ANNUAL REPORT 2017

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

Norway
Sweden
Lithuania
Germany
USA
China

Kitron in brief

Kitron is an international Electronics Manufacturing Services (EMS) company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1450 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. 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 chosen to focus its sales and marketing activities within five key sectors; Defence/ Aerospace, Energy/ Telecoms, Industry, Medical devices and Offshore/Marine.

Kitron has a balanced sales mix among these sectors, which makes Kitron diversified and puts the group in a good position to handle shifting demands.

Kitron has strong relationships with large multinational companies.

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.

Kitron 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

Kitron 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.

Kitron'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

Kitron 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.

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 Sweden.

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. The expansion of the Kaunas factory is a solid platform for market expansion and growth in the German-speaking markets.

Kitron 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 on-going 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.

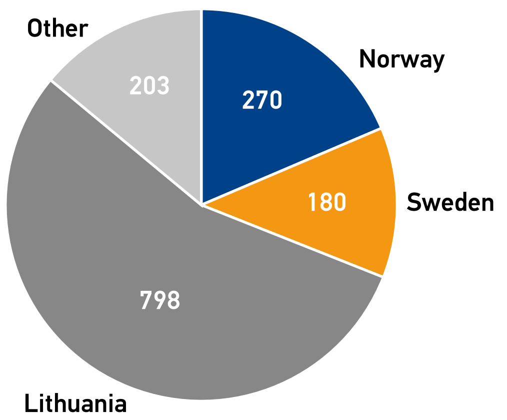
Growth through targeted acquisitions

Kitron intends to pursue M&A activities to grow and will explore M&A value creation along three axes: Geography, Value and Diversification.

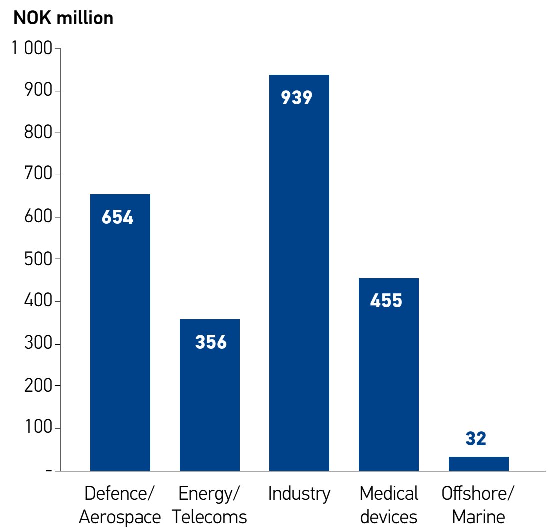
Geography would mean strengthening the EMS footprint in our current geographies, but also following customers into Asia (outside of China), or strengthening our capacity in Central Eastern Europe. The focus is to expand on the customer base.

The value axis describes the size of the possible M&A targets. In general, Kitron would target larger EMS companies where there are stronger synergies, typically in existing geographies, whereas in geographies where synergies are less evident, the target will have more modest revenues. The focus is to utilize synergies.

Diversification. EMS acquisitions are focused companies involved in Kitron's current sectors and primarily in the Defence and Medical device sectors and secondarily in the Energy/Telecom, Industry and Offshore/Marine sectors. i.e. low diversification. Kitron will also seek to expand across the value chain through product hardware, technology or services companies. The focus along the diversification axis will be on expanding margins.



Full time employees 2017
Geographical description



Revenue per market sector in 2017
Revenue in NOK million

Kitron's history

Kitron has its origin from the companies Stratonic and Electric Bureau, both of which were established in the 1960's in Arendal. The Kitron name was established in the 1980's, and Kitron's business idea changed to contract manufacturing of electronics. The business idea has since been extended to include the entire value chain relating to the manufacturing and assembly of electronics and industrial products containing electronics, including development, industrialisation, purchasing, logistics, maintenance/repair and redesign. 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. Most notably Sonec ASA and Kitron ASA merged in 2000. Today, Kitron consists of businesses that have their origin in Ericsson, Kongsberg Gruppen, Nera and Tandberg Data in Norway, in addition to Bofors and Saab in Sweden.

Kitron acquired UAB Kitron in Lithuania in 2001 and UAB Kitron Elsis in 2007. The same year, Kitron established a sourcing organisation in Ningbo, China. In June 2009 Kitron divested its Microelectronics facility at Røros in Norway. In 2010, the development department in Oslo, Norway was divested, while a small German EMS company was acquired. In addition, Kitron established Kitron Electronics Manufacturing in Ningbo, China and Kitron Inc. in USA in 2010. In 2012 Kitron's factory in Karlskoga, Sweden was closed, and the business was moved to Kitron AB in Jönköping.

In 2014 the facility at UAB Kitron in Lithuania was expanded by 5 000 sqm. The small production facility in Germany was closed and the business moved to UAB Kitron in Lithuania.

At the end of 2015 Kitron moved its Arendal operation to upgraded facilities at Kilsund.

At the end of 2016 Kitron moved the Swedish operation to a new plant in Torsvik, close to the former one in Jönköping.

This means that Kitron, over a period of three years, has upgraded its main production facilities in Lithuania, Norway and Sweden, leaving Kitron with modern, highly competitive plants.

Board of Directors' report 2017:

Growth and improved profitability

Kitron's revenue for the year reached NOK 2 436.7 million (NOK 2 093.0 million), which represented a 16.4 per cent increase compared with 2016. There was solid growth for the operations in Sweden and Lithuania as well as outside Europe, while revenues declined in Norway. EBITDA for the group reached NOK 201.1 million compared to NOK 164.0 million in 2016. Net profit for the year amounted to NOK 99.0 million (NOK 74.6 million), corresponding to NOK 0.57 per share (NOK 0.43). The Board of Directors will, on this basis, propose to the Annual General Meeting an ordinary dividend per share of NOK 0.35 (NOK 0.25), and an additional dividend per share of NOK 0.20.

In the Annual Report 2016, Kitron indicated an expected revenue range of between NOK 2 150 and 2 350 million and an EBIT margin of 5.6 to 6.4 per cent for 2017. The actual revenue exceeded the range, while the actual EBIT margin ended slightly above the middle of the range.

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, China, Germany and the US. 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 chosen to focus its sales and marketing activities within the Defence/Aerospace, Energy/Telecoms, Industry, Medical devices and Offshore/Marine market sectors.

Defence/Aerospace

Revenue in the Defence/Aerospace sector increased by 14.0 per cent and ended at NOK 654.2 million in 2017 (NOK 574.1 million). The sector accounted for 26.8 per cent (27.4 per cent) of the group's total revenues. The high level of activity in the defence sector continues. After years of decline, defence spending has been growing since 2015. 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 plant, and Kongsberg Gruppen is a key customer. Defence/Aerospace is also a prioritised area for our operation in Germany. The long-term outlook for the Defence/Aerospace sector remains positive, but growth is primarily expected from 2019 and forward. The backlog increased by 12.3 per cent compared to 2016.

Energy/Telecoms

Revenue in the Energy/Telecoms sector increased by 17.7 per cent to NOK 356.3 million in 2017 (NOK 302.7 million). This represented 14.6 per cent of the group's revenues (14.5 per cent). Sector growth is driven by the increasing smartness of power networks, and Kitron has a strong position within power distribution and smart metering. The sector is driven by larger individual customers and their projects. The order backlog decreased by 5.9 per cent.

Industry

The Industry sector increased revenue by 36.5 per cent to NOK 939.0 million (NOK 687.8 million), accounting for 38.5 per cent of the group's total revenue (32.9 per cent). The Industry sector continues to grow rapidly, especially in Lithuania and China, due to increased revenue from existing customers as well as new customers. Industry is the market sector within Kitron that tends to be most closely correlated with the general economic development and has lately benefitted from an upturn for European industry. The order backlog increased by 69.9 per cent.

Medical devices

Revenue in the Medical device sector decreased by 6.1 per cent to NOK 455.2 million in 2017 (NOK 484.9 million), corresponding to 18.7 per cent of the group's revenues (23.2 per cent). The medical sector is less cyclical than other market segments and the demand quite stable. Kitron expects to grow about in line with the total market, but as a percentage of Kitron's revenue, this market sector may decline somewhat. The order backlog increased by 12.9 per cent.

Offshore/Marine

Revenue in the Offshore/Marine sector decreased by 26.4 per cent from NOK 43.5 million in 2016 to NOK 32.0 million in 2017. The sector accounted for 1.3 per cent (2.1 per cent) of the group's total revenues. The decline in revenue is due to reduction in the Norwegian market, which is related to the very weak oil service market. The order backlog increased by 80.6 per cent, but from a very low level. Kitron is in talks with potential customers, but although the bottom of the investment cycle may have been reached, Kitron does not currently forecast major revenue contribution from this sector.

Important events in 2017

Customer contracts

During 2017, Kitron has solidified its position as a trusted manufacturing partner for a number of important customers. Growth has been particularly strong within the Industry market sector, where the facility in Lithuania plays a key role. This is exemplified by orders from Husqvarna Group of Sweden for products such as robotic lawn mowers and other power tools.

Within the Defense/Aerospace market sector, Kitron's key role in the F-35 program has continued in 2017. The close relationship with Kongsberg Gruppen has been extended through orders for military communications equipment from both Kongsberg Defense Systems.

Kongsberg Maritime, also part of Kongsberg Gruppen, also entered into a frame agreement with Kitron in 2017, expanding Kitron's cooperation with the group.

[1)] For definition - see Definition of Alternative Performance measures.

Kitron also continues to penetrate the strategically important German market, as exemplified by a five-year agreement with Rheinmetall MAN Military Vehicles.

Towards the end of the year, Kitron also announced a contract with an unnamed leading supplier of medical equipment, to be handled by Kitron' plant in Norway.

Investments

From 2014 to 2016, Kitron has invested heavily in upgrading its main production facilities in Lithuania, Norway and Sweden. This phase was concluded by the official opening of the new facility in Jönköping, Sweden in May of 2017. This investment phase leaves Kitron with modern, highly competitive plants.

During 2017, investments have been focused on automation and robotization, as exemplified by a fully-automated production line in Lithuania.

In 2017 Kitron also invested in a Surface Mount Technology (SMT) at its US plan, which now has capabilities locally to offer a complete solution to customers, spanning from PCBA, to box-build and high-level assembly.

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 2017 amounted to NOK 2 436.7 million, compared to NOK 2 093.0 million for 2016, which represents an increase of 16.4 per cent. Growth adjusted for foreign exchange effects in consolidation was 16.9 per cent.

The order backlog at the end of 2017 amounted to NOK 1 306.4 million, compared to NOK 1 019.4 million in 2016. 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). The order backlog increased for all market sectors except Energy/Telecoms. Growth was especially strong in the Industry market sector.

The number of full-time equivalents (FTE) increased from 1 377 at the end of 2016 to 1 451 at the end of 2017. There has been a reduction of 66 in Scandinavia and an increase of 140 outside of Scandinavia. The increase is primarily related to the build-up of activity in Lithuania. 70 per cent of Kitron FTEs are now in low-cost countries. The group's payroll expenses increased and amounted to NOK 480.8 million in 2017 compared with 450.7 million in 2016. The payroll expenses as a percentage of revenue declined to 19.7 per cent (21.5 per cent in 2016).

Kitron performs development, industrialization and manufacturing services for its customers and may perform research services related to such projects. However, Kitron does not conduct substantial research activities on its own account. 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 16.2 million. The corresponding figure for 2016 was a net cost of NOK 19.0 million. Kitron's pre-tax profit for 2017 amounted to NOK 132.5 million (NOK 98.8 million), an increase of NOK 33.7 million. All tax loss carried forward in the businesses in Norway and Sweden are capitalised by December.
The group's net profit for the year amounted to NOK 99.0 million (NOK 74.6 million). This corresponds to earnings per share of NOK 0.57 (NOK 0.43). Diluted earnings per share were NOK 0.57 (NOK 0.41). Kitron's dividend policy was updated by the board and is now as follows: "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." On this basis, the Board proposes an ordinary dividend for the accounting year 2017 of NOK 0.35 per share (NOK 0.25) as well as an extraordinary dividend of NOK 0.20 per share, equivalent to a dividend ratio of 62 per cent for the ordinary dividend and 98 per for the combined ordinary and extraordinary dividends.

Cash flow

In 2017, Kitron's cash flow from operating activities increased by NOK 52.3 million compared to 2016, to NOK 160.8 million (NOK 108.5 million). Net cash flow from investing activities in 2017 ended at minus NOK 35.2 million (minus NOK 43.8 million), reflecting that a period of heavy investments in facilities is over, while Kitron has continued to invest in automation and robotization.

Net cash flow from financing activities was minus NOK 70.3 million (minus NOK 57.7 million). Kitron enters into financial leasing agreements when applicable. The leasing obligation is recognised as debt.

Kitron expects to generate sufficient cash to finance the operation in the foreseeable future. A positive cash generation is expected in 2018 as a result of flat or reduced working capital development and improved profitability.

Balance sheet and liquidity

Total assets at 31 December 2017 amounted to NOK 1 548.7 (NOK 1 353.0 million). At the same time equity amounted to NOK 663.6 million (NOK 584.8 million) and the equity ratio was 42.8 per cent (43.2 per cent).

Inventories increased by NOK 14.0 million during 2017 and ended at NOK 398.9 million at the end of the year (NOK 384.9 million). Inventory turns is 4.3, up from 3.8 last year. Controlling inventory is a major focus area for the company's ongoing improvement program. Accounts receivable ended at NOK 516.3 million (NOK 442.5 million). Overdue receivables are low and credit losses have been small during 2017.

[1] For definition - see Definition of Alternative Performance measures.

At 31 December 2017, the group's interest-bearing debt was NOK 351.9 million (NOK 350.3 million). The debt is mainly related to long-term bank debt, short-term bank debt, factoring and financial leasing.

Cash and cash equivalents amounted to NOK 176.7 million at the balance sheet date (NOK 134.4 million). NOK 10.0 million of this amount was restricted deposits (NOK 23.9 million). The group's liquidity situation is satisfactory.

Risk Factors and Risk management
Kitron's business exposes the company to financial risks. The company's procedures for risk management are designed to minimise possibly negative effects caused by the company's financial arrangements.

The group is affected by exchange rate fluctuations as a significant share of its goods and services are sold in foreign currency. At the same time raw materials are purchased in foreign currency, while the foreign units' operating costs are incurred in the units' local currency. Exchange rate gains and losses only arise in the period in which an asset denominated in a foreign currency is recognised. A larger proportion of revenue than costs is recognised in NOK and SEK. However, revenue and costs in foreign currencies are largely balanced in such a way that the net exchange rate risk over time is small. The group does not enter into significant hedging arrangements other than agreements with customers that allow Kitron to adjust the selling price when the actual exchange rate on the purchase of raw materials significantly deviates from the agreed base rate.

The company is exposed to price risk because raw materials follow international market prices for electronic and mechanical components, and because the company's goods and services are exposed to price pressure.

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 largely short-term and related to factored accounts receivable. This means that fluctuations in revenue impact the company's liquidity. A share of the external capital is long-term. 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 advisory 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.

The board's review on Corporate Social Responsibility is presented in the Annual report. This year's report is prepared in accordance with the Oslo Stock Exchange Guidelines for Corporate Social Responsibility Reporting.

Health, safety and environment
At the end of 2017 the group employed a total of 1 601 people. Adjusting for part-time employees and hired-ins, this translates to 1 451 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 2017. Sick leave in Kitron was 4.3 per cent in 2017, an increase from 3.7 in 2016. The board considers that the working environment is good and special measures in this regard have not been deemed necessary.

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
In 2017 Kitron continued to focus on competence development. Most of the basic training for technical, quality, safety and manufacturing skills is done locally at each site and is a combination of class room training and on the job learning. In 2017 about 64 476 hours were spent on training, which equals about 40.3 hours per employee.

Equal opportunities
Kitron's basic view is that people with different backgrounds, irrespective of ethnicity, gender, religion 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 54.7 per cent of the Kitron work force in 2017. Out of 91 managers (manager having direct reports) 27 per cent are female and 73 per cent are male.

Corporate social responsibility is important to Kitron. Kitron is working systematically on human rights and worker´s rights, as well as health, safety and environment (HSE). Kitron opposes all forms of forced labour and child labour and works to prevent all types of discrimination and harassment.

The average pay (basic salary and allowances) for women was approximately 92.2 per cent of the average pay for men. The average pay for men and women vary due to differences in job categories and years of service, not because of gender.

Indirect functions include management employees, staff and other support functions. The employees in the company management teams are predominantly male. The corporate management team has 6 male and 2 female members. No gender-based differences exist with regard to working hour regulations or the design of workplaces.

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 48.4 million for 2017 (NOK 29.9 million). The board of directors proposes the following allocations for Kitron ASA:

Dividend	NOK 96.9 million
Transferred from other equity	NOK (48.5) million
Total allocations	**NOK 48.4 million**

The proposed ordinary dividend accounts for approximately 62 per cent of the group's net profit. Including an extraordinary dividend, the total dividends accounts for approximately 98 per cent of the group's net profit. This is in line with the group's updated dividend policy. The group's liquidity and financial position is satisfactory, and the future prospects are improving.

