## 12. Remuneration of senior executives

The board has resolved guidelines to the CEO for remuneration to executive management. The terms are determined by the CEO in consultation with the Chairman of the board. The guidelines are communicated to the Annual General Meeting.

The salary and other remuneration of the CEO shall be decided by the board.

The remunerations consist of fixed annual compensation that includes annual base salary and other possible benefits (such as pension plan). The total possible compensation also includes a short-term incentive scheme (STI) and a long-term incentive scheme (LTI).

Performance-related remuneration of the executive personnel in the form of share options, bonus programs or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should incentivise performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

### Fixed compensation

The actual level of annual base salaries (ABS) is based on market conditions and salary levels related to the actual position in the country in question. Kitron uses the Hay tool for determining market levels on an annual basis. The executive positions are evaluated using the Hay positioning grading tool.

Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. Other benefits are according to company policy and regulations in country of residence.

The Board may grant specific purpose bonuses to members of the senior executive management.

### Short term incentive scheme

The STI system has specific targets and defined maximum pay-outs and is set on annual basis. The possible maximum pay-out is 85 per cent of annual basic salary. The STI system is based on performance of Revenue growth, EBIT and Return on Operating capital (ROOC).

### Long-term incentive scheme

The LTI system was established in 2013 as an option-based program with a three-year validity (2013-2016), and in 2015 the Board continued the share option program for executive management for another three-year period (2016-2019).

In 2018 the Board introduced a new share option program for executive management comprising of up to 5 000 000 shares. The program is divided into four three-year subprograms, each with an allocation of 1 250 000 option, where the first program started in 2019, followed by one program every year until 2023. The total program corresponds to approximately 3 per cent of the market capitalization

Separate agreements describing the LTI systems and related conditions are in place for each senior executive. Maximum possible share options are defined per individual among the senior executives. Any possible pay-out will be depending on the Kitron group share price at the start of the program in comparison with the share price at the time of the expiry.

A more detailed description is provided in note 19 in the Consolidated Financial statements.

Kitron reports all forms of remuneration received by the chief executive and each of the other members of the executive management.

Details about remuneration of the executive management are provided in the notes to the annual financial statements. A more detailed description is provided in note 27 in the Consolidated Financial statements.

### 13. Information and communication

Kitron wants to maintain good communication with its shareholders and other stakeholders. The information practice is based on openness and will help to ensure that Kitron's shareholders and other stakeholders are able to make a realistic assessment of the company and its prospects. Guidelines have been established to ensure a flow of relevant and reliable financial and other information. The group endeavours to ensure that all shareholders have equal access to the same information. Kitron complies with Oslo Børs' Code of Practice for IR, dated 1 July 2019.

All information distributed to the shareholders is published on Kitron's website ([www.kitron.com](http://www.kitron.com)) at the same time as it is sent to the shareholders. Furthermore, all announcements to the market are posted on Kitron's website following publication in Oslo Børs' company disclosure system [www.newsweb.oslobors.no](http://www.newsweb.oslobors.no), ticker: KIT. Public, webcast presentations are held quarterly in connection with the interim reporting. Kitron presents a financial calendar every year with dates for important events. Kitron's guidelines for reporting of financial and other information as well as guidelines for the company's contact with shareholders, other than through the general meeting, are presented in the shareholder information section in the annual report.

Kitron operates in accordance with a set of financial targets, established by the board of directors. These targets govern the Group's operations within the financial year. The targets which Kitron give annual guiding on are:

- Revenue;
- EBIT margin;

The aim is to communicate the targets for the financial year in connection with either the Q4, the annual report, or later as soon as they are approved by the board of directors.

Kitron emphasises that the targets by their very nature necessarily involves assumptions and uncertainty.

### 14. Takeovers

There are no defence mechanisms against take-over bids in the Company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company.

The Kitron Board has established guiding principles in respect of take-over bids.

In a bid situation, the Board and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The Board should not hinder or obstruct the possibility of having take-over bids for the Company's activities or shares.

The Board should actively seek other offers upon the receipt of a take-over bid if considered to be in the best common interest of the Company and its shareholders.

Agreements entered into between the Company and the bidder, or significant terms and conditions thereof, that are material to the market's evaluation of the bid shall be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the Company's shares, the Board should not exercise mandates or pass any resolutions with the intention or effect of a disposal of the Company's activities, or material parts thereof, or otherwise obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

The Board and management shall refrain from implementing any measures intended to protect their personal interests at the expense of the interests of shareholders following an intention to make a take-over bid or announcement of a bid.

If an offer is made for the Company's shares, the Board shall issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the Board's statement. The statement shall include information as set out in section 6-16 of the Securities Act.

The Board should arrange for a valuation of the Company from an independent expert. The valuation should include an explanation and shall be made public no later than at the time of the public disclosure of the Board's statement.

### 15. Auditor

The Group's auditor is elected by the General Meeting.

The auditor participates in the meetings of the Audit Committee, to whom they present the main features of the plan for the audit. The auditor also conducts a review of the company's internal control procedures, including identified weaknesses and improvement proposals, which are presented to the Audit Committee.

The auditor always participates in the meeting of the Board that deals with the annual financial statements. In this meeting the auditor discusses any changes to the accounting principles, comments on any material estimated figures and reports any material matters where there has been a disagreement between the auditors and the executive management.

The Board and the auditor will meet at least once a year without the CEO or any other members of the executive management present.

The auditor issues a written confirmation to the Board on compliance with the Statutory Audit Independence and Objectivity Requirements.

The Board of Kitron has established guidelines in respect of the use of the auditor by the company's executive management for services other than mandatory audit.

The auditor annually provides the board with a summary of all services that have been undertaken for Kitron for the accounting year. The fees paid for audit work and fees paid for other specific assignments are specified in the notes to the financial statements.

PwC has been the company's auditor since 2005.



# SUSTAINABILITY REPORT 2020



Your ambition. Our passion.



## CEO LETTER OF INTRODUCTION



Lars Peter Nilsson  
CEO of Kitron ASA

### WE SUPPORT



As a leading Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Lithuania, Germany, Poland, China and the United States, Kitron has direct and indirect economic, social and environmental impact on our surroundings and stakeholders. How we source our materials and treat our employees directly affect the quality and sustainability of our products. This impact comes with great responsibility and requires that we are in ongoing dialogue with our stakeholders and constantly strive to deliver quality products while adhering to the highest possible ethical standard.

The foundation for Kitron's sustainability work is the Kitron Ethical Code of Conduct, Kitron Suppliers Code of Conduct and Kitron Anti-Corruption Policy. This report is prepared in accordance with the Oslo Stock Exchange Guidelines for Sustainability Reporting and Euronext Guidelines to issuers for ESG reporting from January 2020. We are a UN Global Compact Signatory and support the UN Sustainable Development Goals.

By continuously striving to be an ethical and responsible company, we can contribute to minimize risks and realize new business opportunities for the future. I firmly believe that being a responsible and sustainable business on the one hand and being a profitable business on the other hand are mutually reinforcing aspects. We also see an increasing interest in our sustainability work from investors and customers and have received a number of inquiries for information over the past years. We hope that this report can contribute to answer some of our stakeholders' questions about how we work and the results achieved. For Kitron, sustainability and corporate responsibility is about delivering value to our shareholders while at the same time acting responsibly and taking a broader view of the risks and opportunities in our surroundings.

An ongoing challenge for companies with mining and metals as part of their supply chain is conflict minerals. Conflict minerals and the avoidance of using such minerals are of particular importance to Kitron. I am proud to see that the company has maintained our results on sourcing conflict mineral free products. More than 79 per cent of Kitron's products are now considered Conflict Mineral Free, and this work will continue to ensure responsible sourcing.

It is important to us to actively work to assess corruption risks in our supply chain, and we will continue to engage with our suppliers to decrease the risk of corruption and bribery. This work is now supported by digital systems and processes which we believe will make our work more systematic and ensure a consistent approach across our growing organisation.

We also strive to engage on sustainability topics beyond our direct value chain. I am pleased to confirm that Kitron ASA reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual report, which is also our annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication. We are committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. Kitron has outlined which of the 17 goals we are striving towards making a reality as part of our sustainability efforts. The goals give a clear and concrete statement of what is needed and expected of businesses and organisation's to be able to deliver towards our shared goals for the future. Going forward, we seek to further improve our performance and report on progress for the five topics identified in the materiality assessment. Among our key goals going forward is to reduce our carbon footprint.

We will work systematically to reduce energy consumption and GHG emissions, with special focus on material consumption, energy consumption, effective communication and transportation. We have set targets for the reduction of CO2 emissions for our in-house operations in accordance with the obligations in the Paris Agreement. To further our commitment to the environment we will during 2021 establish reporting on our environmental impact according to CDP and perform a TFCO climate risk process.

