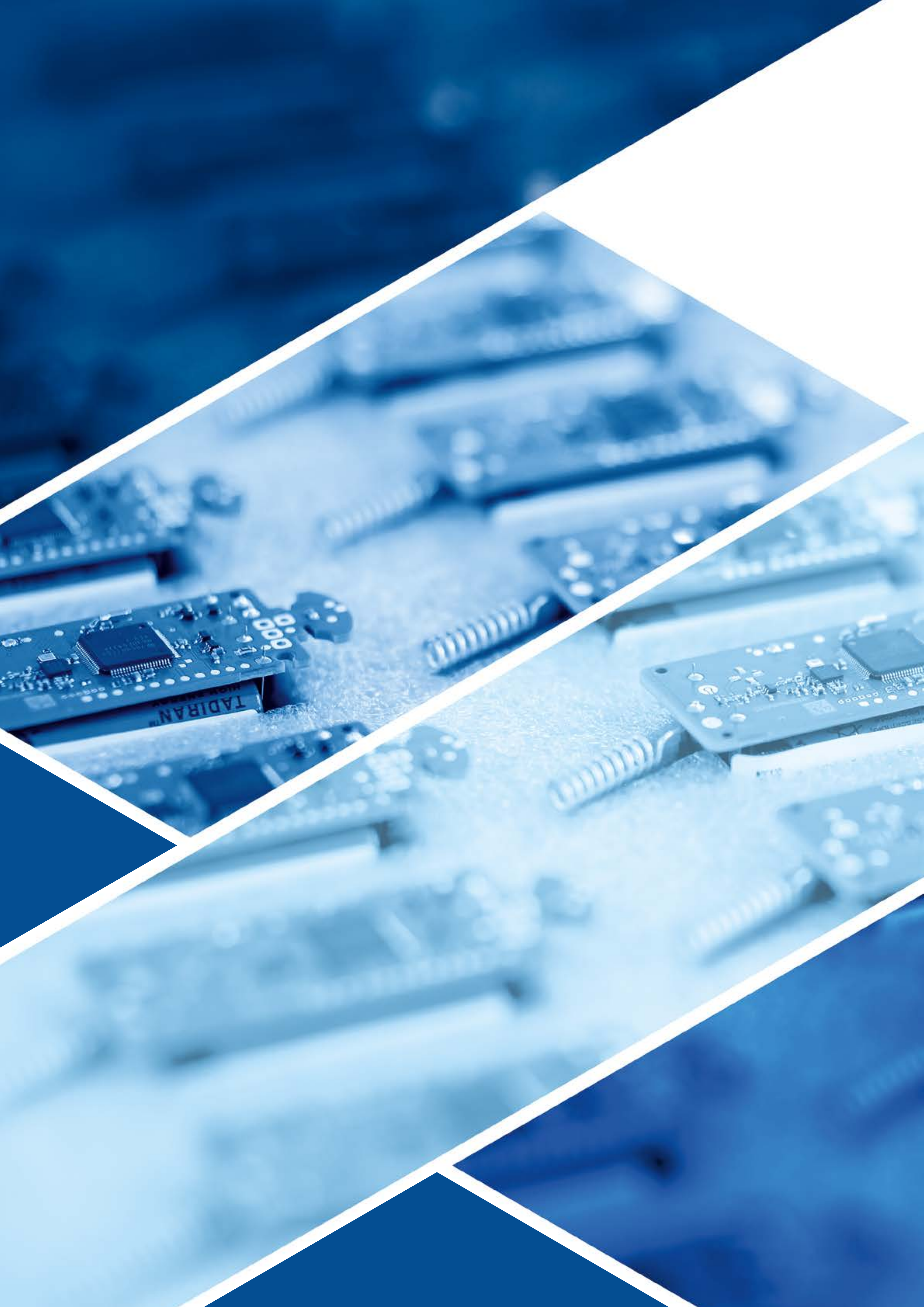
ANNUAL REPORT 2019

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

Norway
Sweden
Lithuania
Germany
Poland
China
USA

Kitron

Your ambition. Our passion.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CONTENT

Kitron Your ambition. Our passion.

Kitron

KITRON IN BRIEF

Kitron is an international Electronics Manufacturing Services (EMS) company. The company is located in Norway, Sweden, Lithuania, Germany, Poland, China and the US and has about 1700 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers. 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. The group has a balanced sales mix among these sectors, which makes Kitron diversified and puts the group in a good position to handle shifts in demand.

The company has strong relationships with large multinational 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.

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

Quality assurance

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

Global sourcing

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

Vision and values

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

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

Strategy

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

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 and Poland. Kitron has expanded its factory in Kaunas, Lithuania, and in 2019 production was started at a new site in Grudziądz in Poland, further increasing capacity in Eastern Europe.