Going concern

There have been no events to date in 2018 that significantly affect the result for 2017 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 2017 have been prepared on the basis of this assumption.

Outlook

For 2018, Kitron expects revenue to grow to between NOK 2 500 and 2 700 million. EBIT margin is expected to be between 6.1 and 6.5 per cent. Growth is primarily driven by customers in the Industry and Energy sectors. Profitability is driven by cost reduction activities and improved efficiency

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

Oslo, 21 March, 2018

Tuomo Lähdesmäki
Chairman

Gro Brækken
Deputy chairman

Stefan Charette

Espen Gundersen

Tanja Rørheim
Employee elected board member

Elisabeth Jacobsen
Employee elected board member

Päivi Marttila

Bjørn Gottschlich
Employee elected board member

Lars Peter Nilsson
CEO

[1] For definition - see Definition of Alternative Performance measures.

Consolidated annual accounts and notes

Consolidated income statement

(Amounts in NOK 1000)	Note	2017	2016
Revenue			
Sales revenues	5	2 436 729	2 093 001
Operating costs			
Cost of materials		1 620 014	1 348 087
Payroll expenses	7, 18, 22	480 751	450 708
Depreciation and impairments	11, 12, 13	52 464	46 124
Other operating expenses	24, 26, 29	133 957	127 517
Total operating costs		2 287 185	1 972 436
Other gains/(losses)	6	(861)	(2 737)
Operating profit/(loss)		**148 683**	**117 828**

Financial income and expenses

Finance income	8	1 566	2 132
Finance expenses	8	(17 750)	(21 148)
Net financial items		(16 183)	(19 016)
Profit/(loss) before tax		132 499	98 812
Tax	9	33 502	24 261
Net profit/(loss)		98 997	74 551

Allocation

Shareholders		98 997	74 551

Earnings per share for that part of the net profit/(loss) allocated to the company's shareholders (NOK per share)

Basic earnings per share	10	0.57	0.43
Diluted earnings per share	10	0.57	0.41

The notes on pages 14 to 48 are an integral part of the consolidated financial statement.

Consolidated statement of comprehensive income

(Amounts in NOK 1000)	2017	2016
Net profit/(loss)	98 997	74 551
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Actuarial gain / (losses) pensions	(176)	(134)
	(176)	(134)
Items that may be subsequently reclassified to profit and loss		
Gain / losses forward contract	420	672
Exchange differences on translation of foreign operations	(1 870)	-
Currency translation differences	22 195	(15 634)
	20 745	(14 962)
Total other comprehensive income	**20 569**	**(15 096)**
Total comprehensive income	**119 566**	**59 455**

Items in the statement above are disclosed net of tax. See note 9.

Allocation		
Shareholders	119 566	59 455

Consolidated balance sheet

(Amounts in NOK 1000)	Note	31.12.2017	31.12.2016
Assets			
Non-current assets			
Goodwill	12	26 786	26 786
Other intangible assets	13	10 773	17 736
Property, plant and equipment	11	277 869	232 301
Deferred tax assets	21	58 024	70 380
Total non-current assets		**373 451**	**347 204**
Current assets			
Inventory	15	398 901	384 869
Accounts receivable	14, 27	516 251	442 459
Other receivables	14, 27	83 372	44 060
Cash and cash equivalents	16	176 725	134 413
Total current assets		**1 175 248**	**1 005 801**
Total assets		**1 548 699**	**1 353 005**

The notes on pages 14 to 48 are an integral part of the consolidated financial statement.

Consolidated balance sheet (cont.)

(Amounts in NOK 1000)	Note	31.12.2017	31.12.2016
Equity and liabilities			
Equity			
Equity attributable to owner of the parent			
Share capital and share premium reserve	17	473 677	473 677
Other equity unrecognised in the profit and loss		(15 782)	(39 598)
Retained earnings		205 670	150 720
Total equity		**663 565**	**584 799**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	21	3 417	944
Loans	20	76 434	61 462
Pension commitments	22	6 205	6 343
Total non-current liabilities		**86 056**	**68 749**
Current liabilities			
Accounts payable	19, 27	428 801	315 133
Other payables	19, 27	86 282	90 776
Tax payable		8 515	4 746
Loans	20	275 481	288 802
Total current liabilities		**799 079**	**699 457**
Total liabilities		**885 134**	**768 206**
Total liabilities and equity		**1 548 699**	**1 353 005**

The notes on pages 14 to 48 are an integral part of the consolidated financial statement.

Oslo, 21 March, 2018

Tuomo Lähdesmäki Chairman	Gro Brækken Deputy chairman	Stefan Charette
Espen Gundersen	Tanja Rørheim Employee elected board member	Elisabeth Jacobsen Employee elected board member
Päivi Marttila	Bjørn Gottschlich Employee elected board member	Lars Peter Nilsson CEO

Consolidated statement of changes in equity

(Amounts in NOK 1000)	Equity attributable to owner of the parent					
	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	Retained earnings	Total
Equity at 1 January 2016	473 354	(9 181)	(8 417)	(1 736)	112 491	566 510
Net profit					74 551	74 551
Paid dividends					(36 322)	(36 322)
Issue of ordinary shares	323					323
Termination of options against cash consideration				(9 703)		(9 703)
Effect from options				4 534		4 534
Other comprehensive income		(134)	(15 634)	672		(15 096)
Equity at 31 December 2016	**473 677**	**(9 315)**	**(24 051)**	**(6 233)**	**150 720**	**584 799**
Equity at 1 January 2017	**473 677**	**(9 315)**	**(24 051)**	**(6 233)**	**150 720**	**584 799**
Net profit					98 997	98 997
Paid dividends					(44 048)	(44 048)
Effect from option costs				3 247		3 247
Other comprehensive income		(176)	20 325	420		20 569
Equity at 31 December 2017	**473 677**	**(9 491)**	**(3 726)**	**(2 565)**	**205 670**	**663 565**

The notes on pages 14 to 48 are an integral part of the consolidated financial statement.

Consolidated statement of cash flow

(Amounts in NOK 1000)	Note	2017	2016
Cash flows from operating activities			
Cash flow from operations	25	183 002	123 907
Interest received		1 206	1 133
Interest paid		(8 928)	(11 856)
Income taxes paid		(14 480)	(4 702)
Net cash flow from operating activities		**160 800**	**108 482**
Cash flows from investing activities			
Acquisition of tangible fixed assets	11	(34 151)	(43 405)
Acquisition of other intangible assets	13	(999)	(418)
Net cash flow from investing activities		**(35 150)**	**(43 823)**
Cash flows from financing activities			
Repayment of loans		(26 246)	(21 678)
Share capital increase		-	323
Dividends paid		(44 048)	(36 322)
Net cash flow from financing activities	25	**(70 294)**	**(57 677)**
Change in cash, cash equivalents and bank overdraft		**55 357**	**6 982**
Cash,cash equivalents and bank overdraft at 1 January	16	53 523	43 645
Exchange gains (losses) on cash and cash equivalents		(142)	2 896
Cash, cash equivalents and bank overdraft at 31 December		**108 738**	**53 523**

The notes on pages 14 to 48 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 energy/telecoms, defence/aerospace, offshore/marine, medical devices and industry sectors. The group has operations in Norway, Sweden, Lithuania, Germany, US and China. 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 21 March 2018.

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 exept 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

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 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7. See note 25.

The adoption of these amendments did not have any impact on the group accounts.

New standards and interpretations not yet adopted.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standard and interpretations is set out below:

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The group does not expect any impacts from the derecognition rules. The group does not expect a significant impact for hedge accounting. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The group does not expect significant effects from the new impairment model. The new standard also introduces expanded disclosure requirements and changes in presentation. These are not expected to change the nature and extent of the group's disclosures significantly.

The standard is mandatory for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. See note 30 for more detailed information.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will primarily affect the accounting for the group's operating leases. The group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for financial years commencing on or after 1 January 2019. The group has not yet decided on implementation method. The group does not intend to adopt the standard before its effective date.

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 non-controlling 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 IAS 39 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. Inter-company 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 non-controlling 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 leased buildings, machinery and equipment where the lease is considered to be a financing method (financial leasing). 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, which 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 when conditions arise.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. When assessing impairment, fixed assets are grouped at the lowest level for which identifiable independent cash inflows exist (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 acquisition of a business and the fair value of the group's share of net identifiable assets in the business 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. When assessing the need to make an impairment charge on goodwill, the goodwill is allocated to relevant cash-generating units. 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 classifies its financial assets in the following categories based on the purpose for which the financial assets were acquired: loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments which are not traded in an active market. They are classified as current assets unless they mature more than 12 months after the balance sheet date. When maturing more than 12 months after the balance sheet date, loans and receivables are classified as non-current assets. Loans and receivables are classified as accounts receivable and other receivables in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Inventory

Inventory comprises purchased raw materials, work in progress and finished goods. It is stated at the lower of average acquisition cost and net realisable value. Cost is determined using the weighted average method. Acquisition costs for work in progress are direct material costs and payroll expenses plus indirect costs (based on normal activity).

Accounts receivable

Accounts receivable are recognised initially in the balance sheet at their fair value. Provision for bad debts is recognised in the accounts when objective indicators suggest that the group will not receive a settlement in accordance with the original terms. Significant financial problems at the customer, the probability that the customer will go into liquidation or undergo financial reconstruction, and postponements of or shortfalls in payment are regarded as indicators that a receivable needs to be written down. The provision represents the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows discounted by the effective interest rate. Changes in the provision are recognised in the profit and loss account as other operating expenses.

Cash and cash equivalents
Cash and cash equivalents include cash and deposits in bank accounts. Amounts drawn on overdraft facilities are included in loans under current liabilities.

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.

Loans
Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans using the effective interest method. Borrowing costs are charged to the profit and loss. 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 balance sheet date.

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 tax is calculated using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. If, however, deferred tax arises when initially recognising a liability or asset in a transaction which is not the integration of a business and which at the transaction date has no effect on the income statement or on tax, it is not recognised. 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 a defined benefit plan for the 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 18.

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. The group recognises revenue when the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the entity. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Kitron Group will implement IFRS 15 "Revenue from Contracts with Customers from 1 January 2018. See note 30 for more details.

Sales of goods
The group manufactures and sells a range of products in the EMS market. Sales of goods are recognised when a group entity has delivered products to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract.

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.

Leasing
Leases where a significant portion of the risks associated with the fixed asset are retained by the lessor are classified as operating leasing. Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement 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 property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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 and RMB.

At 31 December, if the 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 0.3 million (2016: NOK 1.0 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 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 0.3 million (2016: NOK 0.2 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 and receivables. Accounts receivable in the Norwegian, Swedish and Lithuanian operations are credit insured. Accounts receivables in these countries amounts to about 90 per cent of the group total. 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.

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
At 31 December 2017				
Bank overdraft	61 380	-	-	-
Leasing	18 741	17 849	28 797	-
Factoring debt	191 273	-	-	-
Other financial loans	10 944	15 789	23 677	-
Trade and other payables	515 082	-	-	-
At 31 December 2016				
Bank overdraft	60 462	-	-	-
Leasing	10 252	7 292	12 666	-
Factoring debt	212 042	-	-	-
Other financial loans	14 784	10 883	34 897	-
Trade and other payables	405 909	-	-	-

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 2017, 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 1.2 million (2016: NOK 1.7 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2017, 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 2.3 million (2016: NOK 1.8 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 2017 and 2016 were as follows:

(Amounts in NOK 1000)	2017	2016
Total borrowings (note 20)	351 915	350 264
Cash and cash equivalents (note 16)	(176 725)	(134 413)
Net debt	175 190	215 851
Total equity	663 565	584 799
Total capital	**838 755**	**800 650**
Gearing ratio	21%	27%

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.

Valuation of inventory

Calculating the cost of inventory involved determination of direct and indirect production cost. The determination requires management judgment related to estimation of future costs and production time Further, it requires consideration of large amounts of data which adds a degree of complexity to the estimation procedures. Management also apply judgment in identifying obsolete goods and in determining whether the obsolete goods should be valued at the lower cost or net realizable value. The main factors in determining net realizable value are management's expectations of future sales including sales volume and sales prices.

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 sales 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.

Sales by lines of business

The table shows the EMS turnover by industry:

(Amounts in NOK 1000)	2017	2016
Defence/Aerospace	654 290	574 121
Energy/Telecoms	356 330	302 746
Industry	938 966	687 813
Medical devices	455 193	484 858
Offshore/Marine	31 950	43 463
Total sales	**2 436 729**	**2 093 001**

Geographical breakdown sales

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

(Amounts in NOK 1000)	2017	2016
Norway	629 017	662 304
Sweden	1 265 418	1 014 393
Rest of Europe	197 186	119 765
USA	319 329	283 455
Other	25 779	13 084
Total sales	**2 436 729**	**2 093 001**

The largest customer counts for 9.4% (9.5%) of sales, the next counts for 7.3% (8.7%) and the others are below 7.0% (8.0%) each.

Geographical breakdown of assets.

	Norway		Sweden		Lithuania	
(Amounts in NOK 1000)	2017	2016	2017	2016	2017	2016
Assets	93 850	99 944	35 552	33 368	132 702	94 278

	China		Germany		USA	
(Amounts in NOK 1000)	2017	2016	2017	2016	2017	2016
Assets	19 929	19 343	69	136	6 539	2 969

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

Note 6 Other gains / (losses)

(Amounts in NOK 1000)	2017	2016
Currency gains	25 682	26 763
Currency losses	(26 543)	(29 500)
Other gains/(losses)	**(861)**	**(2 737)**

Note 7 Employee benefit

(Amounts in NOK 1000)	2017	2016
Payroll	348 598	336 793
Payroll tax	69 933	68 147
Net pension costs (gain) defined benefit plans (note 22)	152	169
Pension costs defined contribution plans	16 499	15 016
Other remuneration	45 569	30 583
Total	**480 751**	**450 708**
Average number of man-years (including hired-ins)	1 370	1 262
Average number of employees	1 478	1 237

Note 8 Financial income and expenses

(Amounts in NOK 1000)	2017	2016
Interest income	1 206	1 133
Other financial income	89	216
Agio	271	782
Finance income	**1 566**	**2 132**
Interest expenses	(8 928)	(11 856)
Other financial expenses	(4 600)	(3 424)
Disagio	(4 222)	(5 868)
Finance expenses	**(17 750)**	**(21 148)**
Net financial items	**(16 183)**	**(19 016)**

Note 9 Income tax expense

(Amounts in NOK 1000)	2017	2016
Tax payable	18 012	9 601
Deferred tax (Note 21)	11 059	12 879
Change in tax rate	4 431	1 781
Income tax expense	**33 502**	**24 261**

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)	2017	2016
Ordinary profit before tax	132 499	98 812
Tax calculated at the domestic rate (24%)/(25%)	31 800	24 703
Expenses not deductible for tax purposes	1 902	(1 585)
Tax loss for which no deferred income tax asset was recognised	309	186
Effect on deferred tax asset due to change in tax rate	4 431	1 781
Change in deferred tax asset booked against equity	645	3 048
Adjustment in respect of prior years	31	1 328
Effect on different tax rates in countries in which the group operates -	(5 616)	(5 200)
Tax cost	**33 502**	**24 261**

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

The tax rate is 24.0% (23.0% from 01.01.2018) in Norway, 22.0% in Sweden, 15.0% in Lithuania, 25.0% in China, 16.5% in Hong Kong, 43.4% (30.4% from 01.01.2018) in USA and 15.0% in Germany.

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

	2017			2016		
(Amounts in NOK 1000)	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gain / losses pensions	(231)	(55)	(176)	(178)	45	(134)
Unrealised gain / loss forward contracts	550	130	420	896	(224)	672
Exchange differences on translation of forreign operations	(2 460)	(590)	(1 870)	-	-	-
Currency translation differences	22 195	-	22 195	(15 634)	-	(15 634)
Other comprehensive income	**20 053**	**(516)**	**20 569**	**(14 916)**	**(180)**	**(15 096)**
Current tax		130			-	
Deferred tax		(645)			(180)	

Note 10 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 18).