Of continued importance is also to improve data quality and the implementation of digitalized reporting on key KPIs for our internal work. We will continue our ongoing work with supplier dialogue and engage with suppliers to help them meet the highest ethical and quality standards.

The technical criteria for the EU Taxonomy for sustainable activities are in the process of being finalized, and Kitron will follow this process closely during 2021, as this is expected to become an important factor for investors going forward.

## ABOUT THIS REPORT

For information about this report and its content, please contact Kitron ASA CFO Cathrin Nylander.

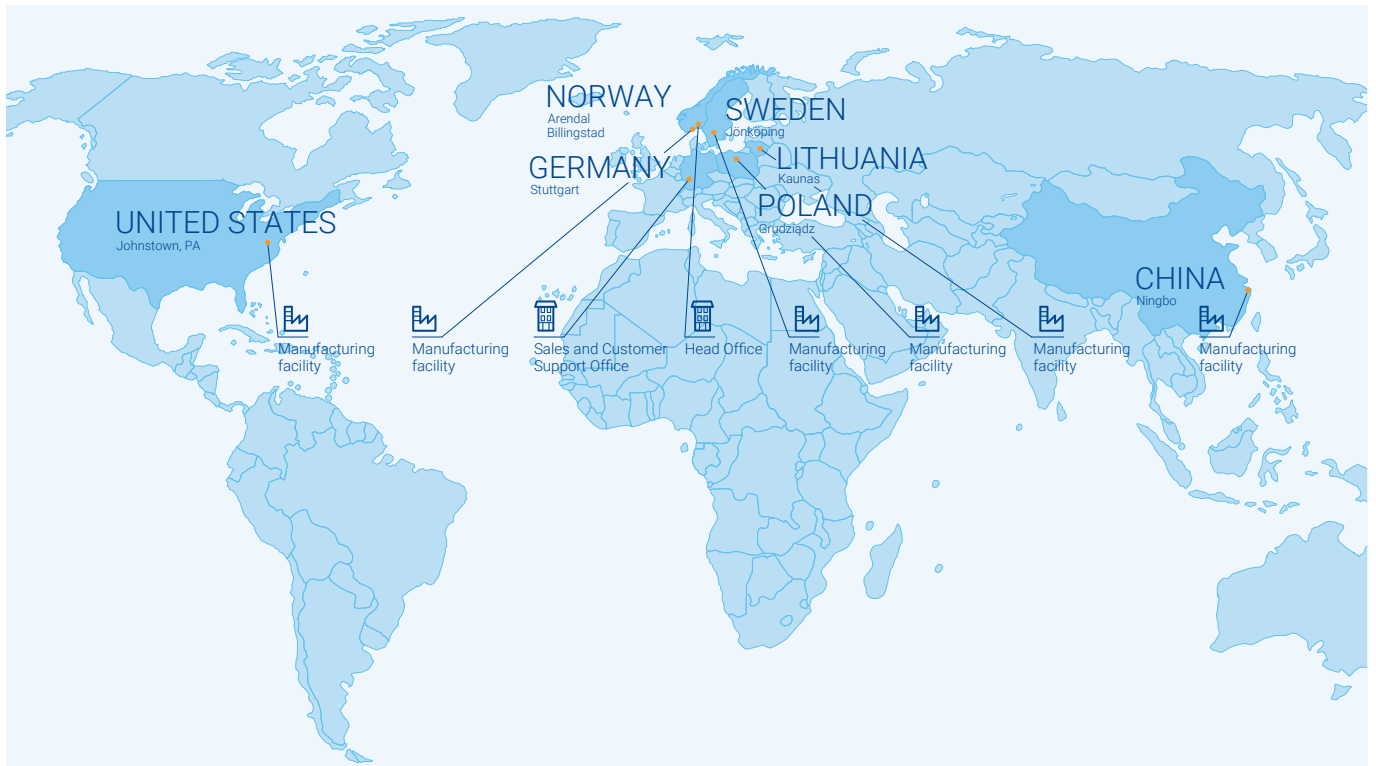
This report is prepared for Kitron ASA in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting and Euronext Guidelines to issuers for ESG reporting from 2020.

The Sustainability report has been reviewed and approved by the Board. The claims and data in this report has not been audited by a third-party.

## ABOUT KITRON ASA

Kitron is an Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Lithuania, Germany, Poland, China and the United States. Kitron manufactures and delivers anything from fully assembled electronic circuit boards to complete end products for customers globally.

Related technical services like prototyping, industrialization, material analysing and test development are also key competencies offered by Kitron.



### Locations

Kitron ASA has operations in Norway, Sweden, Lithuania, Germany, Poland, China and the United States. Kitron's headquarters is located in Asker, Norway.

Kitron is an ASA company listed on the Oslo Stock Exchange (ticker: KIT).



## Economic impact and tax information

Kitron creates value in countries in which we operate, directly through the payment of direct and indirect taxes, the payment of dividends to owners and wages to employees, and indirectly by buying goods and services from suppliers.

Kitron impacts a large number of stakeholders, many of them directly or indirectly involved in Kitron's value creation. Below is an overview of the values Kitron creates and the main stakeholders.

### Payroll and social security expenses 2020

In 2020, labour costs amounted to 671.4 million (NOK 592.9 million) Payroll and social security expenses accounted for 16.9 (18.0) per cent of sales revenue.

### Procurement of goods and services

Kitron purchased goods and services valued at roughly NOK 2871.1 million (2416.7 million) in 2020.

### Tax

The Group's tax expenses for 2020 came to NOK 61.0 million (NOK 37.1) million.

Tax expense by country

(Amounts in NOK million)	2017	2018	2019	2020
Norway	5.6	4.2	3.0	10.1
Sweden	5.5	7.7	8.3	9.6
Lithuania	10.1	12.5	11.3	12.0
Other	12.4	6.5	14.5	29.3
<b>Total</b>	<b>33.6</b>	<b>30.9</b>	<b>37.1</b>	<b>61.0</b>

Table 1 Tax expense by country

### Sectors served

Kitron's core areas of expertise have over the past years been divided into in the sectors Defence/Aerospace, Energy/Telecoms, Industry, Medical devices and Offshore/Marine.

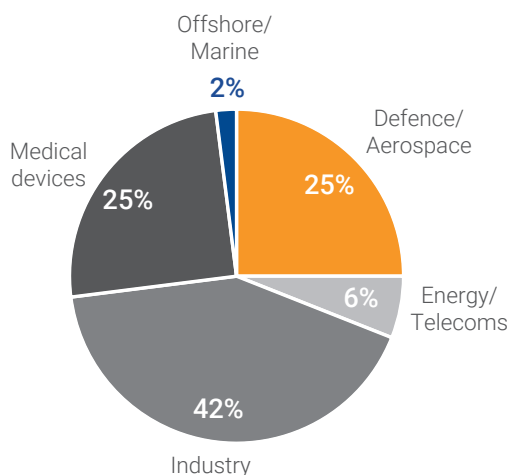


Figure 1 Revenue per sector

From 2021 these sectors are adjusted to better reflect market changes and growth outlook. Medical Devices and Defence/Aerospace are unchanged, and the other sectors are re-arranged into Connectivity and Electrification and Industry.

## KITRON'S APPROACH TO SUSTAINABILITY

Kitron's approach to sustainability and corporate responsibility are guided by our Code of conduct, our commitment to the UN Global compact and contribution towards the UN Sustainable development goals. Our focus areas are based on stakeholder dialogue and materiality assessment, to ensure we put our effort where it makes a difference for our stakeholders and our business impact.

This report covers topics related to corporate responsibility and sustainability that are of importance to Kitron and Kitron stakeholders. Kitron's approach to sustainability reporting is based on the materiality assessment undertaken in 2017 according to the Oslo Stock Exchange Guidelines on Sustainability Reporting. Kitron shall comply with applicable laws and regulations, respect human rights and act in a socially responsible manner. Kitron's business activities and internal operations are conducted with a high level of integrity and with a clear ambition to be a socially responsible company acting ethically and lawfully in all aspects of our value chain.



### Kitron supports The UN Sustainable Development Goals

Kitron supports the UN Sustainable Development Goals. The UN has defined 17 Sustainable Development Goals the world should resolve by 2030. Several of these goals can only be achieved by taking action on responsible supply chain practices and ethical business initiatives.

The UN Sustainable Development Goals are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. The UN Sustainable Development Goals have become a global framework for sustainability efforts, and an important part of the sustainability context for Kitron.

For Kitron, the UN Sustainable Development Goals show how our complex global value chain are affected by and affects these global challenges. We have identified which of the 17 goals are most relevant to Kitron, where we can make a difference towards achieving the goal and how they are linked to our material topics.

