

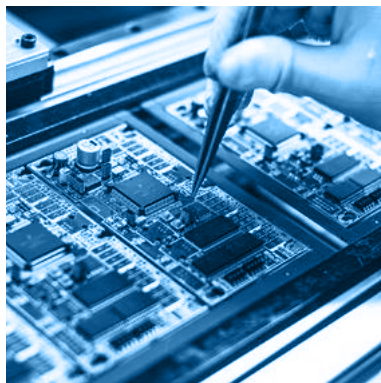
FIRST QUARTER
REPORT 2020

Q1



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

Norway
Sweden
Lithuania
Germany
Poland
China
USA



Kitron

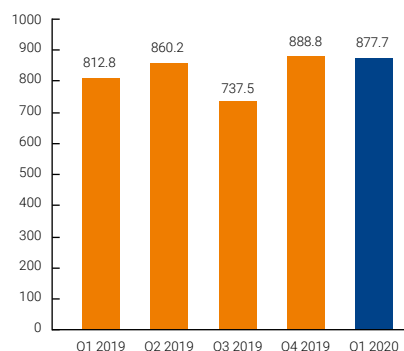
Your ambition. Our passion.

Report first quarter 2020

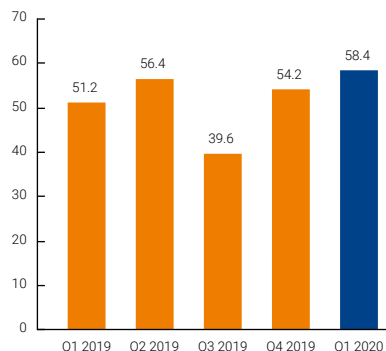
Strong overall development

- Revenue growth
- Improved EBIT margin
- Record order backlog
- Strong cash flow

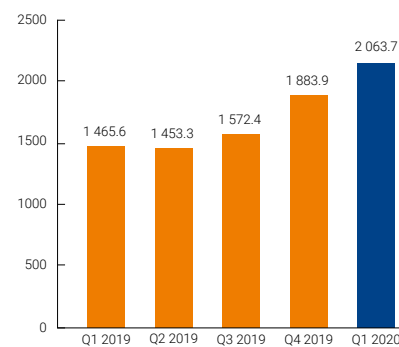
REVENUE Group
NOK million



EBIT Group
NOK million



ORDER BACKLOG Group
NOK million



Revenue growth

Kitron's revenue for the first quarter was NOK 878 million (NOK 813 million), an increase of 8 per cent compared to last year. So far, the corona pandemic situation has not materially affected total demand.

Growth adjusted for foreign exchange effects in consolidation was 2.6 per cent.

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

Record order backlog

The order backlog ended at NOK 2 064 million, an increase of 41 per cent compared to last year. This was a new all-time high. The order backlog increase was particularly strong in the Defence/Aerospace, Energy/Telecoms and Medical devices market sectors. The increased order backlog in the Medical devices sector is partly related to the corona pandemic situation. Adjusted for changes in currency rates the order backlog increase was 30 per cent compared to last year.

Improved profits

First quarter EBITDA* was NOK 82.7 million (NOK 68.6 million), an increase of 21 per cent compared to last year. Operating profit (EBIT)* for the first quarter ended at NOK 58.4 million (NOK 51.2 million), an increase of 14 per cent.

Profitability expressed as EBIT margin* was 6.7 per cent (6.3 per cent).

Profit after tax was NOK 40.9 million (NOK 37.5 million), an increase of 9 per cent and corresponding to NOK 0.23 earnings per share (NOK 0.21).

Temporary increase of working capital ratio

Net working capital* was NOK 1 013 million (NOK 927 million) an increase of 9 per cent compared to the same quarter last year. Net working capital R3 as a percentage of revenue was 27.5 per cent, compared to 24.9 per cent last year. While reducing inventory levels remains a key ambition for Kitron, in the extraordinary corona pandemic situation, holding more inventory has been important in order to safeguard the company's ability to serve customers. Longer term, capital ratios are expected to improve going forward.

Cash conversion cycle (CCC) R3 was 105 days for the quarter. This is up from 91 days last year.

