



FIRST QUARTER
REPORT 2021

Q1



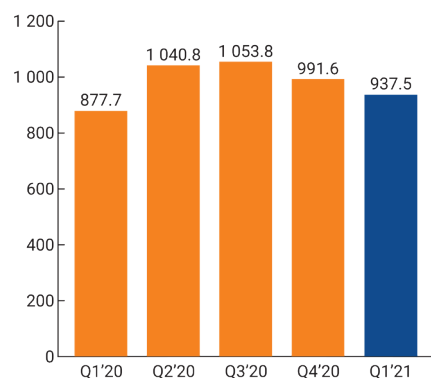
Connectivity
Electrification
Industry
Medical devices
Defence/Aerospace

First quarter report 2021

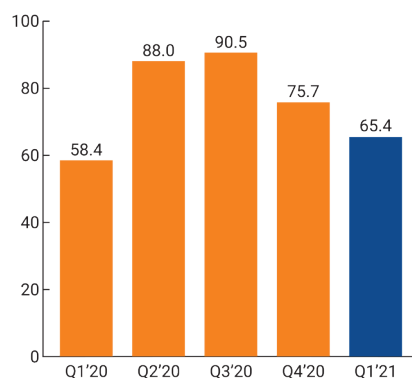
Electrification and Industry sectors drive growth

- **7% Revenue growth**
- **7% EBIT margin**
- **Solid order backlog**
- **Strong operating cash flow**

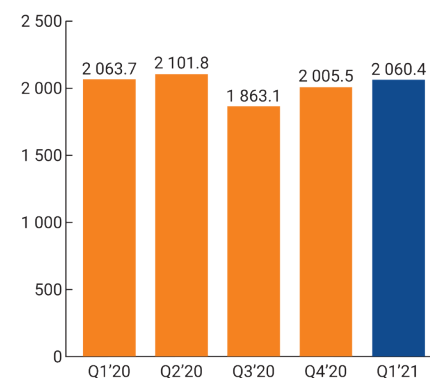
REVENUE Group
NOK million



EBIT Group
NOK million



ORDER BACKLOG Group
NOK million



7% Revenue growth

Kitron's revenue for the first quarter was NOK 938 million (NOK 878 million), an increase of 7 per cent compared to last year. Growth adjusted for foreign exchange effects in consolidation was 9 per cent.

As previously reported, Kitron has realigned the market sectors the company reports on to better reflect current activity as well as identified growth opportunities. Two new market sectors are added: Electrification and Connectivity.

In the first quarter there was strong revenue growth within the Electrification, Connectivity and Industry sectors, while revenue declined within Defence/Aerospace. As expected, revenue within Medical devices has gradually been normalized after the pandemic-related demand surge during 2020.

Solid order backlog

The order backlog ended at NOK 2 060 million, a decrease of 0.2 per cent compared to last year. The order backlog increased within the Electrification, Connectivity and Industry sectors. As expected, the order backlog within Medical devices declined. Adjusted for changes in currency rates, the order backlog increase was 8 per cent compared to last year.

7% EBIT margin

First quarter EBITDA* was NOK 90.2 million (NOK 82.7 million), an increase of 9 per cent compared to last year. Operating profit (EBIT)* for the first quarter ended at NOK 65.4 million (NOK 58.4 million), an increase of 12 per cent.

Profitability expressed as EBIT margin* was 7.0 per cent (6.7 per cent). Profit after tax was NOK 44.7 million (NOK 40.9 million), an increase of 9 per cent and corresponding to NOK 0.25 earnings per share (NOK 0.23).

Strong operating cash flow

Operating cash flow was NOK 78.3 million, compared to 102.4 million in the first quarter of 2020.

Net working capital was NOK 1 035 million, an increase of 2 per cent compared to the same quarter last year. Cash conversion cycle R3* improved from 105 days to 103 days, and net working capital R3* as a percentage of revenue was 27.9 per cent compared to 27.5 per cent last year. Return on operating capital (ROOC) R3* was 16.6 per cent compared to 15.3 per cent in the same quarter last year. Capital efficiency ratios are expected to improve moving forward.

Material supply situation challenging

The general material supply situation is challenging, and to deliver the demand, Kitron's operations will have to be flexible.