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

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

Continuous operational improvement

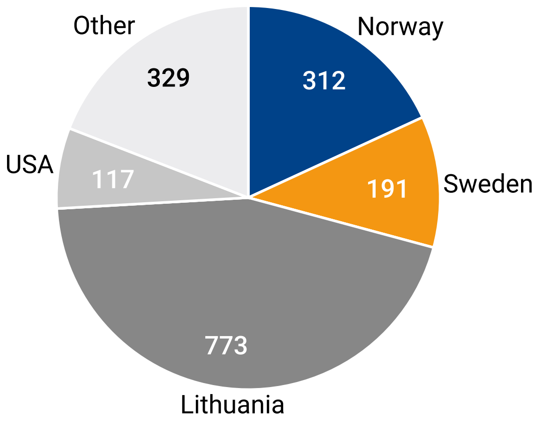
Kitron will focus on reducing the cost base through global sourcing, increased manufacturing efficiency, system and process improvements and transfer of manufacturing and services to lower-cost countries. Within all these areas there are on-going programs and clear targets. An improvement program has 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

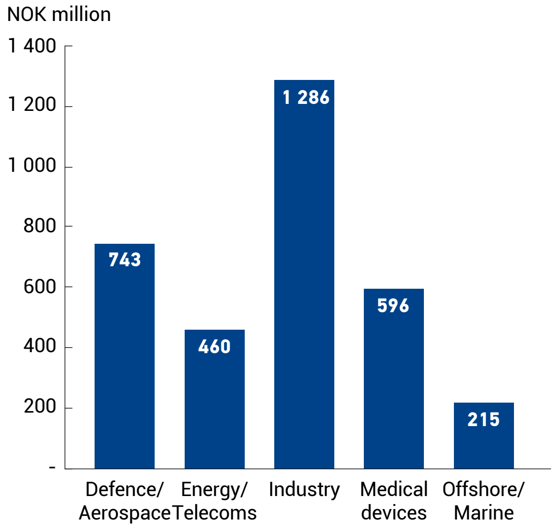
In 2019, Kitron completed the acquisition of the EMS division of API Technologies Corp., strengthening the position in the United States.
The company intends to pursue further M&A activities to grow and will explore M&A value creation along three axes: geography, value and diversification.

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 relatively 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.



Full time employees 2019
Geographical description



Revenue per market sector in 2019
Revenue in NOK million

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.

Kitron's history

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

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

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

Board of Directors' report 2019

Growth, improved profitability and new site established

Kitron's revenue for the year reached NOK 3 299.4 million (NOK 2 619.3 million), which represented a 26 per cent increase compared with 2018. Revenue from all business units grew, with particularly strong growth in Norway and in the US, the latter due to the acquisition of the EMS division of API Technologies Corp. EBITDA for the group reached NOK 285.6 million compared to NOK 208.9 million in 2018. Net profit for the year amounted to NOK 132.5 million (NOK 110.3 million), corresponding to NOK 0.74 per share (NOK 0.63). Kitron's current financial position is sound, although the current global corona pandemic represents risk in terms of financial position and liquidity, see more info under "Outlook". Kitron is in the position to pay dividend and a dividend per share of NOK 0.50 was initially proposed by the Board. In order to being prudent with respect to Kitron's liquidity position and also to maintain the option to pay dividend, the Board of Directors will recommend a revised proposal to the Annual General Meeting where an authorization to resolve dividend up to a total amount of NOK 90 million is granted the Board. Last year, the ordinary dividend was NOK 0.40.

In the Annual Report 2018, Kitron indicated an expected revenue range of between NOK 2 900 and 3 200 million and an EBIT margin of 6.2 to 6.6 per cent for 2019. The actual revenue ended above the range, while the actual EBIT margin ended slightly below 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, Germany, Poland, China and the United States. All employees have been certified in accordance with international quality standards for the applicable manufacturing.

Market sectors

Kitron's services are most competitive within complex manufacturing processes that require niche expertise. Kitron has chosen to focus its sales and marketing activities within the Defence/Aerospace, Energy/ Telecoms, Industry, Medical devices and Offshore/Marine market sectors.

The order backlog ended at NOK 1 883.9 million, an increase of 41 per cent compared to last year and an all-time high. Organic order backlog growth, excluding the acquisition of the EMS division of API Technologies Corp., was 29 per cent.

Defence/Aerospace

Revenue in the Defence/Aerospace sector increased by 65 per cent and ended at NOK 743.2 million in 2019 (NOK 449.7 million). The sector accounted for 23 per cent (17 per cent) of the group's total revenues. After years of decline, defence spending has been growing since 2015 and the high level of activity in the defence sector continues. However, the Defence sector is to a large degree project based, and the timing of major projects will influence the revenue level for the particular year.

For Kitron, the F-35 program secures the company's future position as a strong partner within the defence sector. This market sector is especially important to our Norwegian 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.

Energy/Telecoms

Revenue in the Energy/Telecoms sector increased by 11 per cent to NOK 459.6 million in 2019 (NOK 414.1 million). This represented 14 per cent of the group's revenues (15 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.

Industry

The Industry sector increased its revenue by 8 per cent to NOK 1 286.2 million (NOK 1 187.7 million), accounting for 39 per cent of the group's total revenue (45 per cent). The Industry sector has grown rapidly, especially in Lithuania and China, leading to the decision to establish a new factory in Poland in 2019. Industry is the market sector within Kitron that tends to be most closely correlated with the general economic development and has lately benefitted from an upturn for European industry.

Medical devices

Revenue in the Medical device sector increased by 15 per cent to NOK 595.9 million in 2019 (NOK 519.2 million), corresponding to 18 per cent of the group's revenues (20 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.

Offshore/Marine

Revenue in the Offshore/Marine sector increased by 341 per cent to NOK 214.5 million (NOK 48.6 million). The sector accounted for 7 per cent (2 per cent) of the group's total revenues. The recent strong growth is a result of increased activity among customers in the oil and gas industry and is particularly important to Kitron's Norwegian factory.