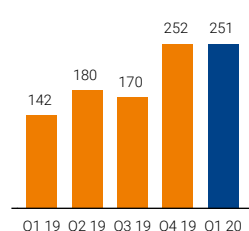
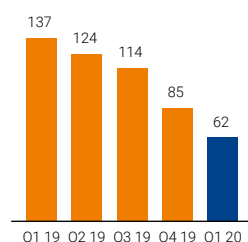
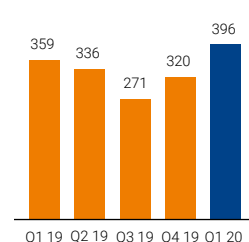
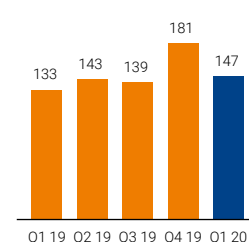
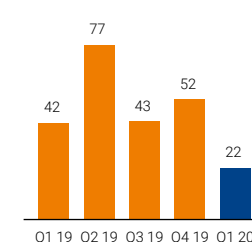
Return on operating capital (ROOC) R3 was 15.3 per cent compared to 17.1 per cent in the same quarter last year.

Operating cash flow was NOK 102.4 million (NOK 25.4 million) for the quarter.

Key figures

NOK million	Q1 2020	Q1 2019	Change	Full year 2019
Revenue	877.7	812.8	64.8	3 299.4
EBIT	58.4	51.2	7.1	201.5
Order backlog	2 063.7	1 465.6	598.2	1 883.9
Operating cash flow	102.4	25.4	77.1	195.2
Net working capital	1 013.5	926.9	86.6	941.8

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

**REVENUE Defence/
Aerospace**
NOK million

**REVENUE Energy/
Telecoms**
NOK million

REVENUE Industry
NOK million

**REVENUE
Medical devices**
NOK million

**REVENUE
Offshore/Marine**
NOK million


Markets

Order intake

Order intake in the quarter was NOK 1 057.5 million, which is 34.3 per cent higher than for the first quarter 2019. The order backlog ended at NOK 2 063.7 million, which is 40.8 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 909.4 million at the beginning of the first quarter to NOK 976.9 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

Defence/Aerospace

The Defence/Aerospace sector consists of three main product divisions: military and civil avionics, military communication and weapon control systems.

The high level of activity in the defence sector continues, driven by military communications equipment in Norway and supported by increased radar defence project deliveries in Sweden.

Kitron's expansion of its footprint in the F35 program secures the company's future position as a strong partner within the defence sector.

The Defence/Aerospace sector is in general characterized by project deliveries. Military aviation programs constitute an increasing share of Defence/Aerospace revenue, and as a consequence there will be large fluctuations in order backlog, as these customers tend to place longer orders than normal in the defence sector.

Energy/Telecoms

Within the Energy/Telecoms sector Kitron offers clients particular expertise in manufacturing products such as optical transmission systems, high frequency microwave modules, radio frequency (RF) and remote measurement of electrical metering. The main product divisions within Energy are control systems for high-voltage direct current (HVDC) technology, and metering technology.

Revenue market sectors

NOK million	Q1 2020	Q1 2019	Change	Full year 2019
Defence/Aerospace	250.6	141.9	108.6	743.2
Energy/Telecoms	62.5	136.6	(74.2)	474.4
Industry	395.7	359.3	36.5	1 271.4
Medical devices	146.6	132.8	13.8	595.9
Offshore/Marine	22.3	42.2	(19.9)	214.5
Total group	877.7	812.8	64.8	3 299.4

Order Backlog market sectors

NOK million	31.03.2020	31.03.2019	Change	31.12.2019
Defence/Aerospace	825.4	589.3	236.1	848.5
Energy/Telecoms	242.8	156.9	85.8	219.4
Industry	520.5	463.4	57.1	489.5
Medical devices	366.1	148.8	217.3	211.1
Offshore/Marine	108.9	107.1	1.8	115.5
Total group	2 063.7	1 465.6	598.2	1 883.9

Revenue geographic markets

NOK million	Q1 2020	Q1 2019	Change	Full year 2019
Norway	139.2	142.9	(3.7)	589.0
Sweden	327.6	330.2	(2.6)	1 374.2
Rest of Europe	217.0	194.8	22.3	685.5
USA/Canada	175.2	107.2	68.0	559.0
Others	18.7	37.8	(19.1)	91.7
Total group	877.7	812.8	64.8	3 299.4

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 three main product areas: ultrasound and cardiology systems, respiratory medical devices and Lab/IVD (In-Vitro Diagnostics).