Our main contribution to the UN Sustainable Development Goals are contributions to the following goals.

- 5 Gender Equality and women's empowerment
- 9 Build resilient infrastructure, promote sustainable industrialization and foster innovation
- 12 Responsible consumption and production
- 13 Climate change



## EU's Taxonomy for sustainable activities

The EU Taxonomy aims to decide if an economic activity is sustainable, focusing on environment and climate. A sustainable activity is defined as one that substantially contributes to at least one of a defined set of environmental objectives, does not significantly harm any of the other objectives, while at the same time complies with social safeguards.

The final technical screening criteria have not yet been adopted by the EU. However, Kitron has been monitoring the process and analyzed the group's activities in light of the draft criteria.

As Kitron manufactures products for customers within a number of industries, there will be a mix of some revenue being aligned with the Taxonomy criteria and some not being aligned. A preliminary estimate indicates that about 20 percent of revenues in 2020 were aligned. This percentage is estimated to be slightly up from 2019.

## Corporate Governance

Kitron shall comply with applicable laws and regulations, respect human rights and act in a socially responsible manner. Kitron's business activities and internal operations are conducted with a high level of integrity and with a clear ambition to be a responsible company acting ethically and lawfully in all aspects of our value chain. Kitron's corporate governance structure shall ensure a systematic approach to sustainability and corporate responsibility.

### Management approach

Kitron's general system of governance is linked to the Norwegian Code of Practice for Corporate Governance (NUES).

### Annual General Meeting (AGM)

The Annual General Meeting (AGM) is the Kitron Group's supreme governing body and where the shareholders can influence how sustainability is practiced.

### The Board of Directors

The Group Board of Directors bears the ultimate responsibility for Kitron's Sustainability and the report on Sustainability is discussed and approved by the Board.

### Corporate Executive Management

Corporate Executive Management bears the responsibility for the Group's strategy, development and day-to-day work. This means Corporate Executive Management is responsible for compliance with legislation and regulations and our Ethical Code of Conduct, as well as for the implementation of appropriate and effective initiatives to ensure that we reach our goals.

### The Sites

The business areas are responsible for follow up and compliance with policy, strategy, targets and governance documents related to sustainability. The day-to-day work with corporate responsibility and environmental management is usually handled by the sites with support from the Corporate Executive Management.

### Ethics Committee

Kitron Ethics Committee's mandate is to review and suggest updates of guidelines, decide and/or advise in ethical dilemmas, conduct risk analysis and implement relevant actions and make periodical reviews. The Ethics Committee consists of members of the Corporate Executive Management and Corporate Staff.

## Kitron's Stakeholders

### Owners

Kitron's owners are primary stakeholders and directly affect the company's priorities and strategic direction.

### Employees

Kitron employees are directly affected by Kitron's internal policies and activities.

### Suppliers

Kitron's suppliers are economically affected by the company, and their responsibility is indirectly affected by Kitron's focus on responsible practices and the expectations placed on them by Kitron.

### Customers

Kitron's customers directly affect the company economically, and customer expectations influence Kitron's sustainability priorities.

### Civil Society

Civil society like governments and regulatory authorities affect Kitron and its operating conditions directly and indirectly. Local communities are indirectly socially, environmentally and economically affected by Kitron's activities such as job creation, contribution to local value creation and environmental impacts.

See appendix 1 for complete list of stakeholders and arenas for dialogue.

## Stakeholder Dialogue

To ensure a strategic approach to sustainability reporting and to adhere to the intent of the Euronext Guidelines to issuers for ESG reporting, Kitron has undertaken systematic stakeholder dialogue in 2017 and keeps an ongoing dialogue with key stakeholder groups.

Kitron's ongoing conversation with its most relevant stakeholders strengthens its relationship with the society in which it operates. The stakeholder dialogue also benefits the company by allowing Kitron to detect, investigate and manage potential risks arising in its immediate surroundings.

In 2017 Kitron invited key stakeholders to give their view on how they perceive Kitron and its relevant sustainability topics. This was done by interviews, electronic surveys, and direct contact with employees, customers and suppliers. The findings from the stakeholder dialogue were gathered and structured for discussion in Kitron's Sustainability task force and used as ground work for the materiality assessment.

The stakeholder dialogue is both a means and an end in itself, as ongoing systematic stakeholder dialogue is a key objective in the Euronext Guidelines to issuers for ESG reporting and GRI Standards. The findings from the stakeholder dialogue guided Kitron's priorities in the materiality assessment.



Figure 2 Kitron's stakeholders

## Materiality assessment

The Materiality assessment was established in 2017 by the internal task force on sustainability based on the stakeholder dialogue and information gathering. The main goal of the materiality assessment is to establish key reporting topics for Kitron, reflecting the key risks and opportunities created by Kitron's business activities. Further, these topics are included in the Kitron Sustainability report, describing how the most important topics are included in general risk management and strategy process and the measures Kitron is taking to reduce risks associated with material issues and how these are integrated into operational management and corporate governance.

The materiality assessment concluded the following 5 material topics for Kitron to report on:

- Workers' rights, diversity and non-discrimination
- Human rights and conflict minerals
- Ethics and anti-corruption
- Supply chain and quality
- HSE, safety and security

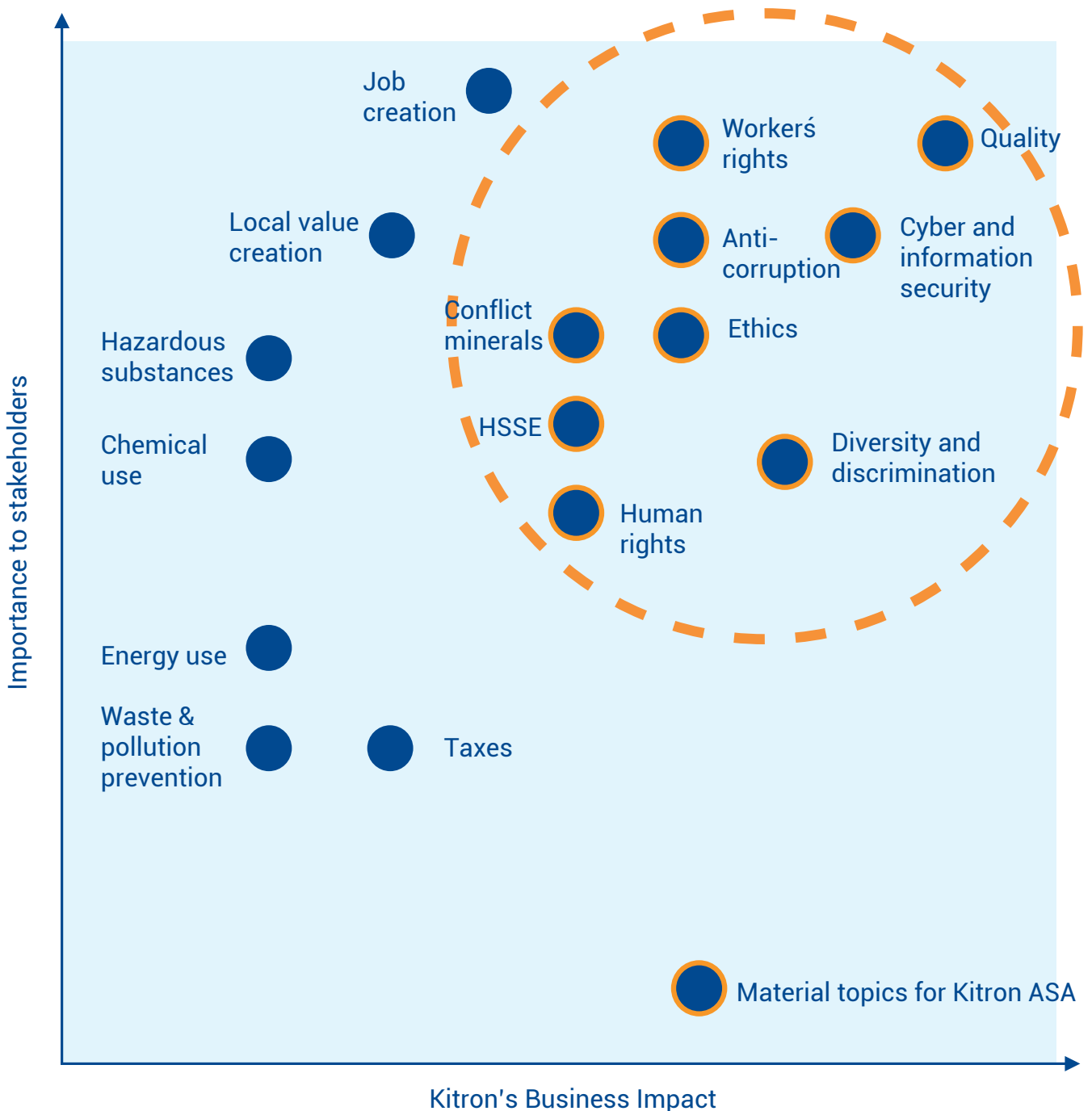


Figure 3 Materiality assessment

## REPORTING ON MATERIAL TOPICS

### Human rights and conflict minerals

All units of Kitron comply with UN's Universal Declaration on Human Rights, The UN's Convention on Rights of the Child and International Labour Organization Conventions (ILO) conventions. Kitron's approach to human rights protection is guided by the Kitron Code of Conduct and the Supplier Code of Conduct. Since 2018, Kitron has been a UN Global Compact Signatory and supports the ten UN Global compact principles. The ten UN Global compact principles are embedded in Kitron's Code of Conduct.