Important events in 2019

Mergers and acquisitions

In February, Kitron completed the acquisition of the EMS division of API Technologies Corp. in the United States, and the business was integrated into the group during 2019. The acquisition marks a substantial strengthening of Kitron's position in the US market. The operations of the EMS division are highly complementary to Kitron's existing operations and is expected to provide added value to current operations, in particular in the United States. The division's main focus is on defence, aerospace, medical/industrial, and communications/consumer, and it is well aligned with Kitron's overall strategy.

Flooding

In July, the facility of Kitron Technologies (formerly the EMS division of API Technologies Corp.) in Windber, Pennsylvania, was damaged by flooding and production was moved to a temporary site. This led to some inefficiencies in production and increase in net working capital, but the effect on customers was limited. Indemnification from insurance increased revenues by NOK 30.5 million in 2019. Correspondingly the profit and loss statement is charged with write down of assets, salvage costs and other expenses. The net financial impact on the result in 2019 was positive NOK 1.3 million. The balance sheet has per 31 December 2019 incorporated a restoration liability for the building of NOK 12.9 million and a corresponding receivable on the insurance company.

Customer contracts

During 2019, Kitron has solidified its position as a trusted manufacturing partner for a number of important customers. Growth was particularly strong in the Defence/Aerospace market sector, and Kitron announced important new orders from Kongsberg as well as orders related to the F-35 program.

Investments

During 2019, construction of Kitron's new factory in Grudziadz, Poland, was completed, and production was started in the fourth quarter. The Polish factory builds on the successful growth in Lithuania, and the project has been headed by resources from Kitron's operation in Lithuania.

Also, during 2019, Kitron has continued to invest in automation and robotization intended to increase efficiency at the plants.

Financial statements

The board of directors believes that the annual financial statements provide a true and fair view of the net assets, financial position and result of Kitron ASA and the Kitron group for the year. The group's consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by EU. The group implemented IFRS 16 "Leases" from 1 January 2019. The new standard results 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. See note 31 to the consolidated financial statements for detailed information of the effects.

Profit and loss

Operating revenue for 2019 amounted to NOK 3 299.4 million, compared to NOK 2 619.3 million for 2018, which represents an increase of 26 per cent. Growth adjusted for foreign exchange effects in consolidation was 23.5 per cent.

The order backlog at the end of 2019 amounted to NOK 1 883.9 million, compared to NOK 1 334.8 million in 2018. 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 the most in the Defence/Aerospace market sector. This sector is in general characterized by project deliveries. Military aviation programs constitute an increasing share of Defence/Aerospace revenue, and as a consequence there will be larger fluctuations in order backlog, as these customers tend to place longer orders than normal in the defence sector.

The number of full-time equivalents (FTE) increased from 1 606 at the end of 2018 to 1 722 at the end of 2019. The work force has increased significantly in Norway, in Poland, due to the new factory, and in the US, due to the previously mentioned acquisition. The workforce in Lithuania was reduced. 71 per cent of Kitron FTEs are now in low-cost countries. The group's payroll expenses increased and amounted to NOK 592.9 million in 2019 compared with 496.9 million in 2018. The payroll expenses as a percentage of revenue declined to 18.0 per cent (19.0 per cent in 2018).

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

Net financial costs amounted to NOK 31.9 million. The corresponding figure for 2018 was a net cost of NOK 14.9 million. Kitron's pre-tax profit for 2019 amounted to NOK 169.6 million (NOK 141.2 million), an increase of NOK 28.4 million. All tax loss carried forward in the businesses in Norway, Sweden and USA are capitalised by December.

The group's net profit for the year amounted to NOK 132.5 million (NOK 110.3 million). This corresponds to earnings per share of NOK 0.74 (NOK 0.63). Diluted earnings per share were NOK 0.74 (NOK 0.61).

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 the company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth. For the financial year 2019 the Board of Directors will recommend a proposal to the Annual General Meeting where an authorization to resolve dividend up to a total amount of NOK 90 million is granted the Board. Such authorization is proposed in order to being prudent with respect to Kitron's liquidity position and also to maintain the option to pay dividend in relation to the risk that the company may face as a result of the corona pandemic, see more info under "Outlook". The authorization is valid until next year's annual general meeting but no longer than to 30 June 2021.

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

Cash flow

In 2019, Kitron's cash flow from operating activities increased by NOK 239.7 million compared to 2018, to NOK 195.2 million (minus NOK 44.5 million). Net cash flow from investing activities in 2019 ended at minus NOK 248.1 million (minus NOK 55.9 million), particularly reflecting the previously mentioned acquisition in the US and the new factory in Poland.

Net cash flow from financing activities was NOK 40.0 million (minus NOK 126.4 million). Kitron enters into financial leasing agreements when applicable. The leasing obligation is recognised as debt.
In general, Kitron expects to generate sufficient cash to finance the operation in the foreseeable future. However, a temporary increase in working capital is the result of deliberate efforts to avoid supply disruptions due to electronic components shortages. Component shortages have been an ongoing issue for the Electronics Manufacturing Services business since 2018. The situation improved gradually during the second half of 2019.

