



FOURTH QUARTER
REPORT 2021

Q4



Kitron

Your ambition. Our passion.

Connectivity
Electrification
Industry
Medical devices
Defence/Aerospace



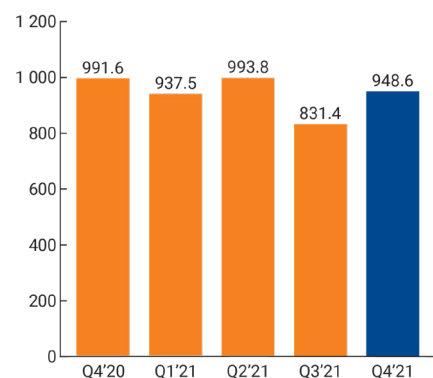
Norway | Sweden | Lithuania | Germany | Poland | China | USA

Fourth quarter report 2021

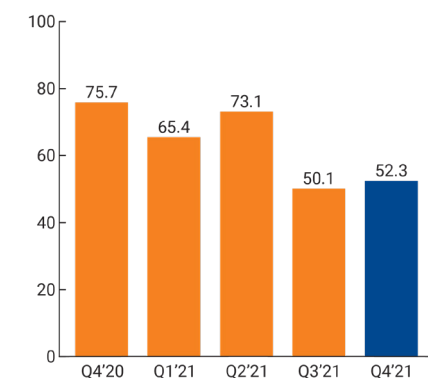
Acquisition and strong demand supporting growth outlook

- **Very strong demand**
- **Record order backlog**
- **Constraints in supply chain**
- **Acquisition of BB Electronics**

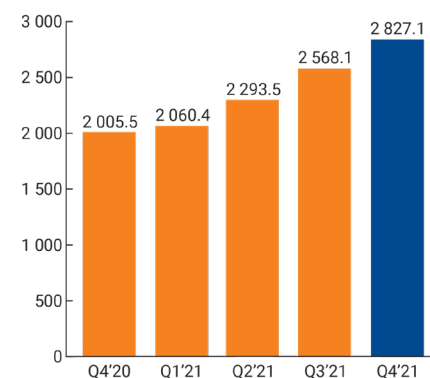
REVENUE Group
NOK million



EBIT Group
NOK million



ORDER BACKLOG Group
NOK million



Very strong demand

Kitron's revenue for the fourth quarter was NOK 949 million (NOK 992 million). Demand is very strong, but revenue growth was limited by ongoing component shortages and by a lockdown of Kitron's facility in Ningbo, China, due to an outbreak of COVID-19 in the area. More than NOK 160 million of demand in the quarter has been delayed into 2022. Nevertheless, there was strong growth within the Connectivity market sector. Adjusted for foreign exchange effects in consolidation, revenue is at the same level as last year.

Record order backlog

The order backlog ended at NOK 2 827 million, an increase of 41 per cent compared to last year. This is a record and reflects a strong total demand situation but also includes revenue delays due to the component shortage. The order backlog increased within all market sectors except Defence and Aerospace. In absolute numbers, the order backlog grew the most within Electrification, while the percentage growth was particularly strong within Connectivity. Adjusted for changes in currency rates, the order backlog increase was 43 per cent compared to last year.

EBIT margin 5.5%

Fourth quarter EBITDA* was NOK 78.4 million (NOK 102.2 million), a decrease of 23 per cent compared to last year.

Operating profit (EBIT)* for the fourth quarter ended at NOK 52.3 million (NOK 75.7 million), a decrease of 31 per cent.

Profitability expressed as EBIT margin* was 5.5 per cent (7.6 per cent).

EBITDA and EBIT are negatively affected by NOK 5.7 million of one-offs relating to legal and accounting advice leading up to the acquisition of BB Electronics. All figures include these one-off costs, unless otherwise noted.

The EBIT margin in the quarter is affected by inefficiencies caused by the component situation and by a lockdown of Kitron's facility in Ningbo, China, due to an outbreak of COVID-19 in the area.

Profit after tax was NOK 40.0 million (NOK 47.1 million), a decrease of 15 per cent and corresponding to NOK 0.20 earnings per share (NOK 0.26).

Solid full-year results

Full-year revenue of NOK 3 711 million gave an overall decrease in revenue of 6 per cent for the year, where 3% is due to currency. The decrease is explained by the exceptional Corona-related volumes within Medical devices being normalized from 2020 to 2021, as previously indicated.