Kitron and Kitron suppliers shall comply with the human rights in the ILO conventions, and specifically comply with the labour rights and child labour avoidance conventions. Kitron shall not engage in or support any kind of child labour. If a young worker is employed, this needs to be controlled and arranged according to legal requirements in terms of safety, work hours and guidance and is not allowed to interfere with applicable compulsory schooling. Kitron opposes all forms of forced and compulsory labour.

#### Conflict minerals

Kitron's suppliers shall have policies to reasonably assure that the tantalum, tin, tungsten and gold in the products they manufacture do not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights in the Democratic republic of Congo or an adjoining country. Suppliers shall exercise due diligence on the source and chain of custody of these minerals. All Kitron suppliers are required to fill in the CFSI (now RMI) Conflict Minerals Reporting Template (CMRT).

Conflict minerals	2017	2018	2019	2020
Conflict free 3TG+ NO 3TG by value	84.9%	83.7%	83.6%	79.1%
Conflict free 3TG + NO 3TG by number of parts	35 122	41 336	37 787	43 209

Table 3 Conflict Minerals by value and number of parts

#### Goal 2020

Kitron set the following goals for human rights and conflict minerals in 2020:

Goal 2020	Status	Comment
Remain conflict free	Status is at 79.1%	The work continues.

#### Goal 2021

Kitron set the following goals for human rights and conflict minerals in 2021:

- Remain conflict mineral free.

### Workers' rights, diversity and non-discrimination

At Kitron, we want the working environment to be characterized by openness, communication and respect for the individual. Diversity and a balanced work force in terms of gender, is recognized as a strength and an advantage. Fair employment practices following local norms, laws and collective bargaining agreements is the basic standard in all Kitron entities. Employee representatives are in place in Norway, Sweden, Lithuania, Poland and China.

### Working environment, diversity and anti-discrimination

Health and safety in the working environment are very important to Kitron and is to be ensured to provide a safe, healthy and satisfactory workplace. Kitron opposes discrimination in any form, e.g. due to race, nationality, gender, sexual orientation or religion. Kitron also opposes any form of trafficking and purchase of sexual services. No form of discrimination, harassment or bullying is tolerated. Kitron offers a working environment where it is possible to combine work, career, family life and spare time.

#### Women's percentage of men's pay

Avg. pay direct women in % avg. direct men	2019	2020
Norway	85 %	87 %
Sweden	99 %	100 %
Lithuania	73 %	74 %
Poland	100 %	100 %
China	100 %	100 %
USA	94 %	86 %
Avg. pay indirect women in % avg. indirect men	2019	2020
Norway	81 %	90 %
Sweden	100 %	93 %
Lithuania	81 %	83 %
Poland	41 %	71 %
China	46 %	46 %
USA	72 %	82 %
	2019	2020
Average age	40.6	40.5
% of employees over 61	7.3 %	7.1 %

Share of employees in management positions	6.5 %	6.7 %
Share of female managers	32 %	27 %

Great Place to Work Survey - "Taking everything into consideration, I think this is a great place to work"	73 %	72 %
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The indirect workforce includes roles with significant difference in responsibility and pay. Pay depends on roles and not gender. Kitron will aim for an improved gender distribution across the positions and countries.

The Ethics Committee has received one concern regarding working environment. Investigations have been conducted and resulted in actions; the case is considered closed.

Kitron participates in the Great Place to Work survey. Annually, results are analysed and action plans developed and implemented. The results for 2020, where the overall score of the question "Taking everything into account, I think this is a great place to work", was 72%. This is slightly below last year's level, which was 73%.

Kitron will continue to utilize employee surveys to further strengthen the working environment.

Employees	2017	2018	2019	2020
Permanent employees	1 398	1 558	1 715	1 740
Temporary employees	203	185	129	212
Total workforce	1 601	1 743	1 844	1 952

Table 4 Kitron's workforce: total workforce by employment type

Permanent employees	2019	2020
<b>Male employees</b>		
Norway	184	201
Sweden	115	108
Lithuania	288	272
Poland	56	68
China	55	71
USA	87	80
Germany	2	1
<b>Male employees</b>	<b>787</b>	<b>801</b>
<b>Female employees</b>		
Norway	139	146
Sweden	71	73
Lithuania	482	456
Poland	51	65
China	147	164
USA	37	34
Germany	1	1
<b>Female employees</b>	<b>928</b>	<b>939</b>
<b>Permanent employees</b>	<b>1715</b>	<b>1740</b>
Female employees in %	54 %	54 %

Table 5: Kitron's workforce: permanent employees by gender and region

### Career development and training

Kitron values the competences of employees, and sharing knowledge and information is an area of priority, as is on-the-job development. Individual career and competence development are parts of the current performance management process.

Kitron has implemented a digital learning management system, LMS, in order to further strengthen individual development and competence. In 2018, the new digital learning platform, Kitron Academy, was launched and work since continued to supplement Kitron Academy with learning and development activities. The work continues to increase the number of available trainings and track trainings within the digital platform.

In 2020, the number of training hours were 42 797 compared to 52 579 hours in 2019. The current Covid situation have caused certain trainings to be cancelled or shortened.

### Goals 2020

Kitron set the following goals for career development and training in 2020:

Goal 2020	Status	Comment
Register all training activities in Kitron academy	Completed	
Increase availability of training in Kitron academy	Significant progress made	

### Goals 2021

Kitron set the following goals for career development and training in 2021:

- Increase availability of trainings in Kitron academy

## Business ethics and corruption prevention

Kitron opposes any form for corruption and strives to prevent corruption in and as a result of Kitron's business activities. Kitron Ethical Code of Conduct clearly expresses Kitron's obligation and commitment to ethical business practices authorities.

### Ethical Code of Conduct

Kitron Ethical Code of Conduct presents Kitron's obligation and commitment to ethical business practices and describes the standards and requirements that Kitron employees must adhere to in their work. The current version of the was revised and approved by the Board of Directors and published on December 21st, 2018. The Code applies to all Kitron board members, elected officers, permanent and temporary employees, hired staff, consultants and agents acting in or on behalf of Kitron. The Code also applies to all contractors, sub-contractors, suppliers and sub-suppliers. It includes all companies in the Kitron group.

### Kitron work on anti-corruption

Kitron is directly affected by corruption risk in our operations and indirectly affected by corruption risk through business relationships and our supply chain. Kitron has operations in industries and countries that are particularly susceptible to the risk of corruption. Kitron also does business in countries known for having problems associated with human rights, child labour and environmental pollution.

We are aware that this presents challenges in regard to our sustainability, and that it can subject us to substantial financial risk. To deal with our sustainability and minimize our financial risk, we work systematically on Ethics and Anti-corruption. Kitron Ethical Code of Conduct describes several areas of importance for preventing corruption. Kitron's Anti-Corruption Policy clearly describes Kitron's work on anti-corruption, including risk analysis, monitoring, responsibilities, follow-up and training.

Kitron is aware that suppliers, customers and other relevant business partners, such as acquisition targets or agents might expose Kitron to corruption risks. To reduce the risks, Kitron has introduced routines for a risk-based evaluation before entering into new such relationships. The Kitron Suppliers Code of Conduct also defines Kitron's expectations regarding the suppliers' anti-corruption activities. Kitron also has in-house rules for gifts and representation as well as sponsorships.



### Risk assessment

Kitron operates in countries and in lines of business that are susceptible to corruption, and Kitron is also indirectly subject to corruption risk and bribery risks through business relationships. To reduce risk, Kitron does not use agents or market representatives, as it constitutes a high risk for corruption.

Every year, Kitron conducts a Corruption and Risk of Bribery assessment on its existing suppliers. Active inventory suppliers and non-inventory suppliers are screened for corruption and bribery risk. Moreover, since 2019 all new suppliers are screened for corruption and bribery risk as part of the onboarding process.