Balance sheet and liquidity

Total assets at 31 December 2019 amounted to NOK 2 396.2 (NOK 1 866.1 million). At the same time equity amounted to NOK 739.2 million (NOK 691.5 million) and the equity ratio was 30.8 per cent (37.1 per cent).

Inventories ended at NOK 445.6 million at the end of the year (NOK 448.2 million). Contract assets ended at NOK 313.7 million, compared to NOK 235.2 million last year. Controlling inventory is a major focus area for the company's ongoing improvement program.

Accounts receivable ended at NOK 696.9 million (NOK 690.6 million). Overdue receivables are low and credit losses have been small during 2019.

Accounts payable ended at NOK 514.4 million (NOK 594.8 million). The value at year-end 2018 was high primarily from inventory build-up due to material allocations.

At 31 December 2019, the group's interest-bearing debt was NOK 988.3 million (NOK 441.8 million). The debt mainly consists of long-term bank debt, short-term bank debt, factoring and leasing.
Cash and cash equivalents amounted to NOK 204.0 million at the balance sheet date (NOK 45.7 million). NOK 19.8 million of this amount was restricted deposits (NOK 10.2 million). The group's liquidity situation is satisfactory. However, see comments under "Outlook" about the outbreak of the corona pandemic.

Risk factors and risk management

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

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

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

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

Kitron's debt is a combination of long-term debt and short-term debt related to factored accounts receivable. The latter means that fluctuations in revenue impact the company's liquidity. The group has overdraft facilities that cover expected liquidity fluctuations during the year. Implementation of IFRS 16 increased the lease liabilities during 2019. The board considers the group's liquidity to be sufficient.
The group's interest-bearing debt attracts interest cost at the market-based rate. Kitron has no financial instruments related to interest rates. The group does not hold any significant interest-bearing assets.

Social responsibility

Kitron has implemented Ethical guidelines that reflect Kitron core values and Kitron corporate social responsibility. Kitron has implemented an ethical committee whose task is to review and suggest updates of ethical guidelines, decide and/or advice in ethical dilemmas, conduct risk analysis and implement relevant actions and make periodical reviews.
The board's review on Corporate Social Responsibility is presented in the Annual report. The report is prepared in accordance with the Oslo Stock Exchange Guidelines for Corporate Social Responsibility Reporting.

Health, safety, security and environment (HSSE)

At the end of 2019 the group employed a total of 1 715 people. Adjusting for part-time employees and hired-ins, this translates to 1 722 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 2019.

Sick leave in Kitron was 3.64 per cent, compared to 3.1 per cent in 2018. The board considers the working environment to be good, and Kitron participates in the Great Place to Work survey in order to develop an even better working environment.

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

Personnel and organisation

Kitron considers the competence of employees to be the ultimate competitive advantage. Securing required and relevant competence now and for the future is a fundamental priority and Kitron competence roadmap has been outlined. Individual career and competence development is part of the current performance management process. The digital learning platform, Kitron Academy, was launched in 2018, and further developed and supplemented with learning and development activities in 2019. The platform offers the possibility to report on training activities per individual and group level. In 2019 52 579 hours were registered as spent on training.

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

Equal opportunities
Kitron's basic view is that people with different backgrounds, irrespective of ethnicity, gender, religion, sexual orientation or age, should have the same opportunities for work and career development at Kitron. The company's manufacturing factories have traditionally employed a higher proportion of women. Women represented 54 per cent of the Kitron work force in 2019. Out of 96 managers (manager having direct reports) 33.3 per cent are female and 66.7 per cent are male.

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

The average pay for men and women vary due to differences in job categories and years of service, not because of gender. Women's amount of men's pay per location can be found on page 99. No gender-based differences exist with regard to working hour regulations or the design of workplaces.

Indirect functions include management employees, staff and other support functions. The employees in the subsidiary management teams are predominantly male. The corporate management team has 6 male and 2 female members.

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

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

Salaries and other remuneration to senior executives
The Board of Directors has a separate Remuneration Committee, which deals with all significant matters related to wages and other remuneration to senior executives before the formal discussion and decision by the Board of Directors. In line with the Norwegian Companies Act, the Board of Directors has also prepared a statement on the Group CEO and Executive Management remuneration included in Note 28 to the consolidated financial statements.

Net profit (loss) of the parent company
The Parent Company Kitron ASA recorded a profit of NOK 77.3 million for 2019 (NOK 49.4 million). The board of directors proposes the following allocations for Kitron ASA:

Transferred to other equity	NOK 77.3 million
Total allocations	NOK 77.3 million

Going concern
There have been no events to date in 2020 that significantly affect the result for 2019 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 2019 have been prepared on the basis of this assumption. However, see comments under "Outlook" about the outbreak of the corona pandemic.

Outlook

The outbreak of the corona pandemic has increased uncertainty during the first part of 2020. To date this has not significantly affected Kitron's operations. Demand is so far not materially affected, and the order backlog is close to NOK 2 billion, which supports the current outlook. All tier-1 suppliers in China have re-started operations and are gradually increasing capacity. European suppliers are currently delivering according to plan, with only minor deviations, so currently there has been no major disruption to supply chains outside China. We expect there will be some material allocations as the production capacity has been lower for some time for Chinese producers, and we are preparing for this situation. Kitron is normally dependent on customer approval of changes to the supply chain, and this is a process that usually takes some time. Consequently this is not likely as a short term action, but is an option in the longer term.