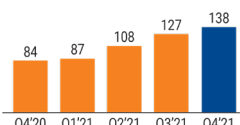
Operating profit (EBIT)* for the year ended at NOK 240.8 million (NOK 312.6 million), resulting in an EBIT* margin of 6.5 per cent (7.9 per cent). Profit after tax was NOK 152.8 million (NOK 213.1 million), corresponding to NOK 0.78 earnings per share (NOK 1.19).

Key figures

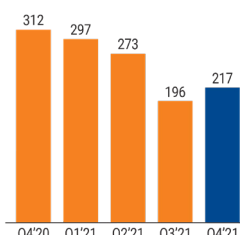
NOK million	Q4 2021	Q4 2020	Change	Full year 2021	Full year 2020	Change
Revenue	948.6	991.6	(43.0)	3 711.4	3 963.9	(252.5)
EBIT	52.3	75.7	(23.5)	240.8	312.6	(71.8)
Order backlog	2 827.1	2 005.5	821.6	2 827.1	2 005.5	821.6
Operating cash flow	9.0	132.2	(123.2)	126.3	237.0	(110.7)
Net working capital	1 227.7	1 063.8	163.9	1 227.7	1 063.8	163.9

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

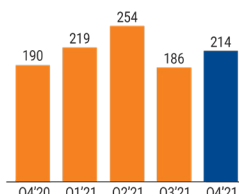
REVENUE
Connectivity
NOK million



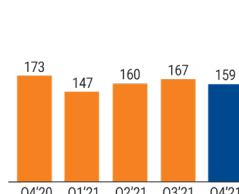
REVENUE
Electrification
NOK million



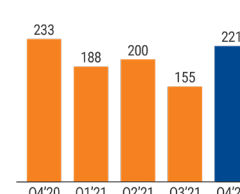
REVENUE
Industry
NOK million



REVENUE
Medical devices
NOK million



REVENUE
Defence & Aerospace
NOK million



Dividend policy and dividend

The Kitron board has as a consequence of the investment in BB Electronics and the future capital needs of the company decided to change the Kitron dividend policy into: "Kitron's dividend policy is to pay out an annual dividend of 20 % to 60% of the company's consolidated net profit before non-recurring items".

The board proposes an ordinary dividend of NOK 0.25 per share (NOK 0.70).

Ratios affected by constraints in supply chain

Operating cash flow was NOK 9.0 million (NOK 132.2 million) for the fourth quarter.

Net working capital was NOK 1 228 million, an increase of 15 per cent compared to the same quarter last year. Cash conversion cycle R3* was up from 98 days to 126 days, and net working capital R3* as a percentage of revenue was 31.7 per cent compared to 26.3 per

cent last year. Return on operating capital (ROOC) R3* was 12.3 per cent compared to 18.9 per cent in the same quarter last year.

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

Acquisition of Danish EMS provider

In December, Kitron announced an agreement to acquire the Danish EMS company BB Electronics A/S, which has production facilities in Denmark, China and the Czech Republic. The deal is clearly earnings accretive and adds significant shareholder value. BB Electronics is a full-service EMS (Electronics Manufacturing Services) provider based in Horsens, Denmark. The group had revenues of about DKK 1,000 million in 2021 and about 750 employees and has over the past years grown significantly, both organically and through M&A.

Revenue market sectors

NOK million	Q4 2021	Q4 2020	Change	Full year 2021	Full year 2020	Change
Connectivity	137.8	83.7	54.1	458.9	330.9	128.0
Electrification	217.4	312.3	(94.9)	983.2	938.8	44.4
Industry	213.5	189.9	23.6	872.7	718.0	154.7
Medical devices	159.3	172.8	(13.5)	633.5	1 006.6	(373.1)
Defence & Aerospace	220.7	232.9	(12.2)	763.1	969.6	(206.5)
Total group	948.6	991.6	(43.0)	3 711.4	3 963.9	(252.5)

Order Backlog market sectors

NOK million	31.12.2021	31.12.2020	Change
Connectivity	303.5	132.6	170.9
Electrification	1 024.4	566.9	457.5
Industry	473.8	302.0	171.8
Medical devices	264.1	234.5	29.6
Defence & Aerospace	761.2	769.4	(8.2)
Total group	2 827.1	2 005.5	821.6

Revenue geographic markets

NOK million	Q4 2021	Q4 2020	Change	Full year 2021	Full year 2020	Change
Norway	163.7	137.5	26.2	599.8	570.8	28.9
Sweden	435.2	384.0	51.2	1 740.2	1 728.7	11.5
Rest of Europe	174.3	215.8	(41.5)	709.3	807.0	(97.7)
North America	164.1	205.9	(41.8)	612.6	764.9	(152.3)
Others	11.2	48.3	(37.1)	49.5	92.4	(42.9)
Total group	948.6	991.6	(43.0)	3 711.4	3 963.9	(252.5)

The customer base is concentrated within connectivity and industry. The acquisition was completed early in January 2022. See note 6.