Share of suppliers per risk category	2017	2018	2019	2020
Very low risk	0.2 %	1.6 %	28.5 %	32.2 %
Low risk	41.3 %	42.5 %	26.5 %	23.3 %
Moderate risk	58.5 %	55.8 %	44.9 %	44.4 %
Increased risk	0.0 %	0.1 %	0.1 %	0.1 %

Table 6 Supplier risk assessment results per risk category

### Ethics training

All Kitron personnel are required to attend periodic training in the Kitron Ethical Code of Conduct to ensure that Kitron's ethical values are understood and implemented at all levels. In Kitron, the Ethical Code of Conduct is available as an online training in 6 different languages.

### Ethics Committee

Kitron has an Ethics Committee whose objective is to ensure that Kitron maintains a high-level focus on issues related to ethics and anti-corruption and a common understanding and practice regarding how to best address and follow-up on these issues.

Firstly, it is in charge of the policy document itself and reviews or updates of the Kitron Ethical Code of Conduct. Secondly, the committee is an advisory board related to ethical dilemmas or questions from managers and employees in the group on difficult borderline issues. It is also in the main scope of the committee to perform regular ethical audits mainly related to anti-corruption.

The Ethics Committee meets as needed and at least three times a year. Head of the Ethics Committee reports to CEO who in turn reports to the board of Kitron ASA. The Chairman of the Ethics Committee has a direct reporting line to the Audit Committee of the Board.

### Reporting irregularities

All conditions, which give raise to ethical issues or matters that could involve a breach of laws and which may cause legal liability, loss of value or reputation for Kitron should be reported.

Examples of concerns related to Kitron's business practices that may be reported include allegations such as:

- Violations of Kitron's Ethical Code of Conduct
- Violation of corruption laws
- Insider trading
- Conflict of interest

- Sexual harassment or other forms of harassment or discrimination
- Threats against life and health, e.g. safety deficiencies at the workplace, violence and exposure or interaction with dangerous materials etc.

Kitron staff has an obligation to report any criminal acts, harassment, discrimination or circumstances where life or health might be in danger. As the general rule, a report shall be made to the immediate superior or the superior's superior. Reports can also be made to an employee representative. Environmental matters or issues relating to workplace safety can alternatively be reported to the relevant representative, HSE-manager and/or the company health service. Financial matters may be reported to the finance manager.

Each Kitron site also has its own contact persons for reports which is the Managing Director, the HR Manager and the (main) employee representative for the site (jointly referred to as the "Reporting Contact"). If the employee does not obtain any appropriate response or reaction, or does not feel comfortable reporting the matter to the immediate superior or persons as set above, the employee shall report to the Reporting Contact. It is also possible for the employee to report directly to the Group Ethics Committee either directly to one of the members or by email to [Whistleblowing@kitron.com](mailto:Whistleblowing@kitron.com). Should the employee not be comfortable reporting to anyone in Kitron management, the employee may report to the Chairman of the Audit Committee for Kitron ASA.

Reporting may be anonymous, but open reporting will normally facilitate expedient resolution of the matter. The name of a reporting person shall remain confidential to all but the recipient.

In 2020 the Ethics Committee received 2 reports of potential misconduct. One of the reports concerned personal misconduct, the other working environment. Both cases have been investigated, actions have been taken and the cases are considered closed. Kitron is not in and has not been in any legal proceedings related to business ethics in 2020.

Number of cases	2017	2018	2019	2020
Reported	1	1	0	2
Sanctioned	0	0	0	1

Table 7 Number of reported potential corruption cases and number of sanctioned cases

### Goals for 2020

Kitron set the following goals for ethics and anti-corruption in 2020:

Goal 2020	Status	Comment
Track share of employees who have completed the ethics and anti-corruption training in the digital platform.	Completed	We are now tracking all ethics and anti corruption trainings in the digital platform that has taken place.

### Goals for 2021

Kitron has set the following goals for ethics and anti-corruption in 2021:

- Implement annual Ethics and corruption awareness trainings where the goal is that 90% of the employees at the end of the year shall have passed the trainings.



## Supply chain and quality management

Kitron's goal is to minimize negative environmental and social impacts from its supply chain. Kitron expect its suppliers to adhere to all applicable laws and regulations, to the highest ethical standards defined in the Kitron Code of Conduct, as well as to the separate Suppliers Code of Conduct, which applies to all suppliers. Delivering high quality products is key to Kitron's competitive advantage and of high importance to our customers, employees and owners. Kitron affects quality directly through our purchasing, supplier selection, and quality management processes, as well as indirectly through our business relationships.

### Kitron's supply chain

Kitron production inputs can be divided into three parts: electronic components, mechanical drawing parts and PCB (Printed Circuit Boards), and the inputs are with few exceptions sourced and produced outside of Norway.

### Kitron's role in the supply chain

**Electronic components:** For this category, Kitron primarily deals with distributors rather than with manufacturers. On an annual basis Kitron purchases components from close to 1100 manufacturers through approximately 600 distributors. Kitron has established a Preferred Partner Program. In 2020 around 68 per cent of all electronic components (in value) were procured from 9 Preferred Partners.

**Mechanical drawing parts:** This sub commodity includes a wide variety of parts, from metal casting, to machine parts, injection moulded plastic, sheet metal and aluminium die casting. Due to the bulk and weight of this type of parts, Kitron tends to purchase these components close to the point of use.

**Printed Circuit Boards (PCB):** Kitron buys most of the PCBs from China (60 to 70 per cent of the world's PCBs are produced in China), either directly from manufacturers or through distributors, as with electronic components. In 2020 Kitron purchased 63 per cent of the PCBs from Preferred Partners. In the case of PCBs, these Preferred Partners include both distributors and manufacturers

### Supplier selection and onboarding

Kitron's sourcing experts are located in Norway, Sweden, Lithuania, Poland, China and United States, enabling us to manage our global network of suppliers and ensure an optimal flow of components and materials to our manufacturing centres. Sourcing in Kitron is a shared responsibility between the global sourcing team and local sourcing managers.

New sales, new requests for information (RFI) and conflict mineral reporting is handled by the global sourcing team while local teams handle RFIs for existing suppliers, manage supplier dialogue and supplier coordination with local suppliers.

To ensure that the same supplier data is collected regardless of category and country, Kitron has developed and implemented a web based RFI (Request for information). This data is then automatically uploaded into Kitron's Supplier Evaluation Model (SEM).

To minimize supply chain risk, Kitron seeks to ensure that Kitron's spend with any specific supplier does not exceed 20 per cent of the total revenue of any single supplier and seeks to diversify its sourcing strategy. Moreover, Kitron diligently works at supplier consolidation, making sure that we work only with the best possible supply partners. In 2020, Kitron had 1973 active suppliers, up from 1396 the year before. The number of active suppliers is affected by the number of new customers and the general supply situation. Active supplier means Kitron have placed a purchase order in the last 12 months.

Unique active suppliers	2017	2018	2019	2020
Unique active suppliers (12 months)	1 477	1 639	1 396	1 973
Share of active suppliers who have signed Code of Conduct	49.8 %	53.0 %	80.0 %	90.1 %

Table 8 Number of unique active suppliers

### Quality standards

Thanks to our long history satisfying a world of demanding customers, we take pride in delivering the quality best suited for the customer's needs. Our quality management includes effective quality management systems, documented improvement programs and risk management tools.

Kitron sites are certified according to the following quality management standards:

- ISO 9001:2015
- ISO 14001:2015
- EN9100:2018 (Technically equivalent to AS9100D and JISQ 9100:2016)
- ISO/TS 22163
- ISO 13485:2016
- 21 CFR 820 Quality System Regulation
- AQAP 2110 Edition D Version 1

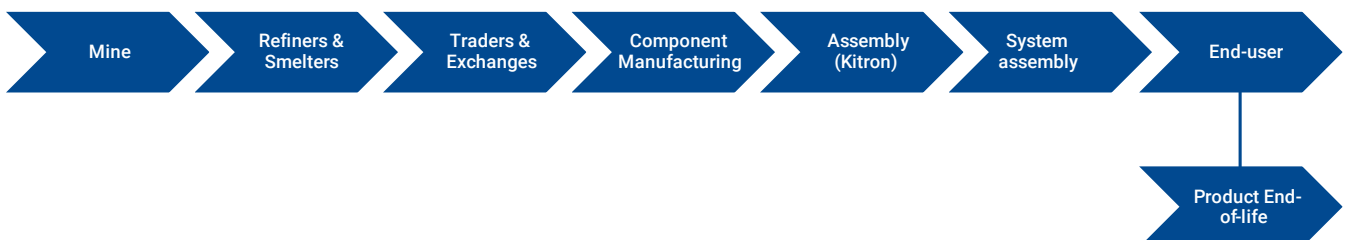


Figure 4 Kitron's supply chain

## Goals 2020

Kitron set the following goals for supply chain and quality management in 2020:

Goal 2020	Status	Comment
Continue the work to on-board non-inventory suppliers using the RFI form	Not completed	For non-inventory suppliers, a risk based approach for registration will be implemented
Make sure all sites use the new standardised RFI and digital quality management system for gathering and storing RFI data	70.1 %	Significant progress made

## Goals 2021

Kitron has set the following goals for supply chain and quality management in 2021:

- Continue the work to on-board non-inventory suppliers using the RFI form. Introduce risk based requirements for registration and register higher risk non-inventory suppliers
- Make sure all sites use the new standardised RFI and digital quality management system for gathering and storing RFI data. Reach over 90% in 2021.