Kitron has implemented a number of actions to reduce the risk of our employees contracting the virus, and currently, we know of no Kitron employee who has contracted the corona virus. This includes keeping safety distance between people, hygiene and increased cleaning and sanitizing of all company facilities. All employees who can do their work from home are doing so. The purpose is to minimize the exposure of our blue-collar workers. Visitors will not be allowed to access Kitron facilities. Keeping our employees healthy and working is key to having the needed production capacity.

Kitron has a solid banking relationship with DNB, going back many years, consisting of long term loans (5 year), leasing financing of equipment, factoring solutions for Sweden and Norway and a credit facility. Kitron also has credit insurance for revenues in all countries except China. The main covenants for Kitron are Equity % and NIBD/EBITDA. The Equity % covenant is highly contingent on the size of the total balance sheet and is therefore at risk if inventory levels or trade receivable should rise. For NIBD/EBITDA, the margin is broader and allows for both a reduction in EBITDA and also an increase of debt.

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

For 2020, Kitron expects revenue to grow to between NOK 3 300 and 3 700 million. EBIT margin is expected to be between 6.4 and 7.0 per cent. Growth is driven by the Defence and Medical devices sectors. Profitability is mainly driven by operational improvements in Poland and the U.S.

The guiding from the fourth quarter report is maintained, but the uncertainty has increased significantly due to the corona pandemic outbreak as well as the long-term impact from the difficult world economic situation in general.

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

Oslo, 27 March, 2020

Tuomo Lähdesmäki Chairman	Gro Brækken Deputy chairman	Christian Jebsen Board member
Espen Gundersen Board member	Tanja Rørheim Employee elected board member	Jarle Larsen Employee elected board member
Maalfrid Brath Board member	Bjørn Gottschlich Employee elected board member	Lars Peter Nilsson CEO of Kitron ASA

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

CONSOLIDATED ANNUAL ACCOUNTS AND NOTES

Consolidated income statement

(Amounts in NOK 1000)	Note	2019	2018
Revenue			
Revenues	5, 6	3 299 416	2 619 257
Operating costs			
Cost of materials		2 220 203	1 756 246
Payroll expenses	8, 19, 23, 30	592 859	496 911
Depreciation and impairments	12, 13, 14	84 056	52 824
Other operating expenses	25, 27, 30	196 495	153 490
Total operating costs		3 093 612	2 459 471
Other gains/(losses)	7	(4 304)	(3 687)
Operating profit/(loss)		**201 500**	**156 100**
Financial income and expenses			
Finance income	9	4 211	4 845
Finance expenses	9	(36 129)	(19 726)
Net financial items		(31 918)	(14 882)
Profit/(loss) before tax		169 581	141 218
Tax	10	37 079	30 950
Net profit/(loss)		**132 502**	**110 267**

Allocation

Shareholders		132 502	110 267

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

Basic earnings per share	11	0.74	0.63
Diluted earnings per share	11	0.74	0.61

The notes on pages 16 to 55 are an integral part of the consolidated financial statement.

Consolidated statement of comprehensive income

(Amounts in NOK 1000)	2019	2018
Net profit/(loss)	132 502	110 267
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Actuarial gain / losses pensions	(257)	(113)
	(257)	(113)
Items that may be subsequently reclassified to profit and loss		
Exchange differences on translation of foreign operations	1 222	2 218
Currency translation differences	(3 532)	(583)
	(2 310)	1 635
Total other comprehensive income	**(2 567)**	**1 522**
Total comprehensive income	**129 935**	**111 789**

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

Allocation		
Shareholders	129 935	111 789

Consolidated balance sheet

(Amounts in NOK 1000)	Note	31.12.2019	31.12.2018
Assets			
Non-current assets			
Goodwill	13	36 933	26 786
Other intangible assets	14	27 958	12 601
Property, plant and equipment	12	507 091	293 193
Deferred tax assets	22	86 770	45 987
Other receivables	15	2 206	-
Total non-current assets		**660 959**	**378 567**
Current assets			
Inventory	16	445 600	448 203
Accounts receivable	15, 28	696 934	690 598
Contract assets	15	313 719	235 201
Other receivables	15, 28	75 025	67 864
Cash and cash equivalents	17	203 976	45 654
Total current assets		**1 735 253**	**1 487 520**
Total assets		**2 396 212**	**1 866 088**

The notes on pages 16 to 55 are an integral part of the consolidated financial statement.

Consolidated balance sheet (cont.)

(Amounts in NOK 1000)	Note	31.12.2019	31.12.2018
Equity and liabilities			
Equity			
Equity attributable to owner of the parent			
Share capital and share premium reserve	18	473 968	473 677
Equity unrecognised in the profit and loss		(15 812)	(1 249)
Retained earnings		281 057	219 031
Total equity		**739 213**	**691 459**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	22	16 132	1 196
Loans	21	331 029	40 830
Pension commitments	23	5 896	5 966
Total non-current liabilities		**353 057**	**47 992**
Current liabilities			
Accounts payable	20, 28	514 430	594 808
Other payables	20, 28	126 471	122 896
Tax payable		5 775	7 962
Loans	21	657 266	400 970
Total current liabilities		**1 303 942**	**1 126 636**
Total liabilities		**1 656 999**	**1 174 629**
Total liabilities and equity		**2 396 212**	**1 866 088**

The notes on pages 16 to 55 are an integral part of the consolidated financial statement.