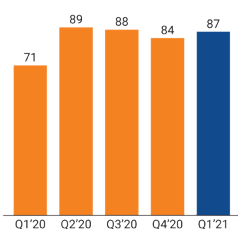
Key figures

NOK million	Q1 2021	Q1 2020	Change	Full year 2020
Revenue	937.5	877.7	59.9	3 963.9
EBIT	65.4	58.4	7.0	312.6
Order backlog	2 060.4	2 063.7	(3.4)	2 005.5
Operating cash flow	78.3	102.4	(24.1)	237.0
Net working capital	1 035.5	1 013.5	22.0	1 063.8

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

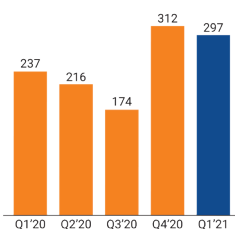
REVENUE Connectivity

NOK million



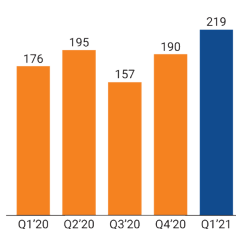
REVENUE Electrification

NOK million



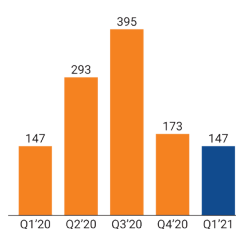
REVENUE Industry

NOK million



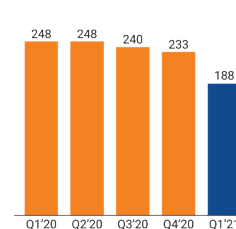
REVENUE Medical devices

NOK million



REVENUE Defence & Aerospace

NOK million



Markets

Order intake

Order intake in the quarter was NOK 992.3 million, which is 6.2 per cent lower than for the first quarter 2020. The order backlog ended at NOK 2 060.4 million, which is 0.2 per cent lower than the same period last year.

Four-quarter moving average order intake was down from NOK 1 021.4 million at the beginning of the first quarter to NOK 1 005.1 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

Connectivity

Kitron's Connectivity sector is focused on connected devices. Many of these devices are sensors, continuously feeding data into increasingly advanced software, utilizing artificial intelligence to

make predictions and improve efficiency and safety. Examples are multiplying, in everything from industrial control systems, to medical devices monitoring vital functions and modern cars, containing many sensors communicating with the Internet. Another part of the connectivity market sector is communication, which supplies the backbone for sensors and IOT. Typical products here are wireless communication, optical transmission and networking products.

Electrification

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

Revenue market sectors

NOK million	Q1 2021	Q1 2020	Change	Full year 2020
Connectivity	86.6	70.6	16.2	330.9
Electrification	296.8	236.5	60.3	938.8
Industry	218.9	175.5	43.4	718.0
Medical devices	147.2	146.6	0.6	1 006.6
Defence & Aerospace	187.9	248.4	(60.6)	969.6
Total group	937.5	877.7	59.9	3 963.9

Order Backlog market sectors

NOK million	31.03.2021	31.03.2020	Change	31.12.2020
Connectivity	167.5	123.6	43.9	132.6
Electrification	533.2	462.9	70.2	566.9
Industry	355.8	283.7	72.1	302.0
Medical devices	239.2	366.1	(126.9)	234.5
Defence & Aerospace	764.7	827.5	(62.8)	769.4
Total group	2 060.4	2 064.7	(3.4)	2 005.5

Revenue geographic markets

NOK million	Q1 2021	Q1 2020	Change	Full year 2020
Norway	131.4	139.2	(7.6)	570.8
Sweden	405.4	327.6	77.8	1 728.7
Rest of Europe	222.2	217.0	5.2	807.0
North America	168.0	175.2	(7.2)	764.9
Others	10.5	18.7	(8.3)	92.4
Total group	937.5	877.7	59.9	3 963.9

Industry

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

Medical devices

The medical device sector consists of the product areas diagnostics, life support, surgical, hospital and home care. Kitron is especially strong in ultrasound and cardiology systems, respiratory medical devices and Lab/IVD (In-Vitro Diagnostics).