## HSE, safety and security

Health and safety in the working environment are very important to Kitron. Kitron aims to provide a safe, healthy and satisfactory workplace. Kitron follows local and international norms and relevant legislation to provide such an environment.

### Injuries and absence due to illness

Absence due to illness (as a percentage of total hours worked) was 3.34 per cent for the group in 2020. This is a slight decrease from previous years. A good working environment and the possibility to develop are important factors to keep the absence due to illness at a low level. Going forward, Kitron will continue the work to provide such an environment for our employees.

Injuries and work-related accidents are registered at site level. While the ambition of the company is to have zero accidents, it is of critical importance to have full overview of any incident or accidents at any of the Kitron sites in order to be able to work on prevention and ensure a healthy and safe work place. Reporting incidents and accidents will be further streamlined across the sites and handled through a digital tool. By improving reporting routines, it is expected that the number of incidents reported might increase temporarily.

The Kitron work environment proposes risks to the employees foremost in the manual mounting and in the processes where chemical liquids, nitrogen or lead is involved as well as the long-term risks associated with repetitive tasks. The most important mitigation and prevention of accidents and injuries is the workplace design, education of employees and routines for safely handling chemicals.

All chemicals procured and applied at Kitron sites are registered and handled according to relevant regulations. To prevent negative effects of repetitive tasks, all sites has implemented job rotation for certain tasks. In 2020, there was no serious work-related accidents at Kitron sites. Kitron will continue to monitor the working environment regarding employee health and safety.

Absence and work-related injuries	2017	2018	2019	2020
Absence due to illness	4.3	3.1	3.6	3.3
Number of fatal occupational injuries	0	0	0	0
Number of occupational injuries causing permanent incapacity for work	0	0	0	0
Lost time Injuries (number of serious work-related accidents)	1	3	15	13

Table 9 Absence and work-related injuries

Turnover by site	2018	2019	2020
Turnover Norway	6.4 %	2.0 %	2,7 %
Turnover Sweden	11.6 %	9.0 %	6,1 %
Turnover Lithuania	18.0 %	16.7 %	14,6 %
Turnover Poland	-	6.0 %	18,6 %
Turnover China	26.0 %	36.0 %	29,5 %
Turnover USA	4.0 %	1.6 %	3,3 %

Table 10 Employee turnover by site

## Goals 2020

Kitron set the following goals for HSSE in 2020:

Goal 2020	Status	Comment
Decrease number of lost time injuries	Reduction from 15 to 13	The number of lost time injuries are reduced.
Maintain or decrease employee turnover by site	Partially completed	For sites with large number of personnel or high turnover, the numbers are reduced.

## Goals 2021

Kitron has set the following goals for HSSE in 2021:

- Decrease number of lost time injuries
- Maintain or decrease employee turnover by site for sites with turnover over 10%

## Environment and climate

Kitron internal value chain does not pollute the external environment to any material extent. Kitron Suppliers Code of Conduct describes the requirements Kitron imposes on the suppliers to minimize the adverse effects to community, environment and natural resources while safeguarding the health and safety of the public. Supplier shall obtain all required environmental permits. The main risks posed to the natural environment from Kitron's operations are direct emissions from the use of chemical liquids, nitrogen or lead in Kitron's production and indirect emissions from energy use in operations, transportation and business travels.

We will work systematically to reduce energy consumption and GHG emissions, with special focus on material consumption, energy consumption, effective communication and transportation. We have set targets for the reduction of CO2 emissions for our in-house operations in accordance with the obligations in the Paris Agreement. To further our commitment to environment we will during 2021 establish reporting according to CDP and perform a TFCO process.

Several of the Kitron group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards.

Kitron's CO2-emissions have been calculated in accordance with the "Greenhouse Gas Protocol" published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI).

The statistical data on greenhouse gas emissions includes the following sources of CO2 emissions:

- Scope 1 direct emissions: emissions from fuel combustion on-site, transportation using company owned vehicles and on-site generation of electricity, heat or steam.
- Scope 2 indirect emissions from electricity purchased: emissions from the consumption of electricity purchased. CO2 emission factors used for electricity are location based and calculated using IEA emission factors.

Energy consumption		2019	2020
Diesel	Litres	8 734	9 034
Natural gas	Litres	246 122	268 455
Electricity	Mwh	13 041	15 562
Solar power	Mwh		155

Table 11 Energy consumption

Energy consumption	2019	2020
<b>Energy consumption, stationary resources (scope 1)</b>		
Diesel	22	23
Natural gas	283	309
<b>Scope 1 - tons</b>	<b>305</b>	<b>332</b>

Energy consumption, purchased grid electricity (scope 2 - market based)		
Kitron Norway	0	0
Kitron Sweden	456	125
Kitron Lithuania	237	152
Kitron Poland	202	526
Kitron China	1 071	1 438
Kitron US	593	642
<b>Scope 2 - tons</b>	<b>2 559</b>	<b>2 883</b>

Energy consumption, own solar power (scope 2 - market based)		
Kitron Lithuania		63

Kitron Scope 1 and Scope 2		
Revenue in MNOK	3 299	3 964
Energy efficiency factor (Energy consumption tons /Revenue MNOK)	0.87	0.83

Table 13 Tons CO2 equivalents

Water consumption cubic metres	2019	2020
Kitron Norway	3 201	3 360
Kitron Sweden	1 700	1 910
Kitron Lithuania	8 180	5 941
Kitron Poland	1 097	3 291
Kitron China	3 685	5 185
Kitron US	1 544	998
<b>Kitron water consumption</b>	<b>19 407</b>	<b>20 685</b>

Revenue in MNOK	3 299	3 964
Water efficiency factor ( Water consumption cubic metres /Revenue MNOK)	0.47	0.25

Table 14 Water consumption cubic metres

Tons of waste	2019	2020
<b>Waste from manufacturing, sales and administration</b>		
Total waste	680	827
- recycled waste	436	525
- hazardous waste	84	42
Recycled waste in %	64 %	63 %

Table 15 Tons of waste

## Goals 2020

Kitron set the following goals for environment and climate in 2020:

Goal 2020	Status	Comment
Set goals and targets for the reduction of CO2 emissions from Kitron's business activities	Completed	

## Goals 2021

Kitron has set the following goals for environment and climate in 2021:

- Reduce CO2 emissions expressed as energy efficiency factor with 10%
- Report according to CDP
- Perform a TFCF process

## Information security and cyber security

### Information security

Kitron employees have a duty of confidentiality in respect to all business matters and situations that could give unauthorized people access to confidential information. All information not made public is to be considered confidential.

Kitron has set up an organizational structure to handle the tasks required by the GDPR. The structure is described in the Personal Data Protection Policy for Kitron and consist of a Personal Data Protection Committee, a Corporate Data Protection Representative in addition to local Data Protection Representatives in all European countries.

### Cyber security

Kitron has clear requirements for cyber security commitments. The company is NIST 800-171 compliant and is preparing to be CyberSecurity Maturity Model Certification (CMMC) certified.

The standards requires a number of cyber security controls, procedures and processes as well as physical protection. Procedures includes intrusion tests, cyber security attack simulation exercises, IT risk analysis to name a few. The company has an IT charter and IT risks are presented annually to the management.





## SHAREHOLDER INFORMATION

### Share capital

Kitron ASA (Kitron) has one class of shares. Each share carries one vote at the company's general meeting. The shares are freely transferable pursuant to the company's articles of association.

Kitron's registered share capital at 31 December 2020 was NOK 17 10 399.00 divided between 179 103 990 shares with a nominal value of NOK 0.10 each.

In 2018 the Board introduced a new share option program for executive management comprising of up to 5 000 000 shares. The program is divided into four three-year subprograms, each with an allocation of 1 250 000 option, where the first program started in 2019, followed by one program every year until 2023. The total program corresponds to approximately 3 per cent of the market capitalization.