Offshore/Marine

Kitron divides the Offshore/Marine sector into three main areas: subsea production systems, oil and gas exploration equipment, as well as navigation, positioning, automation and control systems for the marine sector. The offshore marine sector is project driven and therefore fluctuating in demand.

Operations

Organisation

The Kitron workforce corresponded to 1 761 full-time employees (FTE) on 31 March 2020. This is an increase of 21 FTE since the first quarter of 2019. Kitron has since established a facility in Poland adding another 165 FTE and made demand related adjustments of FTEs primarily in Lithuania. The number of FTE in lower-cost regions now accounts for 73 per cent of the total.

The company's total payroll expenses in the first quarter were NOK 18.8 million higher than in the corresponding period in 2019. The relative payroll costs ended at 18.9 per cent, up from 18.0 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 6.2 million. The corresponding figure for first quarter last year was a net cost of NOK 6.0 million. Net agio for the first quarter amounted to NOK 2.4 million (2019:0). Intra-group financial loans to subsidiaries in foreign currencies as of 31 March 2020 that are affecting net financial income total USD 2.4 million and EUR 1.9 million.

Balance sheet

Kitron's gross balance sheet as of 31 March 2020 amounted to NOK 2 736.2 million, compared to NOK 2 204.2 million at the same time in 2019. The increase is due to revenue growth, establishment of the plant in Poland and the weakened NOK currency during first quarter.

Equity was NOK 891.5 million (NOK 718.5 million), corresponding to an equity ratio of 32.6 per cent (32.6 per cent). Equity is influenced by foreign exchange effects from consolidation of foreign subsidiaries.

Revenue business entities

NOK million	Q1 2020	Q1 2019	Change	Full year 2019
Norway	241.1	210.4	30.6	851.0
Sweden	149.5	174.2	(24.7)	663.6
CEE	327.8	298.8	29.0	1 132.2
USA	75.0	48.8	26.2	328.8
China	118.9	109.7	9.3	458.4
Group and eliminations	(34.7)	(29.1)	(5.6)	(134.7)
Total group	877.7	812.8	64.8	3 299.4

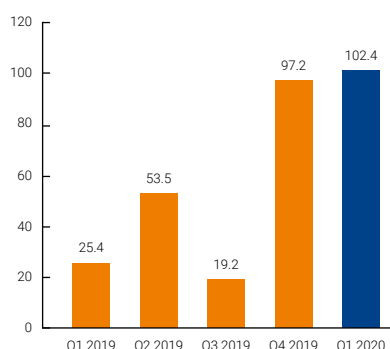
EBIT business entities

NOK million	Q1 2020	Q1 2019	Change	Full year 2019
Norway	17.5	9.4	8.1	44.0
Sweden	9.4	11.2	(1.8)	42.0
CEE	21.7	27.0	(5.4)	67.2
USA	1.4	(0.1)	1.4	9.8
China	12.4	10.8	1.6	58.2
Group and eliminations	(3.9)	(7.2)	3.3	(19.8)
Total group	58.4	51.2	7.1	201.5

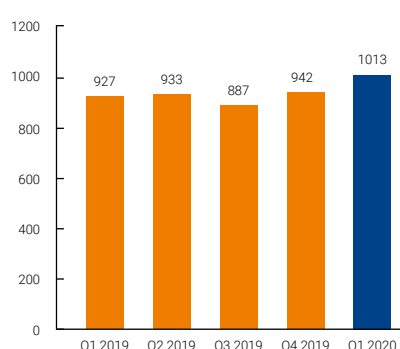
Full time employees

	31.03.2020	31.03.2019	Change	31.12.2019
Norway	300	279	21	312
Sweden	178	189	(12)	191
CEE	913	924	(11)	895
USA	128	111	17	117
China	243	238	5	207
Total group	1 761	1 740	21	1 722

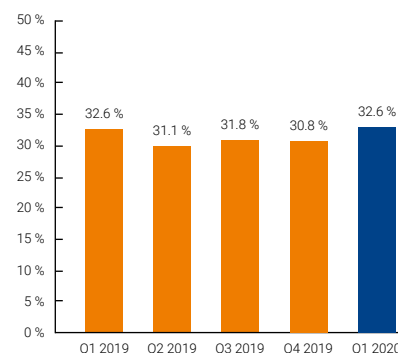
OPERATING CASH FLOW Group NOK million



NET WORKING CAPITAL Group NOK million



EQUITY RATIO Group Per cent



Inventory was NOK 555.1 million as of 31 March 2020 (NOK 519.2 million). Inventory turns* was 3.6 in the first quarter 2020, which is a decrease compared to first quarter last year (4.8).