Defence/Aerospace

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

Operations

Organisation

The Kitron workforce corresponded to 1 807 full-time employees (FTE) on 31 March 2021. This is an increase of 46 FTE since the first quarter of 2020. The number of FTE in lower-cost regions now accounts for 71 per cent of the total.

The company's total payroll expenses in the first quarter were NOK 23.3 million higher than in the corresponding period in 2020. The relative payroll costs ended at 20.1 per cent, up from 18.9 per cent of revenue in the first quarter last year.

Finance

Net financial items

During the quarter, net financial items amounted to a net cost of NOK 13.1 million. The corresponding figure for first quarter last year was a net cost of NOK 6.2 million. Net disagio for the first quarter amounted to NOK 6.0 million (2020: agio NOK 2.4 million). Intragroup financial loans to subsidiaries in foreign currencies as of 31 March 2021 that are affecting net financial income total EUR 1.9 million.

Balance sheet

Kitron's gross balance sheet as of 31 March 2021 amounted to NOK 2 637.0 million, compared to NOK 2 736.2 million at the same time in 2020.

Equity was NOK 911.0 million (NOK 891.5 million), corresponding to an equity ratio of 34.5 per cent (32.6 per cent). Equity is influenced by foreign exchange effects from consolidation of foreign subsidiaries. Inventory was NOK 551.8 million as of 31 March 2021 (NOK 555.1 million). Inventory turns* was 3.5 in the first quarter 2021, which is a decrease compared to first quarter last year (3.6).

Revenue business entities

NOK million	Q1 2021	Q1 2020	Change	Full year 2020
Norway	259.3	241.1	18.2	988.5
Sweden	164.5	149.5	14.9	715.0
CEE	366.6	327.8	38.8	1 350.1
Others	169.1	194.0	(24.9)	1 151.6
Group and eliminations	(21.9)	(34.7)	12.8	(241.3)
Total group	937.5	877.7	59.9	3 963.9

EBIT business entities

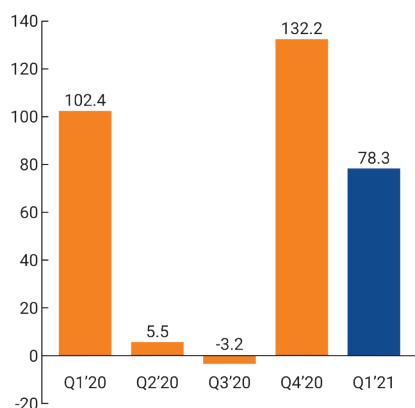
NOK million	Q1 2021	Q1 2020	Change	Full year 2020
Norway	18.2	17.5	0.7	70.0
Sweden	11.7	9.4	2.4	46.9
CEE	36.4	21.7	14.7	100.6
Others	3.2	13.8	(10.6)	128.9
Group and eliminations	(4.2)	(3.9)	(0.2)	(33.8)
Total group	65.4	58.4	7.0	312.6

Full time employees

	31.03.2021	31.03.2020	Change	31.12.2020
Norway	332	300	32	319
Sweden	201	178	24	192
CEE	957	919	38	941
Other	317	365	(48)	353
Total group	1 807	1 761	46	1 805

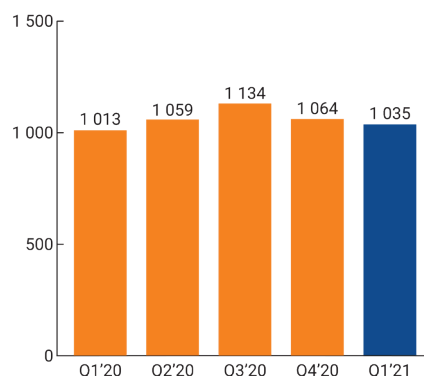
OPERATING CASH FLOW Group

NOK million



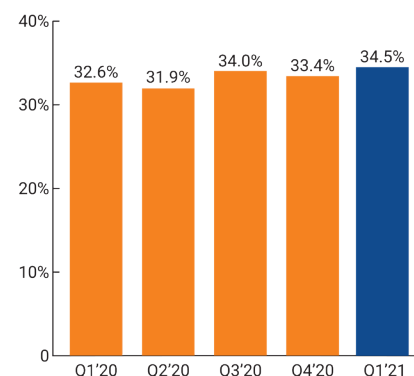
NET WORKING CAPITAL Group

NOK million



EQUITY RATIO Group

Per cent



Accounts receivables amounted to NOK 849.2 million at the end of the first quarter of 2021. The corresponding amount at the same time in 2020 was NOK 803.5 million.