Oslo, 27 March, 2020

Tuomo Lähdesmäki Chairman	Gro Brækken Deputy chairman	Christian Jebsen Board member
Espen Gundersen Board member	Tanja Rørheim Employee elected board member	Jarle Larsen Employee elected board member
Maalfrid Brath Board member	Bjørn Gottschlich Employee elected board member	Lars Peter Nilsson CEO of Kitron ASA

Consolidated statement of changes in equity

		Equity attributable to owner of the parent					
(Amounts in NOK 1000)	Note	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 2018		473 677	(9 491)	(3 726)	2 796	205 670	668 926
Net profit						110 267	110 267
Paid dividends						(96 906)	(96 906)
Employee share schemes					7 650		7 650
Other comprehensive income			(113)	1 635	-		1 522
Equity at 31 December 2018		**473 677**	**(9 604)**	**(2 091)**	**10 446**	**219 031**	**691 459**
Equity at 1 January 2019		**473 677**	**(9 604)**	**(2 091)**	**10 446**	**219 031**	**691 459**
Net profit						132 502	132 502
Paid dividends						(70 477)	(70 477)
Issue of ordinary shares		291			-		291
Employee share schemes					(11 995)		(11 995)
Other comprehensive income			(257)	(2 310)	-		(2 567)
Equity at 31 December 2019		**473 968**	**(9 861)**	**(4 402)**	**(1 549)**	**281 057**	**739 213**

The notes on pages 16 to 55 are an integral part of the consolidated financial statement.

Consolidated statement of cash flow

(Amounts in NOK 1000)	Note	2019	2018
Cash flows from operating activities			
Cash flow from operations	26	233 905	(25 026)
Interest received		3 576	2 496
Interest paid		(24 742)	(11 316)
Income taxes paid		(17 503)	(10 612)
Net cash (outflow) from operating activities		**195 235**	**(44 458)**
Cash flows from investing activities			
Acquisition of tangible fixed assets	12	(99 653)	(49 044)
Acquisition of other intangible assets	14	(12 800)	(6 789)
Acquisition of shares in subsidiary	32	(135 646)	(26)
Net cash (outflow) from investing activities		**(248 099)**	**(55 859)**
Cash flows from financing activities			
Proceeds from issuing ordinary shares		291	-
Proceeds from new loans		180 000	-
Repayment of loans		(29 019)	(29 482)
Repayment lease debt		(40 754)	-
Dividends paid		(70 477)	(96 905)
Net cash (outflow) from financing activities	**26**	**40 041**	**(126 387)**
Change in cash, cash equivalents and bank overdraft		**(12 822)**	**(226 704)**
Cash, cash equivalents and bank overdraft at 1 January	17	(107 548)	118 765
Exchange gains (losses) on cash and cash equivalents		909	391
Cash, cash equivalents and bank overdraft at 31 December		**(119 461)**	**(107 548)**

The notes on pages 16 to 55 are an integral part of the consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information
Kitron ASA and its subsidiaries (the group) comprise one of Scandinavia's leading enterprises in the development, industrialisation and manufacturing of electronics for the defence/aerospace, energy/telecoms, industry, medical equipment and offshore/marine sectors. The group has operations in Norway, Sweden, Lithuania, Germany, Poland, China and the US. Kitron ASA has its head office at Billingstad outside Oslo in Norway and is listed on the Oslo Stock Exchange. The consolidated accounts were considered and approved by the company's board of directors on 27 March 2020.

Note 2 Summary of the most significant accounting principles
The most significant accounting principles applied in the preparation of the consolidated financial statements are detailed below. These principles have been applied uniformly in all the periods unless otherwise stated.

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

Changes in accounting policy and disclosures

a) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:
- IFRS 16 leases
- Prepayment features with negative compensation – Amendments to IFRS 9
- Long-term interests in associates and joint ventures – Amendments to IAS 28
- Annual improvements to IFRS standards 2015 – 2017 Cycle
- Plan amendment, curtailment or settlement – Amendments to IAS 19
- Interpretation 23 uncertainty over income tax treatments:

IFRS 16 was issued in January 2016. For leases where the group is the lessee, it resulted 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 were recognised. The only exceptions were short-term and low-value leases. The group applied the standard from its mandatory adaption date of 1 January 2019. See note 27 for more detailed information. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current reporting period. For a description about uncertainty for future reporting periods, see note 34 "Subsequent events".

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

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any noncontrolling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the 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 IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity.

Disposal of subsidiaries

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

Associated companies

The group has no joint ventures or associated companies.