(Amounts in NOK 1000)	2017	2016
Profit attributable to equity holders of the company	98 997	74 551
Profit used to determine basic and diluted earnings per share	98 997	74 551
Weighted average number of ordinary shares in issue (thousands)	176 193	173 553
Adjusted for share options (thousands).	1 286	6 503
Weighted average number of ordinary shares for diluted earnings per share (thousands)	177 479	180 056
Basic earnings per share	0.57	0.43
Diluted earnings per share	0.57	0.42

Note 11 Property, plant and equipment

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	Total
At 1 January 2016			
Acquisition cost	825 812	170 453	996 265
Accumulated depreciation/impairment	(722 060)	(62 377)	(784 437)
Accounting carrying amount	**103 752**	**108 076**	**211 828**
Fiscal 2016			
Opening balance	103 752	108 076	211 828
Conversion differences	(4 822)	(2 376)	(7 198)
Additions	61 891	3 615	65 506
Depreciation	(29 458)	(8 377)	(37 835)
Closing balance	**131 363**	**100 938**	**232 301**
At 31 December 2016			
Acquisition cost	882 881	171 692	1 054 573
Accumulated depreciation/impairment	(751 518)	(70 754)	(822 272)
Accounting carrying amount	**131 363**	**100 938**	**232 301**
Fiscal 2017			
Opening balance	131 363	100 938	232 301
Conversion differences	5 188	3 439	8 628
Additions	78 583	2 743	81 326
Depreciation	(35 071)	(9 314)	(44 385)
Closing balance	**180 063**	**97 806**	**277 869**
At 31 December 2017			
Acquisition cost	966 652	177 875	1 144 527
Accumulated depreciation/impairment	(786 589)	(80 068)	(866 657)
Accounting carrying amount	**180 063**	**97 806**	**277 869**

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 20. In 2017 the difference of NOK 47.2 million between additions in the table above and acquisitions of assets in Consolidated statement of cash flow consists of financial leased assets.

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 51.7 million and NOK 54.0 million (2016: NOK 52.7 million and NOK 57.1 million), see note 20.

Note 12 Goodwill

(Amounts in NOK 1000)	Goodwill
At 1 January 2016	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
Accounting carrying amount	**26 786**
Fiscal 2016	
Opening balance	--
Closing balance	**26 786**
At 31 December 2016	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
Accounting carrying amount	**26 786**
Fiscal 2017	
Opening balance	26 786
Closing balance	**26 786**
At 31 December 2017	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
Accounting carrying amount	**26 786**

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)	2017	2016
Norway	715	715
Sweden	3 555	3 555
Lithuania	20 062	20 062
Germany	2 454	2 454
Total	**26 786**	**26 786**

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 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 13 Other intangible assets

(Amounts in NOK 1000)	ERP System	MES System	Other intangible assets	Total
At 1 January 2016				
Acquisition cost	49 005	7 758	379	57 141
Accumulated depreciation	(28 610)	(2 504)	(184)	(31 298)
Accounting carrying amount	**20 395**	**5 254**	**194**	**25 843**
Fiscal 2016				
Opening balance	20 395	5 254	194	25 843
Conversion differences	(220)	-	(16)	(236)
Additions	336	82	-	418
Depreciation	(7 099)	(1 115)	(75)	(8 289)
Closing balance	**13 412**	**4 222**	**103**	**17 736**
At 31 December 2016				
Acquisition cost	49 121	7 840	362	57 324
Accumulated depreciation	(35 710)	(3 618)	(260)	(39 588)
Accounting carrying amount	**13 412**	**4 222**	**103**	**17 736**
Fiscal 2017				
Opening balance	13 412	4 222	103	17 736
Conversion differences	113	-	3	116
Additions	645	303	51	999
Depreciation	(6 841)	(1 156)	(81)	(8 078)
Closing balance	**7 328**	**3 369**	**76**	**10 773**
At 31 December 2017				
Acquisition cost	49 879	8 143	417	58 439
Accumulated depreciation	(42 551)	(4 774)	(341)	(47 666)
Accounting carrying amount	**7 328**	**3 369**	**76**	**10 773**

The MES system was operational in 2013 and is depreciated over 7 years, the same number of years as for the ERP system. Remaining amortisation period for the MES system is 3 years and for the ERP system 1 years. Other intangible assets consists of payroll system for Kitron AB.

Note 14 Accounts receivable and other receivables

(Amounts in NOK 1000)	2017	2016
Accounts receivable	516 251	442 459
Provision for bad debts	-	-
Accounts receivable - net	**516 251**	**442 459**

(Amounts in NOK 1000)	2017	2016
Earned non-invoiced income	35 146	1 839
Prepaid costs	19 219	3 216
Other	29 007	39 005
Other receivables	**83 372**	**44 060**

Fair value of accounts receivable and other receivables:

(Amounts in NOK 1000)	2017	2016
Accounts receivable - net	516 251	442 459
Accounts receivable - net	**516 251**	**442 459**

(Amounts in NOK 1000)	2017	2016
Earned non-invoiced income	35 146	1 839
Prepaid costs	19 219	3 216
Other	29 007	39 005
Other receivables	**83 372**	**44 060**

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

As of 31 December 2017 accounts receivables of NOK 516.3 million were fully performing. (2016: 442.5 million).

As of 31 December 2017 accounts receivables of 8.5 million (2016: NOK 9.3 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)	2017	2016
Up to 3 months	8 502	9 249
3 to 6 months	-	-
Total	**8 502**	**9 249**

As of 31 December 2017 no trade receivables were impaired and provided for (2016: NOK 0.0 million).

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

(Amounts in NOK 1000)	2017	2016
CNY	11 341	13 657
EUR	169 332	111 367
NOK	151 429	124 267
SEK	103 803	56 869
USD	163 374	180 359
GBP	344	-
Total	**599 623**	**486 519**

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

(Amounts in NOK 1000)	2017	2016
Provision at 1 January	-	-
Receivables written off during the year as uncollectable	-	-
Provision at 31 December	**-**	**-**

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. (2016: NOK 0.0 million).

No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 December 2017 provided security for NOK 381.8 million (2016: 374.9 million), see note 20.

Note 15 Inventories

(Amounts in NOK 1000)	2017	2016
Raw materials and purchased semi-manufactures	302 066	265 565
Work in progress	55 871	62 194
Finished goods	40 963	57 111
Total inventory	**398 901**	**384 869**

For obsolete goods in year 2017 there was recognised a change of NOK (0.5) million. In 2016 NOK (3.1) million. Impairment charge recorded in the balance sheet as per 31 December 2017 was 7.0 million, per 31 December 2016 7.5 million. Inventory at 31 December 2017 provides security for NOK 321.8 million (334.0), see note 20.

Note 16 Cash, Cash Equivalents and Bank Overdraft

(Amounts in NOK 1000)	2017	2016
Cash and cash equivalents	176 725	134 413

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

(Amounts in NOK 1000)	2017	2016
Cash and cash equivalents	176 725	134 413
Overdraft drawn down (Note 20)	(57 960)	(57 040)
Locked-in bank deposits	(10 027)	(23 850)
Total	**108 738**	**53 523**

(Amounts in NOK 1000)	2017	2016
Bank overdraft facilities 31 December	202 459	199 366
Net drawn on overdraft facilities 31 December	(57 960)	(57 040)
Locked-in bank deposits 31 December		
Security for tax withholding	-	9 286
Security for factoring receivables	10 027	14 241
Share capital payments	-	323
Total	**10 027**	**23 850**

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

Note 17 Share capital and premium reserve

Share capital and share premium reserve

(Amounts in NOK 1000)	Number of shares (thousands)	Ordinary shares	Premium reserve	Total
At 1 January 2017	176 193	17 619	456 058	473 677
At 31 December 2017	176 193	17 619	456 058	473 677

Shares and shareholder information

The company's share capital at 31 December 2017 comprised 176 192 611 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 4 708 shareholders at 31 December 2017.

The 20 largest shareholders in Kitron ASA at 31 December 2017:

Shareholder	Number	Percentage
Morgan Stanley & Co Int. [1)]	13 744 473	7.80%
MP Pensjon PK	11 580 439	6.57%
JPMorgan Chase Bank	6 500 000	3.69%
Verdipapirfondet Delphi Norge	6 201 309	3.52%
Verdipapirfondet Delphi Kombinasjon	5 351 547	3.04%
Athanase	5 149 985	2.92%
Verdipapirfondet Pareto Nordic	5 137 000	2.92%
Holberg Norge	4 986 556	2.83%
Skandinaviska Enskilda Banken AB	4 020 894	2.28%
SEB Prime Solutions	3 947 449	2.24%
Statoil Pensjon	3 767 091	2.14%
SES AS	3 699 114	2.10%
Athanase AB	3 659 715	2.08%
Catella Småbolagsfond	3 650 143	2.07%
Danske Invest Norge Vekst	2 810 000	1.59%
Toluma Norden AS	2 715 168	1.54%
Verdipapirfondet SR-Utbytte	2 635 087	1.50%
Avanza Bank AB	2 611 002	1.48%
VPF Nordea Avkastning	2 520 591	1.43%
Citibank	2 332 832	1.32%
Total 20 largest shareholders	**97 020 395**	**55.06%**
Total other shareholders	**79 172 216**	**44.94%**
Total outstanding shares	**176 192 611**	**100.00%**

[1)] Beneficial owner: Taiga Funds 7.66%, others 0.14%

Authorized share capital

Increasing the share capital

The ordinary general meeting of 25 April 2017 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 25 April 2017. The total amount by which the share capital may be increased is NOK 1 761 926.10. The authority applies until the ordinary general meeting in 2018 but no longer than 30 June 2018. 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, incentive programs for employees and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2017. The authorized share capital of the Company is therefore NOK 17 619 261.10.

Treasury shares

The ordinary general meeting on 25 April 2017 authorised the board to acquire own shares for a total nominal value of up to NOK 1 761 926.10 which is equal to 10 per cent of Kitron's registered share capital at 25 April 2017. Under this authorization the company shall 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. The authority is valid until the ordinary general meeting in 2018 but no longer than 30 June 2018. The authority had not been exercised at 31 December 2017.

Note 18 Share based payment

Share-Based Payment

Kitron ASA in 2015 established a new management option program. The Board of Directors was authorised to increase the share capital by NOK 550 000, which corresponds to 5 500 000 shares (approximately 3.0 percent of the market cap of the company), each with a par value of NOK 0.10.

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 estimates the likelihood of performance fulfilment and takes this into account in the valuation.

During the period ended 31 December 2017, the Company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2017 show grants gross before forfeited options.

Granted	2015	2016	2017	2017
Type of arrangement	Equity Settled	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	18.12.2015	13.12.2016	22.03.2017	14.12.2017
Options granted as of 31.12.2017	3 000 000	1 150 000	100 000	1 700 000
Contractual life (from grant date)	3.28 years	2.3 years	2.02 years	1.29 years
Vesting conditions	"100% of the options will vest three years after the start of the second calendar quarter of 2016. 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 criteria 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."	"100% of the options will vest three years after the start of the second calendar quarter of 2016. 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 criteria 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.	"100% of the options will vest three years after the start of the second calendar quarter of 2016. 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 criteria 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.	"100% of the options will vest three years after the start of the second calendar quarter of 2016. 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 criteria 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.
Expiry date	31.03.2019	31.03.2019	31.03.2019	31.03.2019

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 2017 are listed below (calculated at grant):

Granted	2015	2016	2017	2017
Exercise price	0.10	0.10	0.10	0.10
Share price at grant date	3.78	6.05	7.47	6.45
Expected life from grant date	3.28 years	2.3 years	2.02 years	1.29 years
Volatility	41%	44%	44%	31%
Risk free interest rate	0.67%	0.76%	0.59%	0.42%
Fair value per option	1.8061	3.4188	5.0348	3.2753

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 2017 arising from the option plan is NOK 3 247 732, not including social security.
The total carrying amount per 31 December 2017 is NOK 9 515 620, not including social security. Accrued social security at 31 December 2017 is NOK 1 245 517 (2016: 4 124 098).

Further details of the option plans are as follows:

	01.01.2017 - 31.12.2017	
	Shares	Weighted Average Exercise Price
Outstanding at the beginning of period	4 150 000	0.10
Granted	1 800 000	0.10
Forfeited	(612 500)	0.10
Outstanding at the end of period	5 337 500	0.10
Vested options	-	-

Details concerning outstanding options as of 31 December 2017 are given below.

Exercise price	Outstanding Options Per 31.12.2017	Weighted average remaining Contractual Life	Weighted Average Exercise Price
0.10 NOK	5 337 500	1.25	0.10

The following directors and members of the corporate management team held shares in the company at 31 December:

	Number of shares		Number of options	
Board	**2017**	**2016**	**2017**	**2016**
Tuomo Lähdesmäki, chairman	100 000	100 000	-	-
Päivi Marttila, board member	60 000	60 000	-	-
Gro Brækken, board member	24 000	24 000	-	-
Espen Gundersen, board member	30 000	-	-	-
Stefan Charette, board member (1)	-	-	-	-
Elisabeth Jacobsen, employee elected board member	1 600	1 600	-	-

	Number of shares		Number of options	
Corporate management team	**2017**	**2016**	**2017**	**2016**
Peter Nilsson, CEO	1 148 876	1 148 876	1 750 000	1 250 000
Cathrin Nylander, CFO	515 064	515 064	586 075	437 500
Israel Losada Salvador, COO	460 064	460 064	768 920	437 500
Anne Lise Hjelseth, CHRO	-	-	214 285	-
Mindaugas Sestokas, Managing Director	339 265	452 353	512 145	375 000
Tommy P. Storstein, Sales Director	297 176	297 176	-	312 500
Hans Petter Thomassen, Managing Director	155 087	177 242	512 145	375 000
Stefan Hansson Mutas, Managing Director	4 000	-	512 145	-
Zygimantas Dirse, General Manager	204 170	204 170	381 785	187 500

(1) Stefan Charette is CEO of Athanase Industrial Partner. Athanase Industrial Partner Ltd manages inter alia the two investments funds Athanase Industrial Partners Fund II and Athanase Industrial Partners II AB, which have a combined ownership of 8 809 700 shares, equal to 5% of the shares in Kitron ASA.

Note 19 Accounts payable and other payables

(Amounts in NOK 1000)	**2017**	**2016**
Accounts payable	428 801	315 133

(Amounts in NOK 1000)	**2017**	**2016**
Public duties	26 896	33 918
Payable to related parties (note 27)	5 748	3 485
Costs incurred	53 637	53 373
Other payables	**86 282**	**90 776**

Note 20 Borrowings

(Amounts in NOK 1000)	2017	2016
Long-term loans		
Leasing	39 419	18 466
Other [1]	37 015	42 996
Total	**76 434**	**61 462**
Current loans		
Debt to credit institutions [2]	57 960	57 040
Factoring debt [3]	187 156	207 356
Leasing	19 862	9 954
Other	10 503	14 452
Total	**275 481**	**288 802**
Total loans	**351 915**	**350 264**

1) Other long-term loans consist of long-term bank loans from the group's principle bank.

2) Kitron has established a group account agreement with the group's principle bank. This embraces the Norwegian, Swedish, German and US companies. The group's short term bank financing is a revolving facility. There is no draft at the group account agreement at 31 December 2017. Debt to credit institutions of NOK 58.0 million at 31 December 2017 relates to short-term credit facility in China. 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 2017. Unrestricted bank deposits and unused credit lines amounted to NOK 311.2 million for the group at 31 December 2017 (NOK 252.8 million at 31 December 2016).

3) Kitron has 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)	2017	2016
Between one and two years	32 018	17 274
Between two and five years	44 417	44 188
Total	**76 434**	**61 462**

Effective interest rate at the balance sheet date:

	2017		2016	
	NOK	Other	NOK	Other
Bank overdraft	2.0%	1.5%-5.9%	2.2%	0.9%-6.0%
Other loans	2.0% -2.5%	1.5%-5.9%	2.3% -2.5%	1.8%-6.0%

Carrying amount and fair value of long-term loans:

	Carrying amount		Fair value	
(Amounts in NOK 1000)	2017	2016	2017	2016
Leasing	39 419	18 466	36 833	17 404
Other	37 015	42 996	33 597	39 586
Total	**76 434**	**61 462**	**70 431**	**56 990**

Fair value is based on discounted cash flow with a discount rate of 4.0 per cent (2016: 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)	2017	2016
NOK	124 710	169 072
SEK	70 208	46 032
EUR	63 830	9 647
USD	32 428	64 257
CNY	60 738	61 256
Total	**351 915**	**350 264**

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 2017. Loans include NOK 351.9 million (2016: 350.3 million) in secured commitments (bank loans and other secured loans).

Mortgages

(Amounts in NOK 1000)	2017	2016
Debt secured by mortgages	351 915	350 264

Carrying amount of assets provided as security:

(Amounts in NOK 1000)	2017	2016
Buildings and land	53 949	57 093
Machinery and equipment	51 710	52 707
Cash	10 027	14 310
Receivables	381 824	374 862
Inventory	321 757	334 023
Total	**819 267**	**832 994**

For the Swedish entity there are company mortgages of SEK 46.0 million at 31 December 2017 (2016: SEK 46.0 million).

Debt secured by mortgages includes leasing liabilities for fixed assets treated for accounting purposes as financial leasing. 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 59.3 million at 31 December 2017 (2016: NOK 28.4 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 totaled NOK 0.4 million (2016: NOK 0.4 million) and NOK 16.0 million (2016: NOK 16.0 million) respectively for the group.