Contract assets was NOK 367.3 million as of 31 March 2021, compared to NOK 363.5 million at the same time in 2020.

Right-of-use assets amounted to NOK 238.7 million at the end of the first quarter compared to NOK 304.0 million at the same time last year. Right-of-use assets consist of buildings, land and vehicles amounting to NOK 112.4 million (2020: NOK 143.1 million) and machinery and equipment amounting to NOK 126.3 million (2020: NOK 160.9 million). Depreciation and interest costs related to leased buildings, land and vehicles were NOK 4.9 million and NOK 1.7 million respectively for the first quarter (2020: NOK 5.3 million and NOK 1.9 million respectively).

The group's reported net interest-bearing debt* amounted to NOK 669.6 million as of 31 March 2021 (NOK 757.3 million). Net gearing of the company was 0.74 (0.85). Net interest-bearing debt/ EBITDA is 1.6 for 12 months rolling compared to 2.5 for the same period last year. The net gearing and net interest-bearing debt/ EBITDA exclusive IFRS 16 effects are 0.6 and 1.4 respectively.

Outlook

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

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

Growth is driven by Connectivity, Electrification and Industry Sectors. Medical devices are expected to be normalised and in line with previous years. The outlook for Defence/Aerospace is slightly down.

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

Oslo, 20 April 2021, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q1 2021	Q1 2020	Full year 2020
Revenue	937 523	877 660	3 963 876
Cost of materials	613 055	573 970	2 645 855
Payroll expenses	188 714	165 457	671 438
Other operational expenses	45 891	51 882	225 211
Other gains / (losses)	326	(3 689)	(6 970)
Operating profit before depreciation and impairments (EBITDA)	90 188	82 663	414 402
Depreciation	24 834	24 279	101 828
Operating profit (EBIT)	65 355	58 384	312 574
Net financial items	(13 089)	(6 217)	(38 487)
Profit (loss) before tax	52 266	52 167	274 087
Tax	7 580	11 307	61 031
Profit (loss) for the period	44 686	40 859	213 056
Earnings per share-basic	0.25	0.23	1.19
Earnings per share-diluted	0.25	0.23	1.18

Condensed balance sheet

NOK 1 000	31.03.2021	31.03.2020	31.12.2020
ASSETS			
Goodwill	36 933	36 933	36 933
Other intangible assets	46 252	28 499	52 760
Property, plant and equipment	227 438	250 523	237 960
Right-of-use assets	238 665	303 967	256 892
Deferred tax assets	74 054	84 232	72 384
Other receivables	10 771	6 052	4 598
Total non-current assets	634 112	710 206	661 528
Inventory	551 809	555 104	544 977
Accounts receivable	849 165	803 513	834 493
Contract assets	367 313	363 462	386 660
Other receivables	69 437	74 943	74 589
Cash and cash equivalents	165 117	228 947	152 572
Total current assets	2 002 841	2 025 968	1 993 292
Total assets	2 636 953	2 736 174	2 654 819
LIABILITIES AND EQUITY			
Equity	911 012	891 531	885 654
Total equity	911 012	891 531	885 654
Deferred tax liabilities	4 431	4 970	4 728
Loans	234 536	353 572	267 894
Pension commitments	5 666	5 896	5 666
Other liabilities	4 163	-	3 088
Total non-current liabilities	248 796	364 438	281 376
Accounts payable	732 828	708 601	702 368
Other payables	129 505	129 436	128 093
Tax payable	14 636	9 498	14 605
Loans	600 177	632 670	642 723
Total current liabilities	1 477 145	1 480 205	1 487 789
Total liabilities and equity	2 636 953	2 736 174	2 654 819