Share Issue

On 22 December 2021, the company allocated 17,910,399 new shares in a private placement at a subscription price of NOK 19.50 per share, raising net proceeds of approx. NOK 340 million. The proceeds to partly finance the acquisition of BB Electronics A/S.

Markets

Order intake

Order intake in the quarter was NOK 1 208 million, which is 6.5 per cent higher than for the fourth quarter 2020. The order backlog ended at NOK 2 827.1 million, which is 41 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 1 114.8 million at the beginning of the fourth quarter to NOK 1 133.2 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.

Industry

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

Medical devices

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

Defence/Aerospace

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

Revenue business entities

NOK million	Q4 2021	Q4 2020	Change	Full year 2021	Full year 2020	Change
Norway	296.7	283.6	13.2	1 058.4	988.5	69.9
Sweden	222.2	171.3	50.9	760.6	715.0	45.6
CEE	317.1	397.4	(80.3)	1 297.8	1 350.1	(52.3)
Others	141.4	189.6	(48.2)	696.0	1 151.6	(455.6)
Group and eliminations	(28.8)	(50.3)	21.5	(101.4)	(241.3)	139.9
Total group	948.6	991.6	(43.0)	3 711.4	3 963.9	(252.5)

EBIT business entities

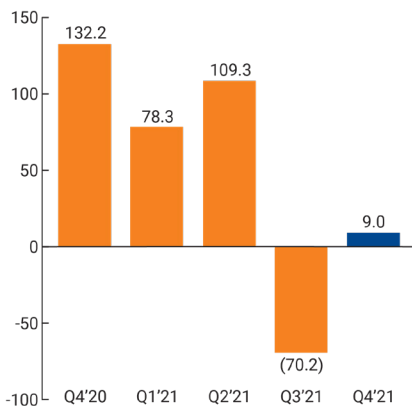
NOK million	Q4 2021	Q4 2020	Change	Full year 2021	Full year 2020	Change
Norway	21.8	21.4	0.4	75.0	70.0	5.0
Sweden	22.0	11.9	10.1	59.7	46.9	12.8
CEE	19.6	39.0	(19.4)	96.7	100.6	(3.8)
Others	12.1	12.0	0.1	37.8	128.9	(91.1)
Group and eliminations	(23.2)	(8.5)	(14.7)	(28.5)	(33.8)	5.4
Total group	52.3	75.7	(23.5)	240.8	312.6	(71.8)

Full time employees

	31.12.2021	31.12.2020	Change
Norway	339	319	19
Sweden	217	192	25
CEE	838	941	(103)
Other	356	353	3
Total group	1 749	1 805	(56)

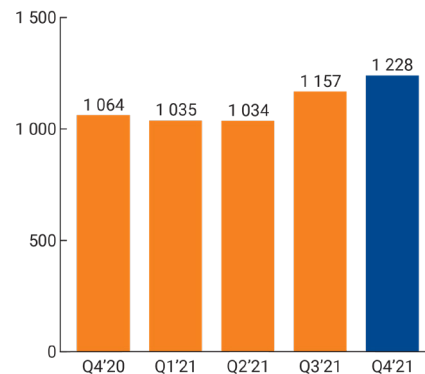
OPERATING CASH FLOW Group

NOK million



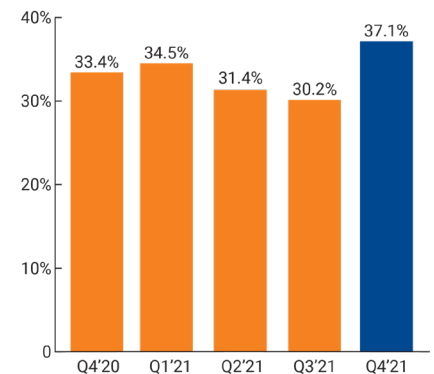
NET WORKING CAPITAL Group

NOK million



EQUITY RATIO Group

Per cent



Operations

Organisation

The Kitron workforce corresponded to 1 749 full-time employees (FTE) on 31 December 2021. This is a decrease of 56 FTE since the fourth quarter of 2020. The number of FTE in lower-cost regions now accounts for 68 per cent of the total.