Financial lease agreements, non-current assets

(Amounts in NOK 1 000)	2017	2016
Machinery and equipment		
Carrying amount 31 December	76 263	53 194
Depreciation	7 710	12 239
Nominal rent	62 014	26 859
Present value of future rent	59 681	25 299
Remaining lease period	1-4 years	1-4 years

Specification of estimated lease payments falling due within:

(Amounts in NOK 1 000)		2017	2016
Nominal rent	<1 year	18 284	8 393
	1-2 years	16 989	6 331
	3-5 years	26 741	8 442
	>5 years	-	3 693
Present value of future rent	<1 year	17 511	8 309
	1-2 years	16 257	6 054
	3-5 years	25 913	7 651
	>5 years	-	3 284

Present value of future rent is based on a discount rate of 4.0 per cent (2016: 4.0 per cent).

Note 21 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.

	2017	2016
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	58 024	70 380
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	3 417	944
Deferred tax asset (net)	**54 607**	**69 436**

Change in carrying amount of deferred tax asset:

(Amounts in NOK 1000)	2017	2016
Opening balance	69 436	83 743
Currency translation differences	16	(2 702)
Profit and loss account	(11 059)	(12 879)
Other comprehensive income	645	(180)
Change in tax rate	(4 431)	(1 781)
Equity for the period	-	3 235
Closing balance	**54 607**	**69 436**

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

Deferred tax liabilities	Fixed assets and goodwill	Gain and loss account	Total
At 1 January 2016	**844**	**1 209**	**2 053**
Profit/(loss) for the period	511	(1 059)	(548)
Other comprehensive income	-	-	-
Currency translation differences	96	(37)	59
Change in tax rate	(109)	(4)	(113)
At 31 December 2016	**1 342**	**109**	**1 451**
Profit/(loss) for the period	(699)	(24)	(723)
Other comprehensive income	-	-	-
Currency translation differences	(32)	-	(32)
Change in tax rate	(101)	(4)	(105)
At 31 December 2017	**509**	**82**	**591**

Deferred tax asset	Provision and current assets	Loss carried forward	Pension	Total
At 1 January 2016	**2 802**	**81 368**	**1 626**	**85 796**
Profit/(loss) for the period	(1 782)	(11 560)	(85)	(13 427)
Equity for the period	-	3 235	-	3 235
Other comprehensive income	(225)	-	45	(180)
Currency translation differences	(18)	(2 625)	-	(2 643)
Change in tax rate	(20)	(1 811)	(63)	(1 894)
At 31 December 2016	**757**	**68 607**	**1 523**	**70 887**
Profit/(loss) for the period	487	(12 181)	(88)	(11 782)
Other comprehensive income	-	590	55	645
Currency translation differences	25	(41)	-	(16)
Change in tax rate	(39)	(4 435)	(62)	(4 536)
At 31 December 2017	**1 229**	**52 540**	**1 428**	**55 198**

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

The group did not recognise deferred tax assets of TNOK 3 752 (2016: TNOK 3 365) in respect of losses amounting to TNOK 24 991 (2016: TNOK 22 413).

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

Note 22 Retirement benefit obligations

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

The new AFP-scheme, in force from 1 January 2011, 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

	Unfunded	
(Amounts in NOK 1000)	**2017**	**2016**
Pension commitments	6 205	6 343
Costs recognised in the profit and loss account (incl in note 7)		
Pension costs (gain) defined benefit planes	152	169
Cost recognised in other comprehensive income		
Actuarial losses (gains) pensions	231	179

Defined pension benefit plans

(Amounts in NOK 1000)	2017	2016
Carrying amount of the obligation is determined as follows		
Present value of pension obligation	(6 205)	(6 343)
Fair value of plan asset	-	-
Net commitments in unfunded defined benefit plans	**(6 205)**	**(6 343)**
Hereof payroll tax on the pension obligations	(767)	(784)
Net pension obligation in the balance sheet	**(6 205)**	**(6 343)**

Net pension costs comprise

(Amounts in NOK 1000)	2017	2016
Interest cost	(152)	(169)
Total, included in payroll costs	**(152)**	**(169)**

Change in carrying amount of pension commitments

(Amounts in NOK 1000)	2017	2016
Opening balance	(6 343)	(6 502)
Cost recognised in the profit and loss account for the year	(152)	(169)
Cost recognised in other comprehensive income	(231)	(178)
Benefits paid	521	506
Closing balance	**(6 205)**	**(6 343)**

The following assumptions have been applied in calculating pension commitments:

	2017	2016
Discount rate	2.40%	2.50%
Annual pension adjustment	2.25%	2.20%
Social security tax rate	14.10%	14.10%

Assumptions on mortality rates are based on published statistics in Norway	K2013	K2013

	2017	2016
Number of employees in defined benefit plans	1	1

Note 23 Dividends per share

For 2016 a dividend of NOK 0.25 per share was paid. For the year ended 31 December 2017 a dividend of NOK 0.55 per share will be proposed at the annual general meeting on 20 April 2018. The dividend is not included in the accounts for the group.

Note 24 Provisions

Classification in the income statement

(Amounts in NOK 1000)	2017	2016
Additional provisions made in period	-	-
Amounts incurred and charged against provision in period	-	(5 309)
Total charged in income statement	**-**	**(5 309)**

Classification in the balance sheet

(Amounts in NOK 1000)	2017	2016
Value at 1 January	-	5 407
Conversion differences	-	(140)
Additional provisions made in period	-	-
Amounts incurred and charged against provision in period	-	(5 267)
Total at 31 December	**-**	**-**

Note 25 Cash flow from operations

(Amounts in NOK 1000)	2017	2016
Profit/(loss) before tax	132 499	98 812
Depreciation and impairment	52 464	46 124
Change in inventory	(14 031)	(23 519)
Change in accounts receivable and other short term receivables	(73 792)	(43 959)
Change in factoring debt	(20 200)	8 576
Change in accounts payable and other short term payables	113 668	62 883
Change in pension funds/obligations	(369)	(338)
Effect from option costs	3 248	4 534
Change in other items	(39 896)	(4 426)
Change in restricted bank deposits	13 892	(11 166)
Terminated options against cash consideration	-	(11 738)
Interest cost - net	7 722	10 723
Foreign exchange losses / (gains) on operating activities	7 797	(12 599)
Cash flow from continuing operations	**183 002**	**123 907**

Kitron

Net debt reconciliation

(Amounts in NOK 1000)	2017	2016
Cash and cash equivalents	176 725	134 413
Borrowings – repayable within one year (including overdraft)	(275 481)	(288 802)
Borrowings – repayable after one year	(76 434)	(61 462)
Net debt	**(175 190)**	**(215 851)**

Cash and liquid investments	176 725	134 413
Gross debt – variable interest rates	(351 915)	(350 264)
Net debt	**(175 190)**	**(215 851)**

	Cash/ bank overdraft	Locked-in bank deposits	Finance leases due within 1 year	Finance leases due after 1 year	Borrow. due within 1 year	Borrow. due after 1 year	Total
Net debt at 1 January 2017	**53 523**	**23 850**	**(9 954)**	**(18 466)**	**(221 808)**	**(42 996)**	**(215 851)**
Cash flows	55 357	(13 823)	9 954	-	21 042	5 204	77 734
Acquisitions – finance leases and lease incentives	-	-	(26 247)	(20 953)	-	-	(47 200)
Foreign exchange adjustments	(142)	-	6 431	-	3 107	777	10 127
Net debt at 31 December 2017	**108 738**	**10 027**	**(19 816)**	**(39 419)**	**(197 659)**	**(37 015)**	**(175 190)**

Note 26 Commitments

Operating leases, non-current assets

(Amounts in NOK 1 000)	2017	2016
Machinery and equipment		
Rent	1 948	1 225
Remaining lease	1-4 years	1-4 years
Buildings and land		
Rent	10 259	14 783
Remaining lease	1-10 years	1-10 years

Buildings and land includes premises in Norway, Sweden, Germany, China and US.

Specification of estimated lease payments falling due within:

(Amounts in NOK 1 000)		2017	2016
Nominal rent	1 year	11 813	9 831
	2-5 years	33 902	33 531
	> 5 years	23 358	22 544

With some leases for machinery and equipment, the company has a limited right to buy the leased object at the termination of the lease period. The buy-out price is the normal market price for the relevant leased object.

Note 27 Related parties

(Amounts in NOK 1000)	2017	2016
Remuneration of senior executives		
Pay and other short-term benefits [(1)]	23 284	46 977
Payable to related parties:		
Senior executives [(1)]	5 748	3 485

[(1)] 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)	2017	2016
Directors' fee:	**1 877**	**1 863**
- chairman	405	400
- board members	1 472	1 463
Auditors fee	**2 912**	**2 211**
- statutory audit	2 316	1 693
- audit related services	22	-
- tax related services	439	415
- other services	135	103

Pay and other remuneration of senior executives in 2017:

(Amounts in NOK 1000) Name	Function	Period	Basic salary (A)	Bonus earned[*)] (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	01.01.2017-31.12.2017	2 788	1 081	256	4 125	1 276
Cathrin Nylander	CFO	01.01.2017-31.12.2017	2 095	723	301	3 119	127
Tommy Storstein	Sales Director	01.01.2017-31.12.2017	1 152	472	192	1 815	62
Israel Losada Salvador	COO	01.01.2017-31.12.2017	2 006	778	279	3 064	151
Anne Lise Hjelseth	CHRO	01.07.2017-31.12.2017	616	550	119	1 285	45
Hans Petter Thomassen	Managing Director	01.01.2017-31.12.2017	1 521	687	239	2 447	101
Mindaugas Sestokas	Managing Director	01.01.2017-31.12.2017	1 530	653	116	2 299	-
Zygimantas Dirse	General Manager	01.01.2017-31.12.2017	1 451	368	417	2 236	56
Stefan Hanson Mutas	Managing Director	01.03.2017-31.12.2017	1 230	436	53	1 719	370
Thomas Løfgren	Managing Director	01.01.2017-31.05.2017	1 141	-	35	1 176	201
Total			15 528	5 748	2 008	23 284	2 388

(Amounts in NOK 1000) Name	Function	Period	Basic salary (A)	Bonus earned[*)] (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmäki	Chairman of the board	01.01.2017-31.12.2017	401	-	4	405
Päivi Marttila	Board member	01.01.2017-31.12.2017	201	-	23	224
Bjørn Gottschlich	Board member	01.01.2017-31.12.2017	201	-	-	201
Elisabeth Jacobsen	Board member	01.01.2017-31.12.2017	201	-	23	224
Gro Brekken	Deputy chair	01.01.2017-31.12.2017	201	-	4	204
Tanja Rørheim	Board member	01.01.2017-31.12.2017	201	-	-	201
Stefan Charette	Board member	01.01.2017-31.12.2017	197	-	8	204
Espen Gundersen	Board member	25.04.2017-31.12.2017	138	-	20	158
Arne Solberg	Deputy chair	01.01.2017-25.04.2017	50	-	7	56
Total			1 789	-	88	1 877

[*)] Bonuses earned in 2017. The bonuses will be paid in 2018.

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.

Pay and other remuneration of senior executives in 2016:

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Benefit from options**) (C)	Other remunerat. (D)	Total pay & remunerat. (A+B+C+D)	Pension contribution
(Amounts in NOK 1000)								
Peter Nilsson	CEO	01.01.2016-31.12.2016	2 784	773	9 114	234	12 905	1 251
Cathrin Nylander	CFO	01.01.2016-31.12.2016	1 722	517	3 615	202	6 056	106
Tommy P. Storstein	Sales Director	01.01.2016-31.12.2016	1 152	319	2 557	179	4 207	57
Israel Losada Salvador	COO	01.01.2016-31.12.2016	2 007	556	3 615	191	6 369	144
Hans Petter Thomassen	Managing Director	01.01.2016-31.12.2016	1 499	422	1 525	168	3 614	98
Thomas Löfgren	Managing Director	01.01.2016-31.12.2016	1 239	369	3 081	86	4 775	408
Mindaugas Sestokas	Managing Director	01.01.2016-31.12.2016	1 551	326	3 398	115	5 391	-
Zygimantas Dirse	General Manager	01.01.2016-31.12.2016	1 382	203	1 722	353	3 660	-
Total			13 336	3 485	28 627	1 528	46 977	2 064

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
(Amounts in NOK 1000)						
Tuomo Lähdesmäki	Chairman of the board	01.01.2016-31.12.2016	393	-	7	400
Arne Solberg	Deputy chair	01.01.2016-31.12.2016	197	-	26	223
Päivi Marttila	Board member	01.01.2016-31.12.2016	197	-	22	219
Martynas Cesnavicius	Board member	01.01.2016-31.12.2016	197	-	7	204
Gro Brækken	Board member	01.01.2016-31.12.2016	197	-	7	204
Bjørn Gottschlich	Employee representative	01.01.2016-31.12.2016	197	-	-	197
Tanja Rørheim	Employee representative	01.01.2016-31.12.2016	197	-	-	197
Elisabeth Jacobsen	Employee representative	01.01.2016-31.12.2016	197	-	22	219
Total			1 772	-	91	1 863

*) Bonuses earned in 2016. The bonuses were paid in 2017.

**) Calculated benefit from exercise of a three year share option program. The program was established in 2013 and exercised in 2016. See note 18 for more details around the option program. The benefit consists partly of benefit from 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 2017.

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 2018 and until the Annual General Meeting in 2019. 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 2017 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 receives an additional yearly pension contribution of the NOK equivalent of SEK 1 200 000.

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 2017 is 65 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 2017.

2. Principles that are binding on the Board of Directors

Long-term incentive scheme

In 2015 the Board introduced a new share option program for executive management comprising up to 5 500 000 shares running for three years from the start of the second calendar quarter 2016.

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 is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange. Per 31 December 2017, 5 337 500 options have been granted to executive management. The share option program is described in more detail in note 18 in the annual financial statements.

New Long-term incentive scheme 2019-2023

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 2023. 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.

The program is subject to the approval of the Annual General Assembly.

Note 28 Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2017. 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 Inc	Johnstown, Pennsylvania / USA	100%	100%	EMS manufacturing
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	Property
UAB Kitron	Kaunas, Lithuania	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

Note 29 Government grants

The group has received grants in 2017 of TNOK 217 (2016: 195). TNOK 183 was for innovation bonus.
The amount has reduced Other operating expenses correspondingly.

Note 30 Implementation of IFRS 15 «Revenue from Contracts with Customers»

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11 (construction contracts).

The new standard is based on the principle that revenue is recognized when control of goods or services transfers to a customer. The notion of control replaces the existing notion of risks and rewards. The most important change to current practice is that a significant portion of our revenues will no longer be recognized at point in time when the goods have been delivered. Based on the guidance for IFRS 15, a significant portion of our revenues will be recognized over the contract period based on estimated percentage of completion for the relevant contracts going forward.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the prospective approach, which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018. The new accounting standard will have some effects for Kitron when it comes to the timing for recognizing revenue, cost of materials and tax. In addition, certain financial statement line items in the balance sheet will change going forward which is mainly related to other receivables (contract assets) and inventory. The table below shows the implementation effects and impact on the condensed balance sheet as of 1 January 2018. Kitron has made a preliminary analysis where the estimated cumulative effect for retained earnings as of 1 January 2018 is an increase of NOK 5.4 million.

Impact on condensed balance sheet

(Amounts in NOK 1000)	31.12.2017	Effects from IFRS 15	01.01.2018
ASSETS			
Goodwill	26 786	-	26 786
Other intangible assets	10 773	-	10 773
Tangible fixed assets	277 869	-	277 869
Deferred tax assets	58 024	(1 366)	56 657
Total non-current assets	**373 451**	**(1 366)**	**372 085**
Inventory	398 901	(118 860)	280 041
Accounts receivable	516 251	-	516 251
Contract assets	-	125 586	125 586
Other receivables	83 372	-	83 372
Cash and cash equivalents	176 725	-	176 725
Total current assets	**1 175 248**	**6 727**	**1 181 974**
Total assets	**1 548 699**	**5 361**	**1 554 060**
LIABILITIES AND EQUITY			
Equity	663 565	5 361	668 925
Total equity	**663 565**	**5 361**	**668 925**
Deferred tax liabilities	3 417	-	3 417
Loans	76 434	-	76 434
Pension commitments	6 205	-	6 205
Total non-current liabilities	**86 056**	**-**	**86 056**
Accounts payable	428 801	-	428 801
Other payables	86 282	-	86 282
Tax payable	8 515		8 515
Loans	275 481	-	275 481
Total current liabilities	**799 079**	**-**	**799 079**
Total liabilities and equity	**1 548 699**	**5 361**	**1 554 060**

New and adjusted accounting principles from 01.01.2018

Sale 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 canceled.

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 stand-alone 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.