The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years. The number of options that are vested for each subprogram are linked to the development of the market capitalization at Oslo Stock Exchange, adjusted for dividends and share buy-backs. For each program to vest fully, the market capitalization adjusted for dividends and share buy-backs must increase 50 per cent. The program starts to vest at an increase of 20 per cent and will vest linearly between 20 per cent to 50 per cent. [KS1]

Each subprogram is capped at 200 per cent increase of the market capitalization, adjusted for dividends and share buy-backs. The program has a clawback clause. Each of the subprograms has a lock up-period of one year and a down-sale period of two years.

Per 31 December 2020, 2 500 000 options have been allocated to the executive management and 2 500 000 options remain un-allocated.

### Stock market listing

The company's shares are listed on the Oslo Stock Exchange (ticker code: KIT) in the OB "Match" liquidity segment and is since 1 December 2016 part of the Benchmark Index (OSEBX).

During 2020, the share price moved from NOK 11.00 to NOK 18.12, an increase of 64.7 per cent. In addition, the company paid an ordinary dividend of NOK 0.50 in 2020. The Oslo Børs Main Index increased by 4.6 per cent during the same period. The share price has varied between NOK 6.73 and NOK 19.94. At the end of 2020, the company's market capitalisation was NOK 3 245.4 million. A total of 143.6 million shares were traded during the year, corresponding to a turnover rate of 80.2 per cent.

### Shareholder structure

At the end of 2020, Kitron had 7 570 shareholders, compared with 5 293 shareholders at the end of 2019. At the end of the year, the foreign shareholding amounted to 31.5 per cent.

At the balance sheet date, Vevlen Gård AS was the largest shareholder holding 9.61 per cent of the Kitron shares, followed by Folketrygdfondet with 7.52 per cent and MP Pensjon with 5.41 per cent. Liquidity of the share was 100 per cent. The 20 largest shareholders held a total of 55.38 per cent of the company's shares at the end of the year.

### Mandates

#### Authorization to the board to issue shares

The ordinary general meeting of 23 April 2020 authorized the board of directors of Kitron ASA to increase the share capital in accordance with the Norwegian Public Limited Liability Companies Act section 10-14 on the following conditions:

The share capital may, in one or more rounds, in total be increased with up to NOK 1 791 039.90. The authorization shall be valid until the Annual General Meeting in 2021, but no later than 30 June 2021. The shareholders' pre-emptive rights according to the Norwegian Public Limited Liability Companies Act section 10-4 may be set aside. The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company. The authorization encompasses share capital increase by contribution in any kind and the right to incur Kitron ASA with special obligations according to the Norwegian Public Limited Liability Companies Act section 10-2. The authorization encompasses resolutions on merger according to the Norwegian Public Limited Liability Companies Act section 13-5. The authorization is limited to encompass capital requirements or issuance of consideration shares in relation to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, for remuneration to the members of the board of directors of Kitron ASA, for incentive schemes, and acquisition of property and business within Kitron ASA's purpose. The board of directors decides on the other terms and conditions and is authorized to amend the articles of association as implied by the use of this authorization. This authorization replaces any previously granted authorizations for the board of directors to increase the share capital. The authority had not been exercised at 31 December 2020. The authorized share capital of the Company is therefore NOK 17 910 399.00.

#### Authorization to the board to buy own shares

The ordinary general meeting on 23 April 2020 authorized the board of directors of Kitron ASA to acquire Kitron ASA's own shares, for the purpose of ownership or charge, in accordance with the Norwegian Public Limited Liability Companies Act sections 9-4 and 9-5 on the following conditions:

The Board of Directors may acquire shares in Kitron ASA, on one or several occasions, provided that the total combined nominal value of the acquired shares after the acquisition must not exceed ten per cent of the share capital, i.e. up to a total nominal value of NOK 1,791,039.90. The authorization also includes contract liens in the shares of Kitron ASA. The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company. Under this authorization the board of directors may pay minimum NOK 1 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the maximum amount does not exceed NOK 25 per share. Any and all previous authorizations given to the board of directors to acquire own shares shall be, and hereby are, withdrawn with effect from the date this authorization is registered with the Norwegian Register of Business Enterprises. Shares acquired according to the authorization shall either be cancelled, used as remuneration to the members of the board of directors of Kitron ASA, used in incentive schemes or be used as consideration in connection with acquisition of other companies or businesses, joint ventures or joint business operations, and acquisition of property and business within Kitron

ASA's purpose. This authorization shall be valid until the 2021 annual general meeting, but not longer than 30 June 2021. The authority had not been exercised at 31 December 2020.

### Dividend policy

Kitron's dividend policy is to pay out an annual dividend of at least 50 per cent of the company's consolidated net profit before non-recurring items. When deciding on the annual dividend the company will take into account company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.

### Information and investor relations

Kitron wishes to maintain open communications with its shareholders and other stakeholders. Shareholders and stakeholders are kept informed by announcements to the Oslo Børs and press releases. Kitron's website [www.kitron.com](http://www.kitron.com) provides information on Kitron's business and financial situation. Interim financial statements are presented at meetings open to the general public and are available as webcasts at [www.kitron.com](http://www.kitron.com).

Kitron reports all manufacturing orders exceeding NOK 20 million. The group also reports smaller orders if these are of strategic importance or significant in any other way.

The corporate management is responsible for communication activities and investor relations, and also facilitates direct contact with the chairman of the board and other board members.

### Share price Kitron vs. Oslo Stock Exchange – 2020



## BOARD AND MANAGEMENT

### Board



**Tuomo Lähdesmäki**  
Chairman of the board

Elected for the period 2020-2021

Tuomo Lähdesmäki was born in 1957 and is a Finnish citizen. He holds a Master of Science in Engineering from Helsinki University of Technology, a Master of

Business Administration from INSEAD and has completed the Stanford Executive Program. He is a founding partner of Boardman Oy, "The leading network developing active ownership and board work competences" in Finland, and he has previously, inter alia, been President and CEO of Elcoteq Network Oy and Leiras Oy, General Manager at Swatch Group and Vice President at Nokia Mobile Phones. Mr Lähdesmäki is Chairman of the board for the following: Enedo Oy, Sievi Capital Oy and Turku University Foundation sr. He is also Vice Chairman of the board of Fondia Oy and Meconet Oy. Mr Lähdesmäki was elected to the Kitron Board as Chairman in 2014 and is also Chairman of Kitron's remuneration committee. On 22nd May 2020, Mr Lähdesmäki owned 215 864 shares in Kitron.



**Gro Brækken**  
Deputy chairman of the board

Elected for the period 2020-2021

Gro Brækken was born in 1952 and is a Norwegian citizen. She holds an MSc in Chemical Engineering from the Norwegian University of Science and Technology in

Trondheim. Ms Brækken has a long and broad experience from top management of international companies and organizations with CEO, line, and staff-management experience within oil and gas, refinery, shipbuilding, banking and the Confederation of Norwegian Enterprise. She was until recently CEO of the Industry organization Norsk olje & gass (the Norwegian Oil and Gas Association) and is at present Secretary-General for the Norwegian Institute of Directors. This background has given her in-depth industrial and political competence and a broad network within politics, business and the society in general. Gro Brækken also has solid board experience as member and chair of the boards of directors of national and international companies and organizations within energy, industry, project management, health and NGOs. Ms Brækken was elected to the Kitron board in 2015 and has since October 2015 been a member of the remuneration committee. On 22nd May 2020, Ms Brækken owned 43 147 shares in Kitron.



**Maalfrid Brath**  
Board member

Elected for the period 2020-2021

Maalfrid Brath was born in 1965 and is a Norwegian citizen. She holds an MSc degree from BI Norwegian Business School in economics and business administration

and an MSc degree from NHH Norwegian School of Economics in professional accountancy. Ms Brath has since 2009 been Managing Director of Manpower Group Norway and since 2019 she has also been Regional Managing Director of Nordic & Baltics. From 1995 to 2009, she held various executive management positions at Storebrand ASA, including EVP Business Development, EVP Retail, COO of Storebrand Livsforsikring and CEO of Storebrand Fondsforsikring. Prior to 1995, she was Manager at Arthur Andersen. She sits on a number of boards including The Confederation of Norwegian Enterprise. Ms Brath was elected to the Kitron board in 2018. On 22nd May 2020, Ms Brath owned 19 147 shares in Kitron.