Segment reporting

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

Translation of foreign currencies

Functional and presentation currencies

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

Transaction and balance sheet items

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

Group companies

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

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

Property, plant and equipment

Tangible fixed assets primarily embrace buildings and land, machinery, equipment, and fixtures and fittings. They also include right of use assets for leased buildings, machinery and equipment accounted for in accordance with IFRS 16. See more info under "The group's leasing activities and how they are accounted for" later in this note, note 31 "Changes in accounting principles" and note 27 "Leases". Tangible fixed assets are stated at historical cost less accumulated depreciation and impairments. They are recognised in the balance sheet and depreciated on a straight-line basis to their residual value over their expected useful life, which is:

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

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

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

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

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

Intangible assets

Goodwill

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

Computer software

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

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

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

Financial assets

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

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

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

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

Recognition and derecognition

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

Inventory

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

Accounts receivable and contract assets

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

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

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

Impairment losses on accounts receivable and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents

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

Share capital

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

Financial liabilities

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

Accounts payable and other payables

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

Loans

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

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

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

Current and deferred income tax

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

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

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

Pension commitments, bonus schemes and other compensation for employees

Pension commitments

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

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

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

For defined contribution plans, the group pays contribution to publicly- or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

Share-based payments

The group operates an equity settled share-based compensation plan under which the entity receives services from employees as consideration from equity instruments (options) for the group. The compensation plan comprises senior management only. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value). The social security contribution payable in connection with the grant of the share options is considered as an integral part of the grant itself, and the charge will be settled as a cash-settled transaction. Further details around the arrangement are described in note 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. Kitron Group implemented IFRS 15 "Revenue from Contracts with Customers from 1 January 2018.

Sales of goods

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

Some contracts include multiple deliverables, such as test development, engineering change orders and production. These are accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the 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.

Sales of services

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

Interest income

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

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

Kitron Group implemented IFRS 16 "Leases" from 1 January 2019. See note 31 for more details.

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

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

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

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

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

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

Dividend payments

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

Note 3 Financial risk

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

Market risk

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

At 31 December, if the (NOK) currency had weakened/strengthened by 1 per cent against the US dollar with all variables held constant, post–tax profit for the year would have been NOK 0.3 million (2018: NOK 0.4 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits, trade receivables and debt.

At 31 December, if the (NOK) currency had weakened/strengthened by 1 per cent against the EUR with all variables held constant, post–tax profit for the year would have been NOK 1.2 million (2018: NOK 1.0 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of EUR denominated bank deposits, trade receivables and debt.

Price risk: the company is exposed to price risk both because raw materials follow international market prices for electronic and mechanical components and because the company's goods and services are subject to price pressures. Routines have been established for procurement by the company's own sourcing organisation, which negotiates group contracts. The sourcing function allows Kitron to achieve improved material prices.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with bank, accounts receivables and contract assets. 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.

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

Liquidity risk

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

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

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

Periods to maturity of financial liabilities incl. interest:

(Amounts in NOK 1000)	Less than one year	Between one and two years	Between two and five years	More than five years
At 31 December 2019				
Bank overdraft	333 671	-	-	-
Leasing	47 482	33 262	130 152	32 860
Factoring debt	255 295			
Other financial loans	40 936	51 486	115 469	-
Trade and other payables	640 901	-	-	-
Total	**1 318 285**	**84 479**	**245 621**	**32 860**
At 31 December 2018				
Bank overdraft	158 525	-	-	-
Leasing	20 467	20 412	15 773	-
Factoring debt	201 081	-	-	-
Other financial loans		31 430	7 097	-
Trade and other payables	717 704	-	-	-
Total	**1 129 207**	**27 509**	**15 773**	**-**

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 2019, 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 4.5 million (2018: NOK 1.4 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2019, 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 5.3 million (2018: NOK 3.0 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 2019 and 2018 were as follows:

(Amounts in NOK 1000)	**2019**	**2018**
Total borrowings (note 21)	988 295	441 800
Cash and cash equivalents (note 17)	(203 976)	(45 654)
Net debt	**784 319**	**396 146**
Total equity	739 213	691 459
Total capital	**1 523 532**	**1 087 605**
Gearing ratio	51%	36%

The increase in gearing ratio from 2018 is influenced by the implementation of IFRS 16. Gearing ratio per 31 December 2019 excluding IFRS 16 effects is 47%.

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

Management 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.

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. For 2019 part of revenues is related to indemnification from insurance. This revenue is geographical related to USA and the line of business for Defence/Aerospace. For further information see note 6 and 33.

Revenues by lines of business

The table shows the EMS turnover by industry:

(Amounts in NOK 1000)	2019	2018
Defence/Aerospace	743 228 *)	449 685
Energy/Telecoms	459 560	414 123
Industry	1 286 220	1 187 686
Medical devices	595 868	519 151
Offshore/Marine	214 540	48 613
Total sales	**3 299 416**	**2 619 257**

Geographical breakdown revenues

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

(Amounts in NOK 1000)	2019	2018
Norway	589 034	459 508
Sweden	1 374 225	1 201 227
Rest of Europe	685 526	642 162
USA	558 971 *)	230 073
Other	91 660	86 287
Total sales	**3 299 416**	**2 619 257**

The largest customer counts for 9.2% (10.3%) of sales, the next counts for 6.7% (8.4%) and the others are below 5.8% (7.2%) each.

*) Included for 2019 is other revenues related to Indemnification from insurance. See note 6 and 33 for further information.