Annual accounts and notes
Kitron ASA

Income statement, Kitron ASA

(Amounts in NOK 1000)	Note	2 017	2 016
Revenues			
Sales revenues	2, 7	86 784	73 058
Total revenues		86 784	73 058
Operating costs			
Payroll expenses	3, 4, 7, 11, 13	49 870	43 716
Depreciation and impairments	5, 6	7 491	7 923
Other operating expenses	13	46 120	43 019
Total operating costs		**103 481**	**94 658**
Operating profit / (loss)		**(16 697)**	**(21 600)**
Financial income and expenses			
Intra group interest income	7	3 376	3 132
Other interest income		505	916
Other financial income	7, 18	69 983	52 239
Interest expenses		887	991
Other financial expenses	18	5 244	5 596
Net financial items		**67 733**	**49 700**
Profit before tax		51 036	28 100
Tax	8	2 660	(1 753)
Net profit / (loss)		**48 376**	**29 853**

Balance sheet at 31 December, Kitron ASA

(Amounts in NOK 1000)	Note	2017	2016
Assets			
Fixed Assets			
Intangible fixed assets			
Deferred tax	8	40 147	42 752
Other intangible assets	6	8 587	13 927
Total intangible fixed assets		**48 734**	**56 679**
Tangible fixed assets			
Machinery, equipment etc.	5, 16	7 338	6 771
Financial fixed assets			
Investment in subsidiaries	9, 16	329 600	329 600
Intra-group loans	7, 14, 16	129 850	138 873
Total financial fixed assets		**459 450**	**468 473**
Total fixed assets		**515 522**	**531 923**
Current Assets			
Receivables			
Accounts receivables	7, 16	12 669	10 384
Other receivables	7, 16	81 003	44 576
Total receivables		**93 672**	**54 960**
Bank deposits, cash in hand etc.	17	10 027	34 822
Total current assets		**103 699**	**89 782**
Total assets		**619 221**	**621 705**

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

(Amounts in NOK 1000)	Note	2017	2016
Liabilities and equity			
Equity			
Paid-in equity			
Share capital (172 961 625 shares at NOK 0.10)	10, 12	17 619	17 619
Share premium reserve	10	242 827	242 827
Total paid-in equity		**260 446**	**260 446**
Other Equity	10, 11	214 068	259 526
Total equity		**474 514**	**519 972**
Liabilities			
Long-term liabilities			
Pension commitments	4	6 205	6 343
Loans	15	12 250	19 250
Total long-term liabilities		**18 455**	**25 593**
Current liabilities			
Loans	15, 16, 17	10 988	7 000
Accounts payable	7	5 937	4 605
Dividend		96 906	44 048
Other current liabilities		12 421	20 487
Total current liabilities		**126 252**	**76 140**
Total liabilities		**144 707**	**101 733**
Total liabilities and equity		**619 221**	**621 705**

Oslo, 21 March, 2018

Tuomo Lähdesmäki
Chairman

Gro Brækken
Deputy chairman

Stefan Charette

Espen Gundersen

Tanja Rørheim
Employee elected board member

Elisabeth Jacobsen
Employee elected board member

Päivi Marttila

Bjørn Gottschlich
Employee elected board member

Lars Peter Nilsson
CEO

Cash Flow Statement, Kitron ASA

(Amounts in NOK 1000)	2 017	2 016
Cash flows from operational activities		
Profit before tax	51 036	28 100
Ordinary depreciation	7 491	7 923
Change in accounts receivables	(2 285)	5 484
Change in accounts payables	1 332	(1 585)
Change in pension funds/ obligations	(369)	(338)
Option costs without cash effect	3 247	4 536
Cash effect from termination of options	-	(11 738)
Change in other accrual items	(35 469)	20 353
Net cash flow from operational activities	**24 983**	**52 735**
Cash flows from investment activities		
Acquisition of fixed assets	(2 718)	(1 254)
Net cash flow from investment activities	**(2 718)**	**(1 254)**
Cash flows from financing activities		
Net change in overdraft facilities	3 988	(4 262)
Repayment of borrowings	(7 000)	(7 000)
Issue of ordinary shares	-	323
Payment of dividend	(44 048)	(36 322)
Net cash flow from financing activities	**(47 060)**	**(47 261)**
Net change in cash and cash equivalents	(24 795)	4 220
Cash and cash equivalents at 1 January	34 822	30 602
Cash and cash equivalents at 31 December	**10 027**	**34 822**

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 programs 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 complies 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 23 per cent (24 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 2017.

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)	2017	2016
Norway	26 994	27 029
Sweden	18 387	12 204
Lithuania	35 223	28 407
Other	6 180	5 418
Total	**86 784**	**73 058**

Note 3 Payroll expenses

Payroll costs

(Amounts in NOK 1000)	2017	2016
Pay	40 474	31 131
Payroll taxes	2 748	5 417
Pension costs	804	792
Other remuneration	5 844	6 376
Total	**49 870**	**43 716**
Average number of FTEs	48	40

Note 4 Pensions and similar obligations

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

The new AFP-scheme, in force from 1 January 2011, 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)	2017	2016
Carrying amount of the obligation is determined as follows:		
Present value of accrued pension commitments in unfunded benefit plans	6 205	6 343
+/- unrecognised actuarial gains and losses	-	-
Net commitments in unfunded defined benefit plans	**6 205**	**6 343**
Hereof payroll tax on the pension obligation	767	784
Pension costs comprise:		
Interest costs	152	169
Net pension cost for unfunded plans	**152**	**169**
Net pension cost for contribution based pension plans	**652**	**623**
Net pension costs included in note 3	**804**	**792**
Cost recognised in equity		
Actuarial losses pensions	231	179

The following assumptions have been applied in calculating pension commitments

	2017	2016
Discount rate	2.4%	2.5%
Annual pension adjustment	2.25%	2.2%
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	24 565
Additions during the year	1 893
Disposal during the year	-
Acquisition cost at 31 December	**26 458**
Accumulated depreciation 1 January	17 794
Depreciation during the year	1 326
Disposal during the year	-
Accumulated depreciation at 31 December	**19 120**
Book value 31 December	**7 338**
Useful lifetime	3 - 5 years
Depreciation plan	Linear

Annual lease of fixed assets unrecognised in the balance sheet

Fixed asset	Length of lease	Annual rent
Premises	>2018	1 061
Company cars	>2018	828

Note 6 Other intangible assets

Other intangible assets

(Amounts in NOK 1000)	System software
Acquisition cost at 1 January	45 078
Additions during the year	823
Disposal during year	-
Acquisition cost at 31 December	**45 901**
Accumulated depreciation at 1 January	31 150
Depreciation during the year	6 164
Accumulated depreciations at 31 December	37 314
Book value 31 December	**8 587**
Depreciation plan	Linear
Useful lifetime	7 years

Note 7 Related parties

(Amounts in NOK 1000)	2017	2016
Sales revenues		
From subsidiaries [1]	86 784	73 058
Purchase of goods and services		
From subsidiaries [1]	25 263	21 157
Remuneration of senior executives		
Pay and other short-term benefits [2]	13 408	29 537
Financial income		
Interest income from subsidiaries [1]	3 376	3 132
Dividend and group contribution from subsidiaries	68 595	38 930
Total	**71 971**	**42 062**

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

	2017	2016
Receivables and loans		
Subsidiaries [1]	210 785	188 187
Total	**210 785**	**188 187**
Payables		
Subsidiaries [1]	2 308	1 970
Total	**2 308**	**1 970**

[1] 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.

[2] 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

Taxes

(Amounts in NOK 1000)	2017	2016
Tax cost for the year breaks down into:		
Tax payable	-	-
Change in deferred tax	861	(6 814)
Deferred tax charged to equity	55	3 279
Change in tax rate (23%/24%)	1 744	1 781
Total tax cost	**2 660**	**(1 753)**
Calculation of tax base for the year:		
Profit before tax	51 036	28 100
Permanent differences *)	(64 654)	(60 667)
Change in temporary differences	2 626	(2 898)
Adjustment in tax loss carried forward in respect of prior years	126	-
Change in tax loss carried forward	10 866	35 466
Tax base for the year	**-**	**-**
Overview of temporary differences		
Receivables	-	-
Fixed assets	(1 680)	(2 008)
Pensions	(6 205)	(6 343)
Other temporary differences	(3 320)	(276)
Gain and loss account	189	236
Total	**(11 017)**	**(8 391)**
Loss carried forward	(163 535)	(169 744)
Total	**(174 552)**	**(178 135)**
Deferred tax asset (23%/24%)	**40 147**	**42 752**
Explanation of why tax cost for the year does not equal 24%/25% of pre-tax result		
24%/25% of loss before tax	12 249	7 025
Permanent differences 24%/25%	(15 517)	(15 167)
Group contribution received	4 098	
Tax effect of actuarial gains and losses charged to equity	55	45
Tax effect of stock option program booked against equity	-	3 235
Change in tax rate (23%/24%)	1 744	1 781
Adjustment in respect of prior years	31	1 328
Calculated tax cost	**2 660**	**(1 753)**
Effective tax rate **)	5.2%	(6.2%)

*) Includes non-tax-deductible costs such as entertainment, group contribution and dividend

**) 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%	147 154	20 408	243 737
Kitron AB	Jönköping, Sweden	100%	100%	82 717	19 227	13 463
Kitron Hong Kong Ltd	Hong Kong	100%	100%	(5 567)	(1 463)	1
Kitron GmbH	Nürtingen, Germany	100%	100%	2 501	(455)	30 194
Kitron Inc	Johnstown, US	100%	100%	(14 602)	(394)	583
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	4 241	121	12 421
UAB Kitron	Kaunas, Lithuania	100%	100%	203 503	56 113	29 201
Total investment in subsidiaries						**329 600**

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

(Amounts in NOK 1000) Company	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron Electronics Manufacturing (Ningbo) Co., Ltd.	Ningbo China	100%	100%	50 306	19 722	35 253
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	5 473	719	2 169

Note 10 Equity

Equity

(Amounts in NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2016	**17 296**	**242 827**	**259 526**	**519 972**
Net profit	-	-	48 376	48 376
Effect from option costs	-	-	3 247	3 247
Actuarial gains and losses pensions	-	-	(175)	(175)
Dividend	-	-	(96 906)	(96 906)
At 31 December 2017	**17 619**	**242 827**	**214 068**	**474 514**

Note 11 Shares based payments

Share-Based Payment
Kitron ASA in 2015 established a new management option program. The Board of Directors was authorised to increase the share capital by NOK 550 000, which corresponds to 5 500 000 shares (approximately 3.0 percent of the market cap of the company), each with a par value of NOK 0.10.

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 estimates the likelihood of performance fulfilment and takes this into account in the valuation.

During the period ended 31 December 2017, the Company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2017 show grants gross before forfeited options.

Granted	2015	2016	2017	2017
Type of arrangement	Equity Settled	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	18.12.2015	13.12.2016	22.03.2017	14.12.2017
Options granted as of 31.12.2017	3 000 000	1 150 000	100 000	1 700 000
Contractual life (from grant date)	3.28 years	2.3 years	2.02 years	1.29 years
Vesting conditions	"100% of the options will vest three years after the start of the second calendar quarter of 2016.	"100% of the options will vest three years after the start of the second calendar quarter of 2016.	"100% of the options will vest three years after the start of the second calendar quarter of 2016.	"100% of the options will vest three years after the start of the second calendar quarter of 2016.
	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	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 criteria during the vesting period	The market cap of the Company must have increased according to specific criteria during the vesting period	The market cap of the Company must have increased according to specific criteria during the vesting period	The market cap of the Company must have increased according to specific criteria 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.	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."	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.	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.
Expiry date	31.03.2019	31.03.2019	31.03.2019	31.03.2019

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 2017 are listed below (calculated at grant):

Granted	2015	2016	2017	2017
Exercise price	0.10	0.10	0.10	0.10
Share price at grant date	3.78	6.05	7.47	6.45
Expected life from grant date	3.28 years	2.3 years	2.02 years	1.29 years
Volatility	41%	44%	44%	31%
Risk free interest rate	0.67%	0.76%	0.59%	0.42%
Fair value per option	1.8061	3.4188	5.0348	3.2753

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 2017 arising from the option plan is NOK 3 247 732, not including social security.
The total carrying amount per 31 December 2017 is NOK 9 515 620, not including social security. Accrued social security at 31 December 2017 is NOK 1 245 517 (2016: 4 124 098).

Further details of the option plans are as follows:

	01.01.2017 - 31.12.2017	
	Shares	Weighted Average Exercise Price
Outstanding at the beginning of period	4 150 000	0.10
Granted	1 800 000	0.10
Forfeited	(612 500)	0.10
Outstanding at the end of period	5 337 500	0.10
Vested options	-	-

Details concerning outstanding options as of 31 December 2017 are given below.

Exercise price	Outstanding Options Per 31.12.2017	Weighted average remaining Contractual Life	Weighted Average Exercise Price
0.10 NOK	5 337 500	1.25	0.10

The following directors and members of the corporate management team held shares in the company at 31 December:

	Number of shares		Number of options	
Board	**2017**	**2016**	**2017**	**2016**
Tuomo Lähdesmäki, chairman	100 000	100 000	-	-
Päivi Marttila, board member	60 000	60 000	-	-
Gro Brækken, board member	24 000	24 000	-	-
Espen Gundersen, board member	30 000	-	-	-
Stefan Charette, board member [(1)]	-	-	-	-
Elisabeth Jacobsen, employee elected board member	1 600	1 600	-	-

	Number of shares		Number of options	
Corporate management team	**2017**	**2016**	**2017**	**2016**
Peter Nilsson, CEO	1 148 876	1 148 876	1 750 000	1 250 000
Cathrin Nylander, CFO	515 064	515 064	586 075	437 500
Israel Losada Salvador, COO	460 064	460 064	768 920	437 500
Anne Lise Hjelseth, CHRO	-	-	214 285	-
Mindaugas Sestokas, Managing Director	339 265	452 353	512 145	375 000
Tommy P. Storstein, Sales Director	297 176	297 176		312 500
Hans Petter Thomassen, Managing Director	155 087	177 242	512 145	375 000
Stefan Hansson Mutas, Managing Director	4 000	-	512 145	-
Zygimantas Dirse, General Manager	204 170	204 170	381 785	187 500

[(1)] Stefan Charette is CEO of Athanase Industrial Partner. Athanase Industrial Partner Ltd manages inter alia the two investments funds Athanase Industrial Partners Fund II and Athanase Industrial Partners II AB, which have a combined ownership of 8 809 700 shares, equal to 5% of the shares in Kitron ASA.

Note 12 Shares and shareholders information

The company's share capital at 31 December 2017 comprised 176 192 611 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 4 708 shareholders at 31 December 2017.

The 20 largest shareholders in Kitron ASA at 31 December 2017:

Shareholder	Number	Percentage
Morgan Stanley & Co Int. [1)]	13 744 473	7.80%
MP Pensjon PK	11 580 439	6.57%
JPMorgan Chase Bank	6 500 000	3.69%
Verdipapirfondet Delphi Norge	6 201 309	3.52%
Verdipapirfondet Delphi Kombinasjon	5 351 547	3.04%
Athanase	5 149 985	2.92%
Verdipapirfondet Pareto Nordic	5 137 000	2.92%
Holberg Norge	4 986 556	2.83%
Skandinaviska Enskilda Banken AB	4 020 894	2.28%
SEB Prime Solutions	3 947 449	2.24%
Statoil Pensjon	3 767 091	2.14%
SES AS	3 699 114	2.10%
Athanase AB	3 659 715	2.08%
Catella Småbolagsfond	3 650 143	2.07%
Danske Invest Norge Vekst	2 810 000	1.59%
Toluma Norden AS	2 715 168	1.54%
Verdipapirfondet SR-Utbytte	2 635 087	1.50%
Avanza Bank AB	2 611 002	1.48%
VPF Nordea Avkastning	2 520 591	1.43%
Citibank	2 332 832	1.32%
Total 20 largest shareholders	**97 020 395**	**55.06%**
Total other shareholders	**79 172 216**	**44.94%**
Total outstanding shares	**176 192 611**	**100.00%**

[1)] Beneficial owner: Taiga Funds 7.66%, others 0.14%

Authorized share capital

Increasing the share capital

The ordinary general meeting of 25 April 2017 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 25 April 2017. The total amount by which the share capital may be increased is NOK 1 761 926.10. The authority applies until the ordinary general meeting in 2018 but no longer than 30 June 2018. 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, incentive programs for employees and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2017. The authorized share capital of the Company is therefore NOK 17 619 261.10.

Treasury shares

The ordinary general meeting on 25 April 2017 authorised the board to acquire own shares for a total nominal value of up to NOK 1 761 926.10 which is equal to 10 per cent of Kitron's registered share capital at 25 April 2017. Under this authorization the company shall 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. The authority is valid until the ordinary general meeting in 2018 but no longer than 30 June 2018. The authority had not been exercised at 31 December 2017.