The company's total payroll expenses in the fourth quarter were NOK 1.3 million higher than in the corresponding period in 2020. The relative payroll costs ended at 19.2 per cent, up from 18.3 per cent of revenue in the fourth quarter last year.

Finance

Net financial items

During the quarter, net financial items amounted to a net cost of NOK 4.5 million. The corresponding figure for the fourth quarter last year was a net cost of NOK 15.7 million. Net agio for the fourth quarter amounted to NOK 0.2 million (2020: disagio NOK 8.8 million). Intragroup financial loans to subsidiaries in foreign currencies as of 31 December 2021 that are affecting net financial income total EUR 1.9 million.

Balance sheet

Kitron's gross balance sheet as of 31 December 2021 amounted to NOK 3 309.4 million, compared to NOK 2 654.8 million at the same time in 2020.

Equity was NOK 1 228.0 million (NOK 885.7 million), corresponding to an equity ratio of 37.1 per cent (33.4 per cent). On 22 December 2021, the company announced that it had allocated 17 910 399 new shares in a private placement at a subscription price of NOK 19.50 per share, raising net proceeds of approx. NOK 340 million.

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

Inventory was NOK 880.3 million as of 31 December 2021 (NOK 545.0 million). Inventory turns* was 1.9 in the fourth quarter 2021, which is a decrease compared to the fourth quarter last year (3.0).

Accounts receivables amounted to NOK 864.6 million at the end of the fourth quarter of 2021. The corresponding amount at the same time in 2020 was NOK 834.5 million.

Contract assets were NOK 400.6 million as of 31 December 2021, compared to NOK 386.7 million at the same time in 2020. Right-of-use assets amounted to NOK 239.5 million at the end of the fourth quarter compared to NOK 256.9 million at the same time last year.

Right-of-use assets consist of buildings, land and vehicles amounting to NOK 115.0 million (2020: NOK 119.1 million) and machinery and equipment amounting to NOK 124.5 million (2020: NOK 137.8 million). Depreciation and interest costs related to leased buildings, land and vehicles were NOK 4.8 million and NOK 0.4 million respectively for the fourth quarter (2020: NOK 4.9 million and NOK 1.9 million respectively).

The group's reported net interest-bearing debt* amounted to NOK 571.4 million as of 31 December 2021 (NOK 758.0 million). Net gearing of the company was 0.47 (0.86). Net interest-bearing debt/EBITDA is 1.7 for 12 months rolling compared to 1.8 for the same period last year. The net gearing and net interest-bearing debt/EBITDA exclusive IFRS 16 effects are 0.4 and 1.4 respectively.

Outlook

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

Oslo, 10 February 2022, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Revenue	948 586	991 588	3 711 373	3 963 876
Cost of materials	627 651	644 176	2 456 922	2 645 855
Payroll expenses	182 429	181 103	719 144	671 438
Other operational expenses	66 483	62 781	197 050	225 211
Other gains / (losses)	6 420	(1 343)	3 604	(6 970)
Operating profit before depreciation and impairments (EBITDA)	78 443	102 186	341 861	414 402
Depreciation	26 186	26 466	101 048	101 828
Operating profit (EBIT)	52 257	75 720	240 813	312 574
Net financial items	(4 452)	(15 694)	(36 648)	(38 487)
Profit (loss) before tax	47 804	60 026	204 165	274 087
Tax	7 837	12 974	51 323	61 031
Profit (loss) for the period	39 967	47 052	152 843	213 056
Earnings per share-basic	0.20	0.26	0.78	1.19
Earnings per share-diluted	0.20	0.26	0.77	1.18

Condensed balance sheet

NOK 1 000	31.12.2021	31.12.2020
ASSETS		
Goodwill	36 933	36 933
Other intangible assets	44 917	52 760
Property, plant and equipment	212 940	237 960
Right-of-use assets	239 503	256 892
Deferred tax assets	73 989	72 384
Other receivables	10 316	4 598
Total non-current assets	618 598	661 528
Inventory	880 297	544 977
Accounts receivable	864 598	834 493
Contract assets	400 586	386 660
Other receivables	117 302	74 589
Cash and cash equivalents	428 035	152 572
Total current assets	2 690 818	1 993 292
Total assets	3 309 417	2 654 819
LIABILITIES AND EQUITY		
Equity	1 228 046	885 654
Total equity	1 228 046	885 654
Deferred tax liabilities	4 223	4 728
Loans	206 230	267 894
Pension commitments	5 557	5 666
Other liabilities	-	3 088
Total non-current liabilities	216 010	281 376
Accounts payable	917 779	702 368
Other payables	131 057	128 093
Tax payable	19 050	14 605
Loans	793 247	642 723
Total current liabilities	1 865 360	1 487 789
Total liabilities and equity	3 309 417	2 654 819