**Espen Gundersen**  
Board member

Elected for the period 2020-2021

Espen Gundersen was born in 1964 and is a Norwegian citizen. He holds an MBA from the Norwegian School of Management, Oslo. He is also a Certified Public

Accountant from the Norwegian School of Economics and Business Administration in Bergen. Mr Gundersen is currently Deputy CEO and CFO of Tomra Systems ASA. He joined Tomra in 1999 and has held several positions within the Tomra Group. Prior to joining Tomra, he served as VP Business Development of Selmer ASA for five years. He started his career with Arthur Andersen in 1989. Mr Gundersen was elected to the Kitron Board in 2017 and is board member in Hexagon Purus ASA. On 22nd May 2020, Mr Gundersen owned 49 147 shares in Kitron.





**Christian Jebsen**  
Board member

Elected for period 2020-2021

Christian Jebsen was born in 1967 and is a Danish citizen. He holds a B.S. degree in economics and a B.A. from Copenhagen Business School. Mr Jebsen is a partner at Verdane Capital. Prior to Verdane, Jebsen has had a number of executive management positions including CEO of Kebony AS, CEO of Vmetro ASA, CFO/COO of Opera Software ASA and CEO of Stavdal ASA. Jebsen's professional background also includes seven years within investment banking with Nomura International in London and Enskilda Securities (SEB) in Stockholm and Oslo. Mr Jebsen was elected to the Kitron board in 2018. On 22nd May 2020, Mr Jebsen owned 19 147 shares in Kitron.



**Bjørn Gottschlich**  
Board member

Elected by and among the employees

Bjørn Gottschlich was born in 1966 and is a German citizen. He was employed as an unskilled production worker in 1996. In 2000 he was elected as a full-time shop steward for Fellesforbundet (The Norwegian United Federation of Trade Unions) at Kitron AS in Arendal. He is now half redeemed from his position at Kitron to perform various duties in his trade union. Bjørn is chair of Fellesforbundet's local union branch in Arendal. He is also elected representative on Fellesforbundet's National Delegates' Meeting and member of LO's General Council. Mr Gottschlich has been on the Kitron board since 2012. On 22nd May 2020, Mr Gottschlich owned 19 347 shares in Kitron.



**Petra Grandinson**  
Board member

Elected for the period 2020-2021

Petra was born in 1968 and is a Swedish citizen. She holds a Master of Science in Vehicle engineering, System technologies from the Swedish Royal Institute of Technology (KTH) in Stockholm. Ms Grandinson is currently a Vice President Supply Chain at Epiroc Rockdrills AB and has a combination of operations and commercial experience, having worked with advanced electrical hand tools, larger capital equipment and technology infrastructure products and solutions. This includes first-hand knowledge as a customer of Electronic Manufacturing Services. She also brings international experience, having lived in China for five years and currently living in the UK for three years. She has had significant exposure to R&D organisations. Ms Grandinson was elected to the Kitron board in 2020. On 22nd May 2020, Ms Grandinson owned 9 081 shares in Kitron.



**Tanja Rørheim**  
Board member

Elected by and among the employees

Tanja Rørheim was born in 1972 and is a Norwegian citizen. She holds a certificate in electronics and is working as a production worker at Kitron AS in Arendal since 1993. Ms Rørheim has been on the Kitron board since August 2015. On 22nd May 2020, Ms Rørheim owned 19 147 shares in Kitron.



**Jarle Larsen**  
Board member

Elected by and among the employees

Jarle Larsen was born in 1973 and is a Norwegian citizen. He has a background as an Electronics Engineer and joined Kitron AS in 2007. Mr Larsen works as a Senior Lean Engineer. In 2010 he was elected as leader for Nito at Kitron AS (The Norwegian Society of Engineers and Technologists). He still holds this position. Mr Larsen was elected to the Kitron board in 2019. On 22nd May 2020, Mr Larsen owned 12 491 shares in Kitron.





**Kitron**





## Management



**Peter Nilsson**  
President & CEO

Born in 1964. CEO of Kitron since November 2014. Several senior and executive leadership positions for Swedish and US companies. Mr Nilsson holds a degree in Industrial Management and is a Swedish citizen.



**Cathrin Nylander**  
CFO

Born in 1967. Joined Kitron in 2013. Extensive experience as CFO in various industries such as manufacturing, IT, food industry, and financial services. Ms Nylander holds a bachelor's degree in social science from Lund University in Sweden and is a Swedish citizen.



**Israel Losada Salvador**  
COO & Sales Director

Born in 1973. With Kitron since 2013. Mr. Salvador has extensive experience from operations within the Oil & Gas sector and has a master's degree in finance & Administration from NHH (Norway) and a master's degree in Engineering from the Polytechnic University of Valencia. Israel Losada Salvador is a Spanish citizen.



**Zygimantas Dirse**  
Managing Director, Kitron Electronics  
Manufacturing (Ningbo) CO Ltd., China

Born in 1980. With Kitron since 2003. Mr Dirse has a broad experience from different international positions in the company and holds a Master of Science in Informatics Technology. Zygimantas Dirse is a Lithuanian citizen.



**Stian Haugen**  
CTO

Born in 1976 and is a Norwegian citizen. Mr. Haugen joined Kitron in 2013 managing the technology department of Kitron AS, Arendal. He has extensive experience from international R&D and customer support and holds a B.sc in computer science from Agder University, Norway.



**Mindaugas Sestokas**  
Managing Director UAB Kitron,  
Lithuania & VP Central Eastern Europe

Born in 1971. He has been with Kitron since 2008 and is a Lithuanian citizen. He holds a Master of Business Administration and has diverse experience from sales and marketing in the food and beverage industry and general management of an appliance manufacturing company.



**Stefan Hansson Mutas**  
Managing Director, Kitron AB, Sweden

Born in 1966. With Kitron since 2017. Mr Hansson Mutas has a background from management positions at several electronics and EMS companies. Stefan Hansson Mutas is a Swedish citizen.



**Hans Petter Thomassen**  
Managing Director, Kitron AS, Norway &  
VP North America

Born in 1965. He joined Kitron in 2012. Mr Thomassen has extensive experience within manufacturing and logistics and has held several senior-level positions, included CEO. He also has experience from commercial aviation. Hans Petter Thomassen is a Norwegian citizen.

## ARTICLES OF ASSOCIATION

(latest updated 20 May 2019)

### § 1

The company's name is Kitron ASA. The company is a public limited company.

### § 2

The company's registered office shall be located in the municipality of Asker. The company may also conduct the general meeting in the municipality of Oslo.

### § 3

Kitron's business is manufacturing and development activities related to electronics. The business includes purchase and sale of shares and companies in the same or related business sectors. The business may also include related consultancy activities and other activities associated with the operation.

### § 4

The share capital of the company is NOK 17,910,399 divided into 179,103,990 shares with face value NOK 0.10 each. The company's shares shall be registered at the Norwegian Central Securities Depository.

### § 5

The company's board of directors shall have from 3 to 6 shareholder elected members for a period of up to two years as resolved by the general meeting. The chairman of the board is elected by the general meeting. Two board members acting jointly are authorised to sign on behalf of the company. The board may grant power of attorney.

### § 6

The ordinary general meeting is held each year before the end of the month of June. The ordinary general meeting shall:

1. Consider and approve the annual report, the profit and loss statement and the balance sheet for the preceding year.
2. Consider and approve the application of profit or coverage of deficit according to the adopted balance sheet, as well as payment of dividend.
3. Consider and resolve other matters that pertain to the general meeting according to Norwegian law.

### § 7

Kitron shall have a nomination committee. The nomination committee shall have two or three members, including its chairman. Members of the nomination committee shall be elected for a term of office of up to two years.

The annual general meeting of Kitron shall elect the chairman and the members of the nomination committee. The mandate of the nomination committee shall be determined by the annual general meeting. The annual general meeting shall also determine the committee's remuneration.

The nomination committee shall submit proposals to the annual general meeting in respect of the following matters:

- Propose candidates for election to the board of directors
- Propose candidates for election to the nomination committee
- Propose the fees to be paid to the members of the board of directors
- Propose the fees to be paid to the members of the nomination committee

### § 8

Any issue that has not been resolved in these Articles of Association shall be considered in accordance with the regulations in the existing laws applicable to limited companies.

### § 9

Documents concerning matters to be considered at the general meeting are not required to be sent to the shareholders if the documents are made available for the shareholders at the company's websites. This also applies for documents that pursuant to law shall be included in or attached to the notice of the general meeting. A shareholder may nonetheless require that documents concerning matters to be considered at the general meeting are sent to him/her.

### § 10

The right to participate in and vote at a general meeting can only be exercised if the acquisition of the shares in question has been recorded in the company's share register no later than the fifth business day before the date of the general meeting (the "record date").

### § 11

Shareholders may vote in advance, either in writing or by electronic means, up to 2 days prior to the general meeting. The board of directors determines further in the notice to the general meeting how such voting shall be carried out.

(Office translation)

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Kitron is a Scandinavian Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Poland, China and the US and has about 1 800 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.