Authorized share capital

Increasing the share capital
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Note 13 Remuneration of senior executives directors and auditor

Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)	2017	2016
Directors' fee:	1 877	1 863
- chairman	405	400
- board members	1 472	1 463
Auditors fee*)	**1 473**	**877**
- statutory audit	1 064	557
- audit related services	22	-
- tax related services	255	227
- other services	132	93

*) all figures without VAT

Pay and other remuneration of senior executives in 2017:

(Amounts in NOK 1000) Name	Function	Period	Basic salary (A)	Bonus earned[*)] (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	01.01.2017-31.12.2017	2 788	1 081	256	4 125	1 276
Cathrin Nylander	CFO	01.01.2017-31.12.2017	2 095	723	301	3 119	127
Tommy Storstein	Sales Director	01.01.2017-31.12.2017	1 152	472	192	1 815	62
Israel Losada Salvador	COO	01.01.2017-31.12.2017	2 006	778	279	3 064	151
Anne Lise Hjelseth	CHRO	01.07.2017-31.12.2017	616	550	119	1 285	45
Hans Petter Thomassen	Managing Director	01.01.2017-31.12.2017	1 521	687	239	2 447	101
Mindaugas Sestokas	Managing Director	01.01.2017-31.12.2017	1 530	653	116	2 299	-
Zygimantas Dirse	General Manager	01.01.2017-31.12.2017	1 451	368	417	2 236	56
Stefan Hanson Mutas	Managing Director	01.03.2017-31.12.2017	1 230	436	53	1 719	370
Thomas Løfgren	Managing Director	01.01.2017-31.05.2017	1 141	-	35	1 176	201
Total			15 528	5 748	2 008	23 284	2 388

(Amounts in NOK 1000) Name	Function	Period	Basic salary (A)	Bonus earned[*)] (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmäki	Chairman of the board	01.01.2017-31.12.2017	401	-	4	405
Päivi Marttila	Board member	01.01.2017-31.12.2017	201	-	23	224
Bjørn Gottschlich	Board member	01.01.2017-31.12.2017	201	-	-	201
Elisabeth Jacobsen	Board member	01.01.2017-31.12.2017	201	-	23	224
Gro Brekken	Deputy chair	01.01.2017-31.12.2017	201	-	4	204
Tanja Rørheim	Board member	01.01.2017-31.12.2017	201	-	-	201
Stefan Charette	Board member	01.01.2017-31.12.2017	197	-	8	204
Espen Gundersen	Board member	25.04.2017-31.12.2017	138	-	20	158
Arne Solberg	Deputy chair	01.01.2017-25.04.2017	50	-	7	56
Total			1 789	-	88	1 877

*) Bonuses earned in 2017. The bonuses will be paid in 2018.

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.

Pay and other remuneration of senior executives in 2016:

(Amounts in NOK 1000) Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Benefit from options**) (C)	Other remunerat. (D)	Total pay & remunerat. (A+B+C+D)	Pension contribution
Peter Nilsson	CEO	01.01.2016-31.12.2016	2 784	773	9 114	234	12 905	1 251
Cathrin Nylander	CFO	01.01.2016-31.12.2016	1 722	517	3 615	202	6 056	106
Tommy P. Storstein	Sales Director	01.01.2016-31.12.2016	1 152	319	2 557	179	4 207	57
Israel Losada Salvador	COO	01.01.2016-31.12.2016	2 007	556	3 615	191	6 369	144
Hans Petter Thomassen	Managing Director	01.01.2016-31.12.2016	1 499	422	1 525	168	3 614	98
Thomas Löfgren	Managing Director	01.01.2016-31.12.2016	1 239	369	3 081	86	4 775	408
Mindaugas Sestokas	Managing Director	01.01.2016-31.12.2016	1 551	326	3 398	115	5 391	-
Zygimantas Dirse	General Manager	01.01.2016-31.12.2016	1 382	203	1 722	353	3 660	-
Total			13 336	3 485	28 627	1 528	46 977	2 064

(Amounts in NOK 1000) Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmki	Chairman of the board	01.01.2016-31.12.2016	393	-	7	400
Arne Solberg	Deputy chair	01.01.2016-31.12.2016	197	-	26	223
Päivi Marttila	Board member	01.01.2016-31.12.2016	197	-	22	219
Martynas Cesnavicius	Board member	01.01.2016-31.12.2016	197	-	7	204
Gro Brækken	Board member	01.01.2016-31.12.2016	197	-	7	204
Bjørn Gottschlich	Employee representative	01.01.2016-31.12.2016	197	-	-	197
Tanja Rørheim	Employee representative	01.01.2016-31.12.2016	197	-	-	197
Elisabeth Jacobsen	Employee representative	01.01.2016-31.12.2016	197	-	22	219
Total			1 772	-	91	1 863

*) Bonuses earned in 2016. The bonuses were paid in 2017.

**) Calculated benefit from exercise of a three year share option program. The program was established in 2013 and exercised in 2016. See note 18 for more details around the option program. The benefit consists partly of benefit from 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 2017.

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 2018 and until the Annual General Meeting in 2019. 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 2017 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 receives an additional yearly pension contribution of the NOK equivalent of SEK 1 200 000.

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 2017 is 65 per cent of annual basic salary.

Regular salary reviews

Annual salary reviews are performed in accordance with the employment contract and with reference to the Hay market review 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 2017.

2. Principles that are binding on the Board of Directors

Long-term incentive scheme

In 2015 the Board introduced a new share option program for executive management comprising up to 5 500 000 shares running for three years from the start of the second calendar quarter 2016.

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 is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange. Per 31 December 2017, 5 337 500 options have been granted to executive management. The share option program is described in more detail in note 18 in the annual financial statements.

New Long-term incentive scheme 2019-2023

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 2023. 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.

The program is subject to the approval of the Annual General Assembly.

Note 14 Receivables

NOK 129.9 million of the NOK 129.9 million in intra-group loans at 31 December 2017 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2017	2016
Kitron Hong Kong Ltd	42 990	43 952
Kitron Inc	49 260	51 720
UAB Kitron Real Estate	18 350	16 951
Kitron AS	19 250	26 250
Total	**129 850**	**138 873**

Note 15 Information on long-term liabilities to financial institutions

The company has long-term bank loan of NOK 19.3 million at 31 December 2017 (NOK 26.3 at 31 December 2016). Of this is NOK 7.0 million short-term part and is due within one year. This is a five year finance agreement and will be fully settled during 2020. 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 2017.

Note 16 Mortgages

Mortgages

(Amounts in NOK 1000)	2017	2016
Debt secured by mortgages:	23 238	26 250
Carrying amount of assets provided as security:		
Machinery and equipment	7 338	6 771
Bank deposit	10 027	14 310
Total	**17 365**	**21 081**

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.

An external guarantee of NOK 2.0 million is provided for employees' withholding tax in Kitron ASA.

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 and US subsidiaries. Unused credit lines amounted to NOK 116.0 million at the end of 2017. The company has a cash deposit of NOK 10.0 million related to the group's factoring agreement with DNB Finans.

Note 18 Items consolidated in the accounts

Other financial income

(Amounts in NOK 1000)	2017	2016
Dividend and group contribution	68 595	38 930
Reversal of loss on intra-group receivable	-	13 309
Currency gain	1 299	-
Other financial income	89	-
Total other financial income	**69 983**	**52 239**
Financial expenses		
Currency loss	4 392	4 594
Other financial expenses	852	1 002
Total financial expenses	**5 244**	**5 596**

To the General Meeting of Kitron ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kitron ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and 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 financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, 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 parent company as at 31 December 2017, 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 financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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

Independent Auditor's Report - Kitron ASA

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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. We have not identified regulatory changes, transactions or other events that qualifies as Key audit matters for our audit of the 2017 financial statements. Consequently, our area of focus has been the same in 2017 as previous year. Inventory is still a significant element of Kitron ASA's balance sheet, and valuation of inventory continues to be a Key audit matter in 2017.

Key audit matter	How our audit addressed the Key audit matter
Valuation of inventory	
(See also note 2 and 15 to the financial statements for further information regarding inventory and provision related to obsolete goods) Inventory amounts to NOK 399 million as of 31 December 2017 in the consolidated financial statements and is a material financial statement line item. We focus on this area because calculating the cost of inventory involves determining direct and indirect production cost. The determination requires management judgment related to estimation of future costs and production time. Further, it requires, considering large amounts of data, which adds a degree of complexity to the estimation procedures. Management also apply judgement in identifying obsolete goods and in determining whether the obsolete goods should be valued at the lower of cost or net realizable value. The main factors in determining net realizable value are management's expectations of future sales including sales volume and sales prices.	We have reviewed management policy, which form the basis for inventory costing. We found the policy to be in line with IFRS requirements both for raw materials, work in progress and finished goods. To satisfy ourselves that internal controls related to costing were appropriate, we evaluated and validated controls directed at the accuracy in the cost price calculations. We have tested the accuracy of input data used in the costing model through test of details. These procedures include reconciliation of input data towards management's estimates and recalculation of both direct and indirect costs. We have also tested the estimates for reasonableness by comparing the costing model with estimated actual cost. Based on this comparison, we challenged management estimates. No significant variances were identified which triggered a need for additional adjustments of the costing model. We have audited the provision for obsolete goods by reviewing the consistency of the group accounting policy used and tested that the inventories are measured at the lower of cost and estimated net realizable value. Audit evidence is among other, obtained through physical inventory observation. Furthermore, policy for obsolescence was tested for reasonableness by reviewing and testing inventory reports for slow moving goods. To test the reasonableness of management's historical estimates, we have also reviewed prior year provision for obsolete goods based on sales information available in subsequent period. We also challenged management's assumptions related to future sales volumes and prices. No significant exception was noted from our work.

(2)

Other information

Management is responsible for the other information. The other information comprise all the information in the annual report, but does not include 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.

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 fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the 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 parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The 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.

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.

Independent Auditor's Report - Kitron ASA

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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 and 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 fair presentation.

- 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 governance 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.

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Independent Auditor's Report - Kitron ASA

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 proposal for the allocation of the profit 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 March 2018
PricewaterhouseCoopers AS

Bjørn Lund
State Authorised Public Accountant

(5)

Responsibility statement

"We confirm to the best of our knowledge that:

- the consolidated financial statements for 2017 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 2017 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, 21 March, 2018

Tuomo Lähdesmäki
Chairman

Gro Brækken
Deputy chairman

Stefan Charette

Espen Gundersen

Tanja Rørheim
Employee elected board member

Elisabeth Jacobsen
Employee elected board member

Päivi Marttila

Bjørn Gottschlich
Employee elected board member

Lars Peter Nilsson
CEO

Definition of Alternative Performance Measures

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 + 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)

Days of Inventory Outstanding R3
360/ ((Last 3 months Direct Costs *4) /(Last 3 months Inventory/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

Variable contribution
Revenue - Direct cost

Net gearing
Net interest - bearing debt / Equity

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 30 October 2014 ("the Code"). The code is available at 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, The Chairman of the Nomination Committee 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 21 March 2018.

Kitron's vision is to provide solutions that deliver success for its customers. Kitron's core values to support the vision are reliability, creativity, involvement and a positive and international mindset.

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.

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 and strategies are presented in the annual report. It is the board's opinion that these objectives and strategies are within the scope of the business purpose clause.

3. Equity and dividends

The parent company's share capital at 31 December 2017 amounted to NOK 17.6 million (NOK 17.6 million).

Total equity for the group at 31 December 2017 was NOK 663.6 million, corresponding to an equity ratio of 42.8 per cent. Considering the nature and scope of Kitron's business, the board considers that the company has adequate equity.

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. Freely negotiable shares

The shares are freely negotiable. The articles of association include no form of restriction on negotiability.

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, 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 is 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.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 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 two years. For the sake of continuity, one or two members stand for election each year.

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 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 25 April 2017, the nomination committee had the following members:

- Hans-Jørgen Wibstad, voted chair of the nomination committee and elected until the Annual General Meeting in 2018
- Ola Wessel-Aas, elected until the Annual General Meeting in 2018
- Daniel Nyhrén Edeen, elected until the Annual General Meeting in 2018

The committee's members Hans-Jørgen Wibstad and Ola Wessel-Aas are independent of the Kitron's management and the Board. Daniel Nyhrén Edeen is independent of the Kitron Management, but as an employee of Athanase together with Board member Stefan Charette, Mr. Nyhrén is not regarded independent of 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 five 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 25 April 2017 the board of directors consists of eight members and currently has the following composition:

- Tuomo Lähdesmäki (Chairman), elected for the period 2016-2018
- Gro Brækken (Vice chairman), elected for the period 2017-2018
- Stefan Charette, elected for the period 2017-2018
- Espen Gundersen, elected for the period 2017-2018
- Päivi Marttila, elected for the period 2017-2018
- Bjørn M. Gottschlich, elected by and among employees
- Elisabeth Jacobsen, 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, except for Stefan Charette who is the controlling shareholder and CEO of Athanase Industrial Partners Ltd., which manages investment funds that are major shareholders of Kitron. Information about the board members is presented in the annual report and on the company's website.

Board members who own shares in Kitron

At 31 December 2017 Tuomo Lähdesmäki owned 100 000 shares, Päivi Marttila 60 000 shares, Gro Brækken 24 000 shares, Espen Gundersen 30 000 shares and Elisabeth Jacobsen 1 600 shares in Kitron. Stefan Charette is the controlling shareholder and CEO of Athanase Industrial Partners Ltd., which manages investment funds that are major shareholders of 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 2017.

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 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 2017 there were six audit committee meetings.

Members of the audit committee

- Espen Gundersen, voted chair of the audit committee and elected until the Annual General Meeting in 2018
- Päivi Marttila, elected until the Annual General Meeting in 2018
- Elisabeth Jacobsen, elected by and among the employees

The board's remuneration committee

The 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 remuneration committee will on behalf of the board supervise remuneration and incentive schemes, mainly related to the CEO and the Corporate Management Team (CMT). During 2017 there was one remuneration committee meetings.

Members of the remuneration committee

- Tuomo Lähdesmäki, voted chair of the remuneration committee elected until the Annual General Meeting in 2018
- Stefan Charette, elected until the Annual General Meeting in 2018
- Gro Brækken, elected until the Annual General Meeting in 2018

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 oversight 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. In 2014, The Ethical Guidelines were reviewed and updated. In addition, the Kitron supplier guidelines were established as well as an Anti-Corruption Policy.

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

The Group has an Ethical Advisory Board 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 65 per cent of annual basic salary.

Long-term incentive scheme

The LTI system was established in 2013 as an option based program with a three-year validity (2013-2016). In 2015 the Board introduced a new share option program for executive management for another three-year period (2016-2019) as approved by the Annual General Meeting held on 21 April 2015.

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 18 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 endeavour to ensure that all shareholders have equal access to the same information. Kitron complies with Oslo Børs' Code of Practice for IR, dated 1 March 2017.

All information distributed to the shareholders is published on Kitron's website (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.no, ticker: KIT. Public, webcasted 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 shall not publish specific guiding on the Group's future financial results. 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 comprise.

- 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.

CORPORATE SOCIAL RESPONSIBILITY 2017

CEO letter of introduction

Peter Nilsson
President and CEO

As a leading Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Lithuania, Germany, China and the USA, Kitron has an economic, social and environmental impact on our surroundings and stakeholders.

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. For Kitron, Corporate Social Responsibility (CSR) 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.

The foundation for Kitron's CSR work are 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 Corporate Social Responsibility Reporting.

Sustainability and Corporate Social Responsibility is increasingly on the agenda of Kitron´s key stakeholders, such as investors, customers and suppliers. The launch of The Oslo Stock Exchange Guidelines for CSR Reporting is one example of the increased emphasis on responsibility and sustainability. We also see that our employees are proud to work for a responsible company.

As the CEO of Kitron, I believe in taking responsibility and sustainability into account when we make business decisions. 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.

In 2017 we have completed Kitron´s first materiality assessment and undertaken systematic stakeholder dialogue according to the Oslo Stock Exchange Guidelines for CSR Reporting. An interdisciplinary task force with representatives from different parts of Kitron´s organization has done a thorough review of our approach to CSR and areas to prioritize in our CSR work and reporting. The materiality assessment and chosen material topics will ensure that our reporting is aligned with Kitron´s business strategy, supports our business goals and minimizes risks. The five chosen reporting topics are:

- Human rights and conflict minerals
- Worker´s rights, diversity and non-discrimination
- Ethics and anti-corruption
- Supply chain and quality management
- HSE, safety and security

This year I am particularly proud to present our results on sourcing conflict mineral free products. More than 81 per cent of Kitron´s products are now considered Conflict Mineral Free, and this work will continue to ensure responsible sourcing. In 2017, we have also actively worked to assess corruption risks in our supply chain and will continue to engage with our suppliers to decrease the risk of corruption and bribery.

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 for 2018 is to align our work with internationally recognized standards and industry initiatives. We will continue our ongoing work with supplier dialogue and engage with suppliers to help them meet the highest ethical and quality standards.

In 2018, our employees will receive more and better training programs and we will improve our channels for employee dialogue with an onboarding program and e-learning. Another key area will be to implement a new standard for information security and ensure GDPR compliance. Progress on these topics will be reported in the CSR report for 2018 according to the goals and KPIs defined in this year's report.

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.

The Kitron Group report on Corporate Social Responsibility has been reviewed and approved by the Board.