Accounts receivables amounted to NOK 803.5 million at the end of the first quarter of 2020. The corresponding amount at the same time in 2019 was NOK 767.2 million.

Contract assets was NOK 363.5 million as of 31 March 2020, compared to NOK 265.7 million at the same time in 2019.

Tangible fixed assets amounted to NOK 554.5 million at the end of the first quarter, compared to NOK 402.9 million at the same time last year. The increase is mainly due to effects from the establishment of the plant in Poland.

The group's reported net interest-bearing debt* amounted to NOK 757.3 million as of 31 March 2020 (NOK 660.2 million). Net gearing of the company was 0.85 (0.92). Net interest-bearing debt/EBITDA is 2.5 for 12 months rolling compared to 2.9 for the same period last year. The net gearing and net interest-bearing debt/EBITDA exclusive IFRS 16 effects are 0.7 and 2.2 respectively.

Outlook

The outbreak of the corona pandemic has increased uncertainty during the first part of 2020. To date this has not significantly affected Kitron's operations. Demand is so far not materially affected, and the order backlog is above NOK 2 billion, which supports the current outlook. All tier-1 suppliers in China have re-started operations and are gradually increasing capacity. European suppliers are currently delivering according to plan, with only minor deviations, so currently there has been no major disruption to supply chains outside China.

We expect there will be some material allocations as the production capacity has been lower for some time for Chinese producers, and we are preparing for this situation. Kitron is normally dependent on customer approval of changes to the supply chain, and this is a process that usually takes some time. Consequently this is not likely as a short term action, but is an option in the longer term.

Kitron continuously makes capacity adjustments based on demand fluctuations but is now preparing for significantly larger fluctuations, if they should occur. Normally this includes adjustments to number of indirect and direct employees, as well as cost cuts. Cost cuts of fixed expenses are primarily related to costs such as consultancy costs, travel, consumables etc. To better control the demand, and further the visibility, we ask customers to convert forecast to fixed and firm orders. In summary, we see uncertainty and volatility going forward related to the demand and supply chain situation. Kitron is preparing contingency plans in order to mitigate potential adverse effects from the situation.

While we recognize increased uncertainty and expect volatility, our overall outlook for 2020 remains unchanged. For 2020, Kitron expects revenue to grow to between NOK 3 300 and 3 700 million. EBIT margin is expected to be between 6.4 and 7.0 per cent. Growth is driven by the Defence/Aerospace and Medical devices sectors. Profitability is mainly driven by growth and operational improvements in Norway, China and U.S.

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

Oslo, 22 April 2020, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q1 2020	Q1 2019	Full year 2019
Revenue	877 660	812 839	3 299 416
Cost of materials	573 970	556 770	2 220 203
Payroll expenses	165 457	146 691	592 859
Other operational expenses	51 882	38 595	196 495
Other gains / (losses)	(3 689)	(2 229)	(4 304)
Operating profit before depreciation and impairments (EBITDA)	82 663	68 554	285 555
Depreciation	24 279	17 306	84 056
Operating profit (EBIT)	58 384	51 248	201 500
Net financial items	(6 217)	(6 002)	(31 918)
Profit (loss) before tax	52 167	45 246	169 581
Tax	11 307	7 731	37 079
Profit (loss) for the period	40 859	37 515	132 502
Earnings per share-basic	0.23	0.21	0.74
Earnings per share-diluted	0.23	0.21	0.74