Condensed cash flow statement

NOK 1 000	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Profit before tax	47 804	60 026	204 165	274 087
Depreciations	26 186	26 466	101 048	101 828
Change in inventory, accounts receivable, contract assets and accounts payable	(70 248)	70 339	(163 940)	(121 941)
Change in net other current assets and other operating related items	(26 172)	(32 146)	(102 622)	(39 652)
Change in factoring debt	31 395	7 531	87 661	22 683
Net cash flow from operating activities	8 966	132 216	126 314	237 005
Net cash flow from investing activities	(24 476)	(23 811)	(45 974)	(58 963)
Net cash flow from financing activities	317 803	(154 051)	225 381	(141 995)
Change in cash and bank credit	302 293	(45 646)	305 721	36 047
Cash and bank credit opening balance	(78 937)	(41 811)	(81 039)	(119 461)
Currency conversion of cash and bank credit	(943)	6 418	(2 269)	2 375
Cash and bank credit closing balance	222 414	(81 039)	222 414	(81 039)

Consolidated statement of comprehensive income

NOK 1 000	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Profit (loss) for the period	39 967	47 052	152 843	213 056
Actuarial gain / losses pensions	(299)	(179)	(299)	(179)
Gain/losses forward contract	(7 474)	-	(7 474)	-
Exchange differences on translation of foreign operations	457	(10 862)	3 316	(2 859)
Currency translation differences	(9 468)	(45 388)	(12 261)	23 090
Total comprehensive income for the period	23 183	(9 377)	136 125	233 108
Allocated to shareholders	23 183	(9 377)	136 125	233 108

Changes in equity

NOK 1 000	31.12.2021	31.12.2020
Equity opening balance	885 654	739 213
Profit (loss) for the period	152 843	213 056
Paid dividends	(125 373)	(89 552)
Issue of ordinary shares	338 775	-
Employee share schemes	5 243	2 885
Other adjustments	(12 377)	-
Other comprehensive income for the period	(16 718)	20 052
Equity closing balance	1 228 046	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 was strong. However, the supply chain is affected by the general material supply situation, which continues to be a challenge to lead times and deliveries.

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

Note 6 – Subsequent events

In December, Kitron announced an agreement to acquire the Danish EMS company BB Electronics A/S, which has production facilities in Denmark, China and the Czech Republic.

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

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

The purchase price to be paid, after certain post signing adjustments, is DKK 663.9 million, subject to post closing adjustments, if any.

Oslo, February 10, 2022



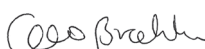
Tuomo Lähdesmäki
Chairman



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

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 evaluating 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. Changes in volume or balance calculated with the same exchange rates for both periods are defined as underlying growth. Change based on the change in exchange rates is 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 %

$(\text{Last 3 months Operating profit (EBIT)}) * 4 / (\text{Last 3 months Operating Capital} / 3)$

Direct Cost

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

Days of Inventory Outstanding

$360 / (\text{Annualised Direct Costs} / (\text{Inventory} + \text{Contract assets}))$

Days of Inventory Outstanding R3

$360 / ((\text{Last 3 months Direct Costs} * 4) / (\text{Last 3 months Inventory and Contract assets} / 3))$

Days of Receivables Outstanding

$360 / (\text{Annualised Revenue} / \text{Trade Receivables})$

Days of Receivables Outstanding R3

$360 / ((\text{Last 3 months Revenue} * 4) / (\text{Last 3 months Trade Receivables} / 3))$

Days of Payables outstanding

$360 / ((\text{Annualised Cost of Material} + \text{Annualised other operational expenses}) / \text{Trade Payables})$

Days of Payables Outstanding (R3)

$360 / (((\text{Last 3 months (Cost of Material} + \text{other operational expenses)} * 4) / (\text{Last 3 months Trade Payables} / 3))$

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. The company has manufacturing facilities in Norway, Sweden, Denmark Lithuania, Poland, the Czech Republic, China and the United States and has about 2 500 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box- built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

Kitron offers all parts of the value chain: From design via 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.