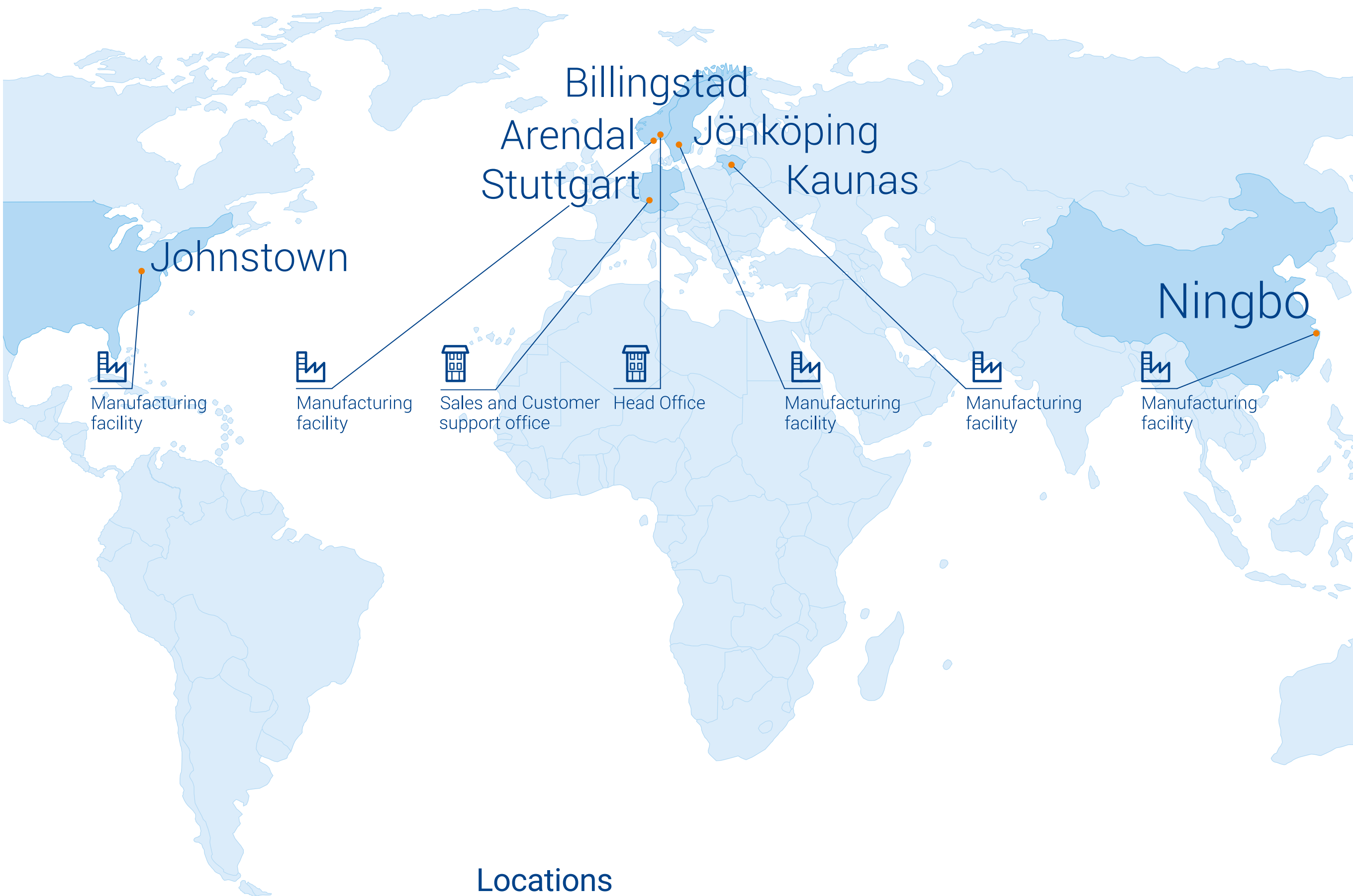
This report has not been audited by a third-party.

About Kitron ASA

Kitron is an Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Lithuania, Germany, China and USA.

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 analyzing and test development are also key competencies offered by Kitron.

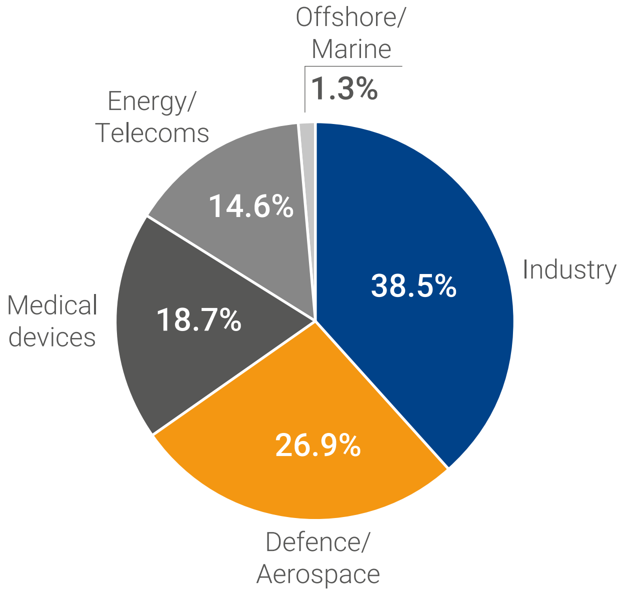


Locations

Kitron ASA has operations in Norway, Sweden, Lithuania, Germany, China and USA. Kitron's headquarters is located in Asker, Norway.

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

Revenue per sector 2017



Key figures (2017):

- No. of employees: equivalent to approx. 1 450 full-time equivalents
- Revenue: NOK 2 436.7 million
- Profit (EBIT): NOK 148.7 million
- Equity ratio: 42.8 per cent

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

In 2017, labour costs amounted to NOK 480.8 million (NOK 450.7 million) Payroll and social security expenses accounted for 19.7 (21.5) per cent of sales revenue.

Procurement of goods and services

Kitron purchased goods and services valued at roughly NOK 1754 million (NOK 1479) million in 2017.

Tax

The Group's tax expenses for 2017 came to NOK 33.5 million (NOK 24.3 million).

Tax expense by country

(Amounts in NOK 1 000)	2017	2016
Norway	5 594	3 631
Sweden	5 464	5 704
Lithuania	10 084	7 042
Other	12 360	7 884
Total	**33 502**	**24 261**

Kitron´s approach to Corporate Social Responsibility

This report covers topics related to Corporate Social Responsibility that are of importance to Kitron and Kitron stakeholders. Kitron´s approach to Corporate Social Responsibility reporting is based on the materiality assessment undertaken in 2017. 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 social responsible company acting ethically and lawfully in all aspects of our value chain.

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 social responsible company acting ethically and lawfully in all aspects of our value chain. Kitron´s corporate governance structure shall ensure a systematic approach to our corporate social responsibility.

Management Approach

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

Annual General Meeting (AGM)

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

The Board of Directors

The Group Board of Directors bears the ultimate responsibility for Kitron's Corporate Social Responsibility and the report on Corporate Social Responsibility 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 corporate social responsibility. The day-to-day work with corporate social and environmental responsibility is usually handled by the sites with support from the Corporate Executive Management.

Ethical Advisory Committee
Kitron Ethical Advisory 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 Ethical Advisory Committee is made up of members of the corporate Executive Management and Corporate Staff.

Kitron´s stakeholders

Owners
Kitron´s owners are primary stakeholders and directly affects the company´s priorities and strategic direction.

Employees
Kitron´s 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 is part of driving Kitron´s Corporate Social Responsibility 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.

Stakeholder group	Expected of Kitron	Arena for dialogue
Customers	Price Quality Timely delivery Transparency Supply chain responsibility	CSR Questionnaire RFI Supplier code of conduct Supplier audits Supplier actions plans (reviews) Stakeholder dialogue Ecovadis survey
Suppliers	Fair and neutral supplier assessment Fair pricing Clear communication of expectations Anti-corruption and anti-bribery routines	CSR Questionnaire RFI Supplier code of conduct Supplier audits Supplier actions plans (reviews) Stakeholder dialogue
Employees (incl.) •Central management team •Local management •Employee representatives sites •All employees (white and blue collar)	Economic compensations Labour/Management Relations Reputation Company performance	CSR Questionnaire Employee survey 2016 (Employee survey planned 2018)
Owners	Economic performance Risks and opportunities Corporate governance	Meetings with company representatives MSCI II ratings Analyst interviews (2016) Kitron website Kitron Quarterly and annual reports Capital Markets Day Kitron sustainability report

Table 1: Stakeholder groups and arenas for dialogue

Stakeholder dialogue

To ensure a strategic approach to Corporate Social Responsibility reporting and to adhere to the intent of the Oslo Stock Exchange guidelines Kitron has undertaken systematic stakeholder dialogue in 2017.

For Kitron to be in 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 corporate social responsibility 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 Corporate Social Responsibility 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 Oslo stock Exchange guidelines and GRI4. The findings from the stakeholder dialogue guided Kitron´s priorities in the materiality assessment.

Materiality assessment

The Materiality assessment was established in 2017 by the internal task force on Corporate Social Responsibility 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 (including information and cyber security)

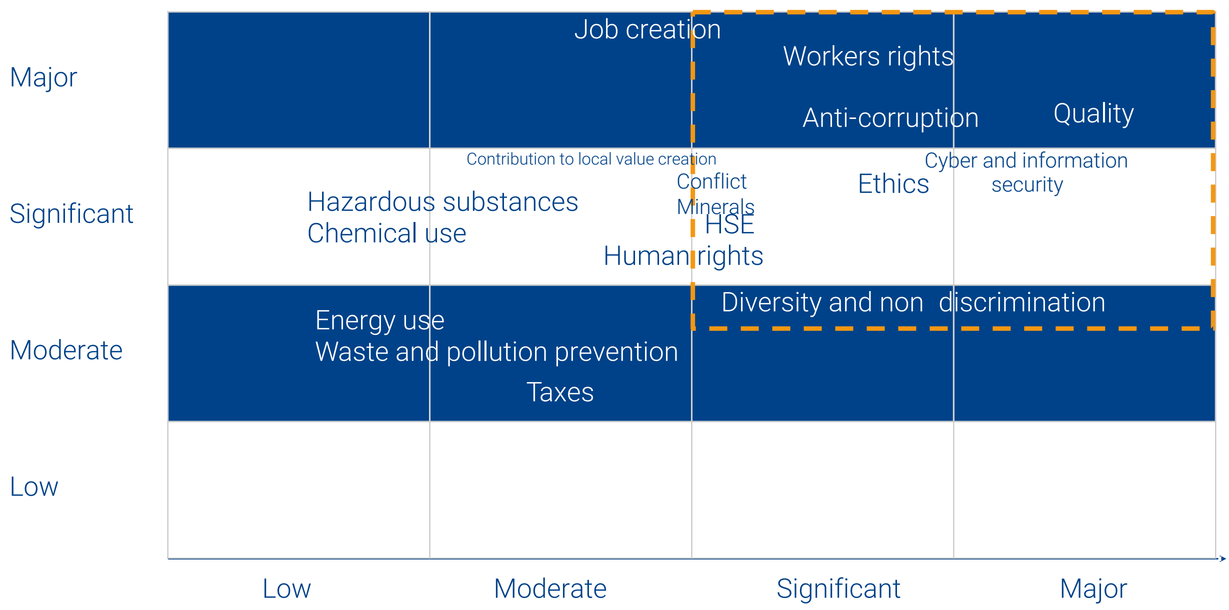


Figure 1 Kitron´s Materiality assessment

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 Kitron Code of Conduct and the Supplier 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 children labor 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.

Conflict minerals

Also, 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).

Percentage by number of parts

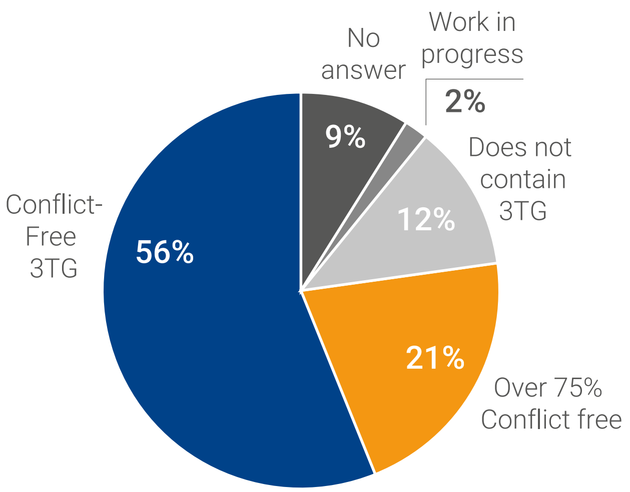


Figure 2: Amount of documented "conflict mineral free" parts in Kitron products

Goals for 2018

Kitron has set the following goals for Human rights and conflict minerals work in 2018:

- Become a UN Global Compact Signatory company
- Become a member industry initiative against conflict minerals such as RMI
- Remain conflict mineral free

Workers' rights, diversity and non-discrimination

In 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 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 and China.

In 2017, Kitron has undertaken a downsizing process in Arendal, Norway. This process affected 91.2 FTEs. One case concerning 6 FTE's was settled with a legal mediation which concluded in an out of court settlement.

Permanent employees	Temporary employees	Total workforce
1 398	203	1 601

Table 2 Kitron´s workforce: total workforce by employment type

Employees	Men	Women	Total
Employees Norway	164	134	298
Employees Sweden	109	57	166
Employees Lithuania	294	437	731
Employees China	46	133	179
Employees USA	15	4	19
Employees Germany	4	1	5

Table 3 Kitron´s workforce: permanent employees by gender and region

Working environment, diversity and anti-discrimination

Health and safety in the working environment is very important to Kitron and is to be ensured to provide a safe, healthy and satisfactory work place. 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 amount of men´s pay in 2017 for the total workforce was 92.2 per cent. The Ethical Advisory Committee has received one concern regarding working environment. Investigations have been conducted and resulted in actions, the case is considered closed.

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 is part of the current performance management process. In 2017, Kitron decided to implement a new digital learning management system, LMS, in order to further strengthen individual development and competence.

Goals 2018

Kitron has set the following goals for worker´s rights, diversity and non-discrimination in 2018:

- Roll out new digital learning platform and training for all employees and revised onboarding program for new employees
  - KPI: average hours of training per employee should be maintained or increased
- New Employee survey to be conducted globally
  - KPI: average employee satisfaction score (%)

Ethics and anti-corruption

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 Code was last revised and approved by the Board of Directors on 27 August 2014. 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 corporate social responsibility, and that it can subject us to substantial financial risk. To deal with our corporate social responsibility 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. In 2014 Kitron implemented an Anti-Corruption Policy. The 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. In 2017, Kitron conducted a Supplier Risk of Bribery assessment for its suppliers. 2797 suppliers (1476 active suppliers and 1330 non-inventory suppliers) were screened for corruption and bribery risk.

Suppliers per risk category	Very low Risk	Low Risk	Moderate Risk	Increased Risk
Amount of suppliers	0.2%	41.3%	58.5%	0%

Table 4: Supplier risk assessment results pr 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.

Ethical Advisory Committee

Kitron has an Ethical Advisory 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 best to 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 Ethical Advisory Committee meets as needed and at least three times a year. Head of the Ethical Advisory Committee reports to CMT (the Kitron Corporate Management Team) who in turn reports to the board of Kitron ASA. In 2017, the Ethical Advisory Committee met twice, as two meetings were merged in to one due to topic and presence.

Reporting irregularities

All conditions that give raise to ethical issues or matters that could involve a breach of prevailing regulations and provisions or circumstances that may cause loss of value or reputation for Kitron should be raised with the staff member's immediate superior. Kitron staff who believe they have been offered bribes or been subject to inappropriate pressure or attempts to exert such pressure or who wish to report or advise on any legal and ethical non-compliance incidents, dilemmas or concerns should immediately do so to their immediate superior. Environmental matters or issues relating to work place safety can be reported to the relevant manager or representative, HSE-Manager and/or the company health service. Financial matters may be reported to the Finance Manager. It is the duty of all staff to report any criminal acts and circumstances where life or health might be in danger.

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 2017, the Ethical Advisory Committee received one potential misconduct. The potential misconduct is being handled according to the company's internal guidelines. Kitron is not in and has not been in any legal proceedings related business ethics in 2017.

Number of cases	2015	2016	2017
Reported	0	0	1
Sanctioned	0	0	0

Table 5: Number of reported potential corruption cases and number of sanctioned cases

Goals for 2018

Kitron has set the following goals for ethics and anti-corruption in 2018:

- Ensure that all new onboarded suppliers are at Low or Very Low Risk (KPI: amount of suppliers in the different risk categories)
- Ensure that all suppliers sign Kitron's Code of Conduct (KPI: amount of new suppliers who have signed Code of Conduct)
- Ensure that all new onboarded suppliers are at Low or Very Low Risk level. KPI: Number of new onboarded suppliers 2018, amount of onboarded suppliers 2018 who are at Low or Very low Risk.
- Define simple, lean and easy to use onboarding process for non-inventory suppliers and implement it
- Introduce ethics and anti-corruption training as part of onboarding of new employees and as e-learning for all employees

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

For production of Electronic Components – Kitron primarily deals with distributors rather that with manufacturers. On an annual basis Kitron purchases components from close to 800 manufacturers through approximately 400 distributors. In 2014 Kitron established a Preferred Partner Program. Because of this, in 2017 around 65 per cent of all electronic components (in value) were procured from 8 Preferred Partners.