Condensed cash flow statement

NOK 1 000	Q1 2021	Q1 2020	Full year 2020
Profit before tax	52 266	52 167	274 087
Depreciations	24 834	24 279	101 828
Change in inventory, accounts receivable, contract assets and accounts payable	28 303	(71 656)	(121 941)
Change in net other current assets and other operating related items	(19 015)	105 534	(39 652)
Change in factoring debt	(8 078)	(7 901)	22 683
Net cash flow from operating activities	78 310	102 423	237 005
Net cash flow from investing activities	(4 958)	(12 773)	(58 963)
Net cash flow from financing activities	(32 296)	(32 473)	(141 995)
Change in cash and bank credit	41 055	57 177	36 047
Cash and bank credit opening balance	(81 039)	(119 461)	(119 461)
Currency conversion of cash and bank credit	(1 747)	(10 271)	2 375
Cash and bank credit closing balance	(41 731)	(72 555)	(81 039)

Consolidated statement of comprehensive income

NOK 1 000	Q1 2021	Q1 2020	Full year 2020
Profit (loss) for the period	44 686	40 859	213 056
Actuarial gain / losses pensions	-	-	(179)
Exchange differences on translation of foreign operations	(686)	19 782	(2 859)
Currency translation differences	(19 829)	91 409	23 090
Total comprehensive income for the period	24 170	152 050	233 108
Allocated to shareholders	24 170	152 050	233 108

Changes in equity

NOK 1 000	31.03.2021	31.03.2020	31.12.2020
Equity opening balance	885 654	739 213	739 213
Profit (loss) for the period	44 686	40 859	213 056
Paid dividends	-	-	(89 552)
Employee share schemes	1 188	267	2 885
Other comprehensive income for the period	(20 515)	111 191	20 052
Equity closing balance	911 012	891 531	885 654

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the fourth quarter of 2021 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Kitron has applied the same accounting policies as in the consolidated financial statements for 2020. The interim financial statements do not include all the information required for a full financial report and should therefore be read in conjunction with the consolidated financial statements for 2020, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2020 are available upon request from the company and at www.kitron.com.

Note 2 – Estimates

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the same for the interim financial statements as for the consolidated statements for 2020.

Note 3 – Financial risk management

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

Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses

Note 5 – Coronavirus pandemic

Market demand for Kitron in 2021 is strong although the continued development of the corona pandemic brings uncertainty to the outlook.

The supply chain is affected by the general material supply situation, which is challenging, and to deliver the demand, Kitron's operations will have to be flexible. To better control the supply situation we have asked customers to place firm orders.

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

Appendix

Definition of Alternative Performance Measures

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

Our definitions and explanations of these terms follow below.

Order backlog

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

Foreign exchange effects

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

EBITDA

Operating profit (EBIT) + Depreciation and Impairments

EBIT

Operating profit

EBIT margin (%)

Operating profit (EBIT) / Revenue

Net working capital

Inventory + Contract assets + Accounts Receivables – Accounts Payable

Operating capital

Other intangible assets + Tangible fixed assets + Net working capital

Return on operating capital (ROOC) %

Annualised Operating profit (EBIT) / Operating Capital

Return on operating capital (ROOC) R3 %

(Last 3 months Operating profit (EBIT))*4 / (Last 3 months Operating Capital /3)

Direct Cost

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

Days of Inventory Outstanding

360/ (Annualised Direct Costs/(Inventory + Contract assets))

Days of Inventory Outstanding R3

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

Days of Receivables Outstanding

360/ (Annualised Revenue/Trade Receivables)

Days of Receivables Outstanding R3

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

Days of Payables outstanding

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

Days of Payables Outstanding (R3)

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

Cash conversion cycle (CCC)

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

Cash conversion cycle (CCC) R3

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

Net Interest-bearing debt

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

Interest-bearing debt

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

Inventory turns

Annualised direct costs / (Inventory + Contract assets)

Variable contribution

Revenue - Direct cost

Net gearing

Net interest bearing debt / Equity

Equity Ratio

The ratio of Equity to Total Assets



Kitron is a leading Scandinavian electronics manufacturing services company for the Connectivity, Electrification, Industry, Medical devices and Defence/Aerospace sectors. The company is located in Norway, Sweden, Lithuania, Germany, Poland, China and the United States. Kitron had revenues of about NOK 4.0 billion in 2020 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.