Condensed balance sheet

NOK 1 000	31.03.2020	31.03.2019	31.12.2019
ASSETS			
Goodwill	36 933	32 428	36 933
Other intangible assets	28 499	16 025	27 958
Tangible fixed assets	554 490	402 867	507 091
Deferred tax assets	84 232	73 429	86 770
Other receivables	6 052	2 187	2 206
Total non-current assets	710 206	526 937	660 959
Inventory	555 104	519 153	445 600
Accounts receivable	803 513	767 232	696 934
Contract assets	363 462	265 748	313 719
Other receivables	74 943	74 812	75 025
Cash and cash equivalents	228 947	50 327	203 976
Total current assets	2 025 968	1 677 272	1 735 253
Total assets	2 736 174	2 204 209	2 396 212
LIABILITIES AND EQUITY			
Equity	891 531	718 519	739 213
Total equity	891 531	718 519	739 213
Deferred tax liabilities	4 970	2 706	16 132
Loans	353 572	223 545	331 029
Pension commitments	5 896	5 966	5 896
Total non-current liabilities	364 438	232 217	353 057
Accounts payable	708 601	625 209	514 430
Other payables	129 436	131 945	126 471
Tax payable	9 498	9 380	5 775
Loans	632 670	486 939	657 266
Total current liabilities	1 480 205	1 253 474	1 303 942
Total liabilities and equity	2 736 174	2 204 209	2 396 212

Condensed cash flow statement

NOK 1 000	Q1 2020	Q1 2019	Full year 2019
Profit before tax	52 167	45 246	169 581
Depreciations	24 279	17 306	84 056
Change in inventory, accounts receivable, contract assets and accounts payable	(71 656)	(47 974)	(62 872)
Change in net other current assets and other operating related items	105 534	(33 696)	(46 975)
Change in factoring debt	(7 901)	44 489	51 446
Net cash flow from operating activities	102 423	25 371	195 235
Net cash flow from investing activities	(12 773)	(148 457)	(248 099)
Net cash flow from financing activities	(32 473)	124 407	40 041
Change in cash and bank credit	57 177	1 321	(12 822)
Cash and bank credit opening balance	(119 461)	(107 548)	(107 548)
Currency conversion of cash and bank credit	(10 271)	870	909
Cash and bank credit closing balance	(72 555)	(105 357)	(119 461)

Consolidated statement of comprehensive income

NOK 1 000	Q1 2020	Q1 2019	Full year 2019
Profit (loss) for the period	40 859	37 515	132 502
Actuarial gain / losses pensions	-	-	(257)
Exchange differences on translation of foreign operations	19 782	(1 020)	1 222
Currency translation differences	91 409	(11 300)	(3 532)
Total comprehensive income for the period	152 050	25 195	129 935
Allocated to shareholders	152 050	25 195	129 935

Changes in equity

NOK 1 000	31.03.2020	31.03.2019	31.12.2019
Equity opening balance	739 213	691 459	691 459
Profit (loss) for the period	40 859	37 515	132 502
Paid dividends	-	-	(70 477)
Issue of ordinary shares	-	-	291
Employee share schemes	267	1 865	(11 995)
Other comprehensive income for the period	111 191	(12 320)	(2 567)
Equity closing balance	891 531	718 519	739 213

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the first quarter of 2020 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 2019. 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 2019, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2019 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 2019.

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.

Regarding the corona pandemic outbreak see more information under "Outlook".

Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses

Appendix

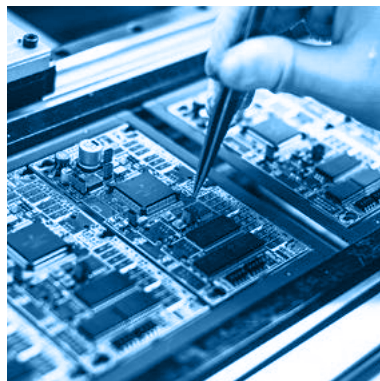
Definition of Alternative Performance Measures

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

Our definitions and explanations of these terms follow below.

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

Defence/Aerospace
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Kitron is a leading Scandinavian Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Poland, China and the US and has about 1700 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box- built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

Kitron offers all parts of the value chain: From design via industrialisation, manufacturing and logistics, to repairs. The electronics content may be based on conventional printed circuit boards or ceramic substrates.

Kitron also provides various related services such as cable harness manufacturing and components analysis, and resilience testing, and also source any other part of the customer's product. Customers typically serve international markets and provide equipment or systems for professional or industrial use.