For Mechanical drawing parts – This sub commodity includes a wide variety of parts, from metal casting, to machine parts, injection molded 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.

For Printed Circuit Boards (PCB) – Kitron buys most of the PCB's from China (70 to 80 per cent of the world´s PCBs are produced in China), either directly from manufacturers or through distributors. As with electronic components, Kitron purchases 60 per cent of the PCB's from Preferred Partners. In the case of PCB's, these Preferred Partners includes both distributors and manufacturers.

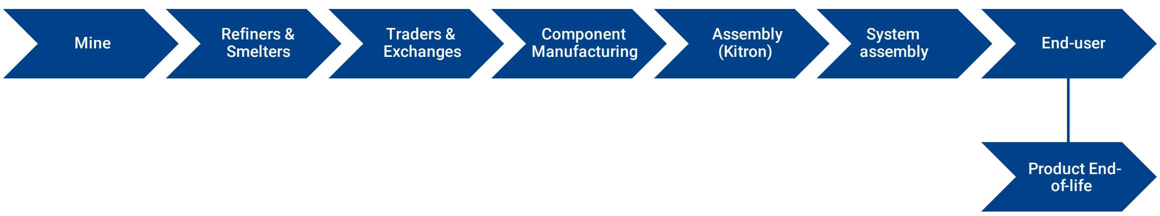


Figure 3 Kitron´s supply chain illustrated

Supplier selection and onboarding
Kitron's sourcing experts are located in Norway, Sweden, Lithuania and China, 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 with local suppliers and supplier coordination.

To ensure All sites use same RFI form to collect data from supplier regardless of supplier category. In 2017, Kitron´s Supplier Evaluation Model (SEM) is used only in Arendal, and filled in manually based on RFI information. The goal for 2018 is that all new suppliers will fill in the SEM digitally.

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. In 2017, Kitron had 1416 active suppliers. Active supplier means Kitron have placed a purchase order in the last 12 months.

Unique active suppliers	2015	2016	2017
Unique active suppliers (12 months)	1 397	1 412	1 477
Amount of active suppliers who have signed Code of Conduct	49.62%	46.38%	49.76%

Table 6: Active suppliers

Quality management
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
- EN 9100:2016 / AS 9100D
- IRIS rev.2
- ISO 13485:2016
- 21 CFR 820 Quality System Regulation
- AQAP 2120 Ed 3

Goals 2018
Kitron has set the following goals for supply chain and quality management in 2018:
- Define and implement onboarding process for non-inventory suppliers
- Standardize RFI and implement Digital Quality Management system (DocLogix) for gathering and storing RFI data
- Approve and implement a common supplier audit report

HSE, safety and security

Health and safety in the working environment is very important to Kitron and is to be ensured to provide a safe, healthy and satisfactory work place. 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 4.3 per cent for the group in 2017. This is a slight increase after a favourable trend in the recent years. A good working environment and the possibility to develop are important factor 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. 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, several sites has implemented job rotation. In 2017, there was one serious work-related accident. The accident was a lost time incident (LTI) which is considered a serious work-related accident, but did not result in fatalities or permanent disability. Kitron will continue to monitor the working environment regarding employee health and safety in 2018.

	2015	2016	2017
Absence due to illness	3.8	3.7	4.3
Lost time Injuries (number of serious work-related accidents)	0	0	1

Table 7 Absence and work-related injuries

Environment

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.

Several of the Kitron group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards. Kitron AS in Norway is a UN climate partner.

Kitron AS environmental impact	2017
Energy use (kwh)	3 582 637
CO_2 emissions from energy use (t)	386.9
CO_2 emissions from transportation (t)	120.8
Waste (t)	104.9
Sorted waste (t)	80.3
Percentage sorted waste	76.56%
Percentage recycled waste	100%

Table 8: Environmental impacts from Kitron AS (Norway)

2017 is the first year environmental impacts are included in the Corporate Social Responsibility report. For 2018 the goal is to report on environmental impacts from all Kitron´s locations.

Information security and cyber 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. This duty of confidentiality remains in force after a Kitron staff member has left the company. Only designated persons may make public statements on behalf of Kitron.

In 2017, Kitron initiated the process to become compliant in accordance NIST 800-171, which is equivalent to ISO 27000 on information security. The implementation is made site by site and the ambition is for all sites to be fully compliant in 2018.

GDPR Compliance

In 2017, Kitron initiated the process towards GDPR compliance in our handling of personal data supported by IT consultancy Atea. The internal GDPR work is organized as a working group with representatives from all functions and all Kitron´s operations in European countries. Each Kitron site has a project coordinator for GDPR working to implement compliance on a daily basis. Global IT Manager contributes to project quality assurance. The work to find and appoint a Data Protection Officer is initiated and will conclude within 2018.

Goals for 2018

Kitron has set the following goals for the HSE, safety and security work in 2018:

- Number of sites that has implemented job rotation
- Become fully NIST 800-171 compliant
- Become GDPR compliant
- Appoint Data protection officer
- Report employee turnover by site
- Report environmental and climate impacts from all Kitron sites
- Streamline reporting for all sites on injuries and accidents, as well as near-miss incidents.

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 2017 was NOK 17 619 261.10 divided between 176 192 611 shares with a nominal value of NOK 0.10 each.

In 2015 the Board introduced a new share option program for executive management comprising up to 5 500 000 shares running for three years from the start of the second calendar quarter 2016. 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 is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.

Per 31 December 2017, 5 337 500 options have been allocated to the executive management and 162 500 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 2017, the share price moved from NOK 6.03 to NOK 6.99, an increase of 15.9 per cent. In addition, the company paid a dividend of NOK 0.25 in 2017. The Oslo Børs Main Index increased by 19.1 per cent during the same period. The share price has varied between NOK 5.99 and NOK 8.87. At the end of 2017, the company's market capitalisation was NOK 1 231.6 million. A total of 102.2 million shares were traded during the year, corresponding to a turnover rate of 58.0 per cent.

Shareholder structure
At the end of 2017, Kitron had 4 708 shareholders, compared with 5 030 shareholders at the end of 2016. At the end of the year, the foreign shareholding amounted to 45.4 per cent.

At the balance sheet date, Taiga Fund per cent was the largest shareholder holding 7.66 per cent of the Kitron shares, followed by MP Pensjon with 6.57 per cent and Athanase Industrial Partners Ltd with 5.00 per cent. Liquidity of the share was 100 per cent. The 20 largest shareholders held a total of 55.06 per cent of the company's shares at the end of the year.

Mandates
Increasing the share capital
The ordinary general meeting of 25 April 2017 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 25 April 2017. The total amount by which the share capital may be increased is NOK 1 761 926.10. The authority applies until the ordinary general meeting in 2018 but no longer than 30 June 2018. 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, incentive programs for employees and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2017. The authorized share capital of the Company is therefore NOK 17 619 261.10.

Own shares
The ordinary general meeting on 25 April 2017 authorised the board to acquire own shares for a total nominal value of up to NOK 1 761 926.10 which is equal to 10 per cent of Kitron's registered share capital at 25 April 2017. Under this authorization the company shall 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. The authority is valid until the ordinary general meeting in 2018 but no longer than 30 June 2018. The authority had not been exercised at 31 December 2017.

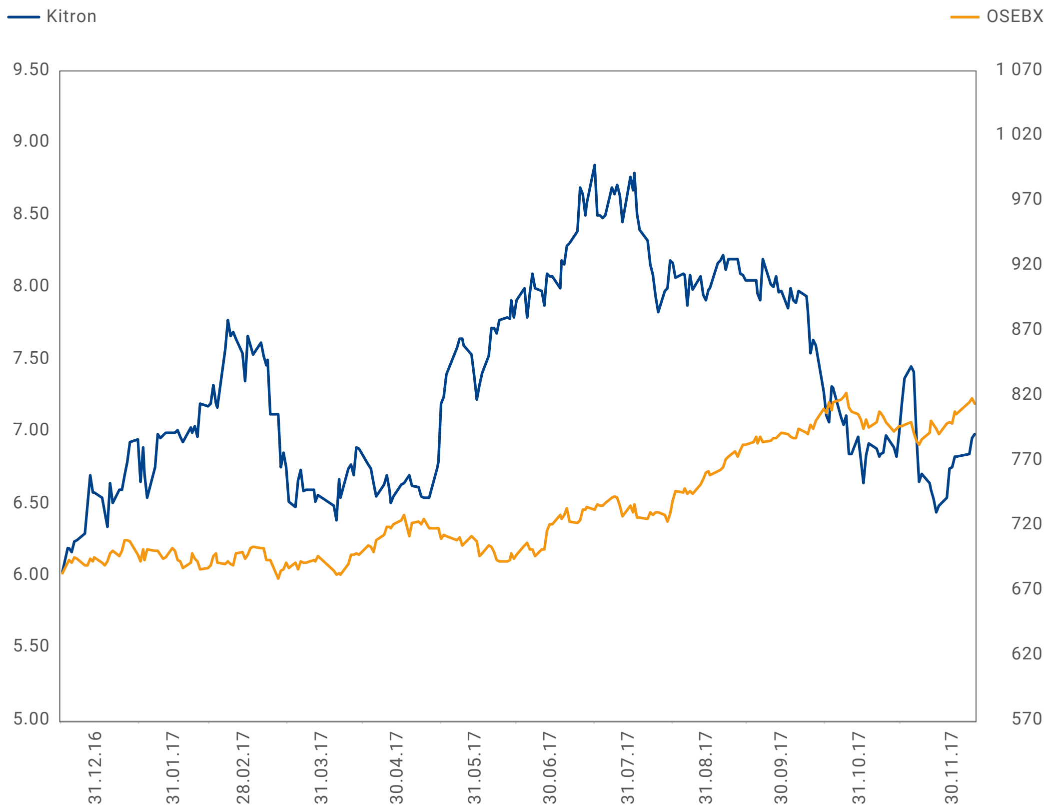
Dividend policy
The board decided in 2017 to update Kitron's dividend policy. The new policy is as follows: "Kitron's dividend policy is to pay out an annual dividend of at least 50 per cent of the company's consolidated net profit before non-recurring items. When deciding on the annual dividend the company will take into account company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth."

The previous policy was to pay a dividend of 30-60 per cent of net profit.

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 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.

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 – 2017

Kitron

Board and management

Board

Tuomo Lähdesmäki
Chairman of the board
Elected for the period 2016-2018

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 Oyj 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: Efore Oyj, Finland University Oy and Turku University Foundation sr. He is also a board member of Fondia Oyj, Meconet Oy, Metsä Tissue Oyj and Yliopiston Apteekki. Mr Lähdesmäki was elected to the Kitron Board as Chairman in 2014 and is also Chairman of Kitron's remuneration committee. At 31 December 2017 Mr Lähdesmäki owned 100 000 shares in Kitron.

Gro Brækken Board member
Deputy Chairman of the Board
Elected for the period 2017-2018

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, natural gas, shipbuilding, and banking. She was until recently CEO of the trade 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. At 31 December 2017 Ms Brækken owned 24 000 shares in Kitron.

Stefan Charette
Board Member
Elected for the period 2017-2018

Stefan Charette was born in 1972 and is of Swedish/American origin. He holds a M.Sc. degree in Mathematical Finance from Cass Business School and a B.Sc. degree in Electrical Engineering degree from Royal Institute of Technology. He is CEO of Athanase Industrial Partner, an investment firm, and former CEO of the public investment companies Creades AB, Investment AB Öresund and AB Custos. In addition, he has been the CEO of Brokk AB, a privately owned industrial company. Mr Charette is Chairman of the board of DistIt AB and board member of Actic Group AB and Alcadon Group AB. He has served on 13 public boards including the EMS company Note AB, where he was the Chairman. Athanase Industrial Partner Ltd manages inter alia the two investment funds Athanase Industrial Partners Fund II and Athanase Industrial Partners II AB, which have disclosed a combined ownership in Kitron of 8,809,700 shares, equal to 5 per cent of the outstanding shares in Kitron. Mr Charette was elected to the Kitron Board in 2017 and is a member of the remuneration committee.

Espen Gundersen
Board member
Elected for the period 2017-2018

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. At 31 December 2017 Mr Gundersen owned 30 000 shares in Kitron.

Päivi Marttila
Board Member
Elected for the period 2017-2018

Päivi Marttila was born in 1961 and is a Finnish citizen. She holds a Master of Economic Sciences from Helsinki School of Economics. She is the founding partner of QPR Software Plc and worked there in several leadership roles in Finland and USA between 1991-2001. Afterwards she worked in the mobile ODM/EMS business in Microcell, Flextronics and Jabil as business unit manager or as senior sales and marketing executive. Currently she is chairman of the board in Aspocomp Group Plc, vice chairman of the board in Digitalist Group Plc, a member of the board in Patria Plc and a member of the Board in Mint of Finland. Ms Marttila joined Kitron board in April 2013 and has been a member of the audit committee since April 2014. At 31 December 2017 Ms. Marttila owned 60 000 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 a 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 within the trade union movement. Presently he is the chair of Fellesforbundet's local branch in Arendal and member of Fellesforbundet's Executive Board. Mr Gottschlich has been part of the Kitron Board since 2012.

Elisabeth Jacobsen
Board Member
Elected by and among the employees

Elisabeth Jacobsen was born in 1962 and is a Norwegian citizen. She holds a B.Sc in Electrical Engineering and Electronics from University of Manchester Institute of Science and Technology. Elisabeth Jacobsen works as a Quality and Lean Engineer at Kitron AS in Arendal, where she has been employed since 1995. Ms Jacobsen was elected to the Kitron Board in 2014 and has since October 2015 been a member of the Audit Committee. At 31 December 2017 Ms Jacobsen owned 1 600 shares in Kitron.

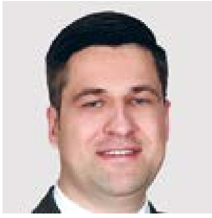
Tanja Rørheim
Board member
Elected by and among the employees

Tanja Rørheim was born in 1972 and is a Norwegian citizen. She holds a certificate in electronics, and has worked as a Production Worker in Kitron AS in Arendal since 1993. Ms Rørheim has been on the Kitron Board since August 2015. Management

Management

Peter Nilsson
CEO and President

Peter Nilsson was born in 1964. He was appointed CEO in November 2014. With almost 25 years of experience in electronics manufacturing and related services, Mr Nilsson has held several senior and executive leadership positions for Swedish and US EMS companies. He is trained in industrial business management and production engineering and has a degree in Industrial Management. Mr Nilsson is a Swedish citizen.



Zygimantas Dirse
General Manager Kitron Electronics Manufacturing (Ningbo) CO Ltd., China

Zygimantas Dirse was born in 1980. He has been with Kitron since 2003. Mr Dirse has diverse experience in engineering field as Technical, Operations Manager and started as a General Manager of our facility in China in 2010. He holds a Master of Science in Informatics Technology. Zygimantas Dirse is a Lithuanian citizen.

Anne Lise Hjelseth
CHRO

Born in 1969. She joined Kitron in 2017. Ms Hjelseth has extensive experience from international HR leadership roles. She holds a Master of Science degree in Organic Chemistry from The Norwegian University of Science and Technology (NTNU) and is a Norwegian citizen.

Stefan Hansson Mutas
Managing Director, Kitron AB, Sweden

Stafen Hansson Mutas was born in 1966. He joined Kitron in 2017. Mr Hansson Mutas comes with a wealth of relevant background from management positions at electronics and EMS companies, including Ericsson, Flextronics, Sanmina and Partnertech. His most recent position was as Managing Director of Duroc Machine Tool. He holds a degree from the Swedish Technical Navy Officers' College.

Cathrin Nylander
CFO

Cathrin Nylander was born in 1967. She joined Kitron in 2013 and has extensive experience as CFO in various industries such as manufacturing, IT, food industry, and financial services. Ms Nylander holds a bachelor degree in social science from Lund University in Sweden and is a Swedish citizen.

Israel Losada Salvador
COO & Sales Director

Israel Losada Salvador was born in 1973 and is a Spanish citizen. He holds a Master's degree in Finance & Administration from NHH (Norway) and a Master's degree in Engineering from the Polytechnic University of Valencia. Mr Salvador has extensive experience from operations within the oil & gas sector. He has been working for Kitron since February 2013.

Mindaugas Sestokas
Managing Director, UAB Kitron, Lithuania

Mindaugas Sestokas was born in 1971 and is a Lithuanian citizen. He holds a Master of Business Administration and has diverse experience from general management of an appliance manufacturing company and several senior leadership positions in sales, marketing and logistics in the food and beverage industry. Mr Sestokas has been with Kitron since 2008.

Hans Petter Thomassen
Managing Director Kitron AS, Norway

Hans Petter Thomassen was born in 1965 and is a Norwegian citizen. He has extensive experience within manufacturing and logistics and has held several senior-level positions, included CEO of Durapart Industries AS. He also has experience from commercial aviation. Mr Thomassen has been working for Kitron since 2012.

Articles of Association
(latest updated 25 April 2017)

§ 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 17,619,261.10, divided into 176,192,611 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 an international Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1450 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.

www.kitron.com

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