Geographical breakdown of assets

(Amounts in NOK 1000)	Norway		Sweden		Lithuania		Poland	
	2019	2018	2019	2018	2019	2018	2019	2018
Assets	77 810	82 984	73 974	40 677	154 042	152 260	137 650	33

(Amounts in NOK 1000)z	China		Germany		USA	
	2019	2018	2019	2018	2019	2018
Assets	39 711	23 510	434	10	48 481	6 320

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

Note 6 Revenues

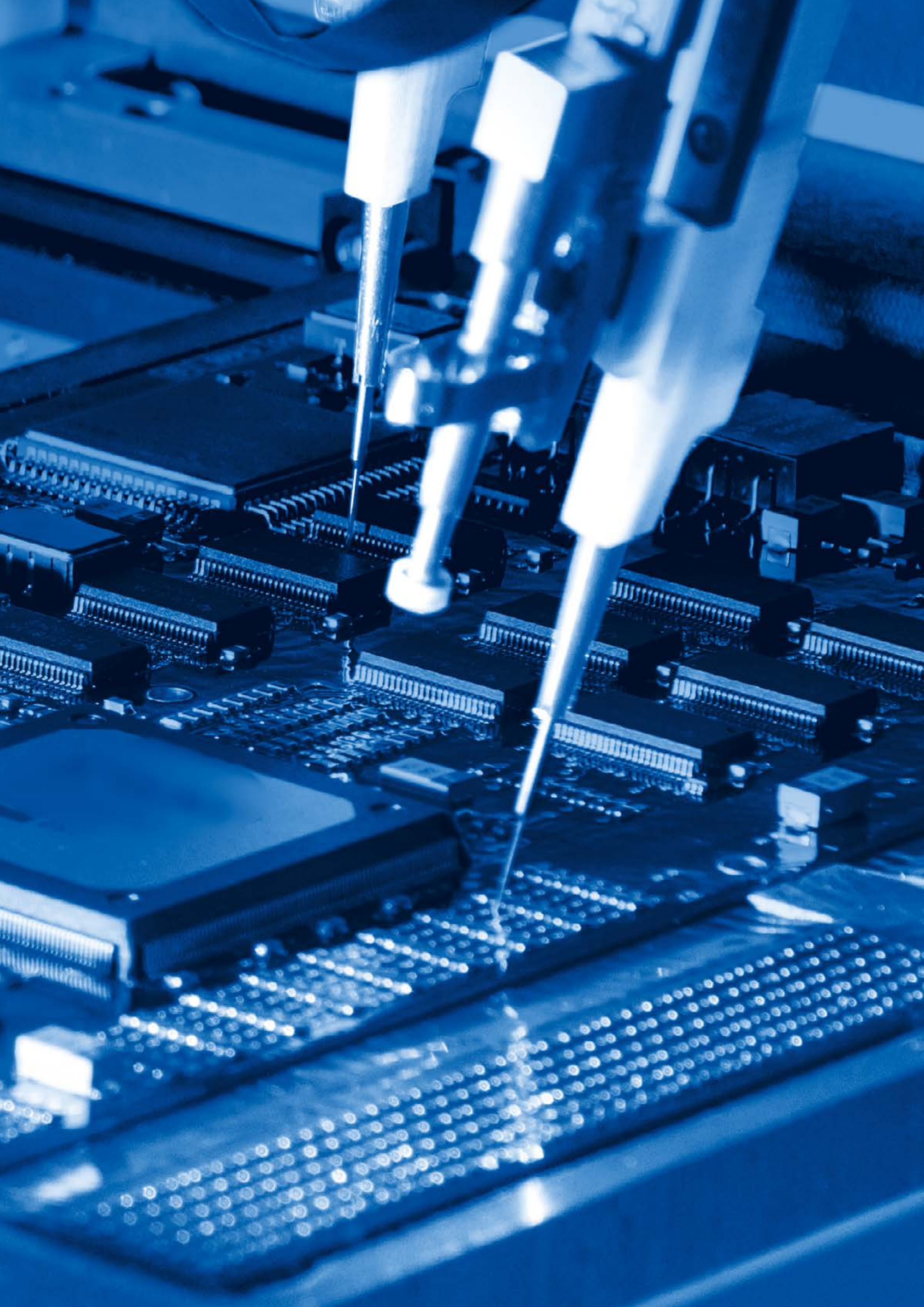
Revenues consist of

Amounts in NOK 1000	2019	2018
Revenues from contracts with customers	3 268 959	2 619 257
Other revenues *)	30 457	-
Total revenues	**3 299 416**	**2 619 257**

Timing of revenue recognition

Amounts in NOK 1000	2019	2018
Revenues from contracts with customers, over time	**3 268 959**	**2 619 257**

*) Other income in 2019 is related to Indemnification from insurance. See note 33 for further information.



Note 7 Other gains / (losses)

(Amounts in NOK 1000)	2019	2018
Currency gains	25 396	32 249
Currency losses	(29 700)	(35 936)
Other gains/(losses)	**(4 304)**	**(3 687)**

Note 8 Employee benefit

(Amounts in NOK 1000)	2019	2018
Payroll	481 805	372 246
Payroll tax	72 268	76 527
Net pension costs (gain) defined benefit plans (note 23)	148	143
Pension costs defined contribution plans	23 721	19 509
Other remuneration	14 917	28 486
Total	**592 859**	**496 911**
Average number of man-years (including hired-ins)	1 664	1 529
Average number of employees	1 576	1 478

Note 9 Financial income and expenses

(Amounts in NOK 1000)	2019	2018
Interest income	3 576	2 496
Other financial income	24	-
Agio	611	2 349
Finance income	**4 211**	**4 845**
Interest expenses	(24 742)	(11 316)
Other financial expenses	(7 816)	(4 903)
Disagio	(3 571)	(3 507)
Finance expenses	**(36 129)**	**(19 726)**
Net financial items	**(31 918)**	**(14 882)**

Note 10 Income tax expense

(Amounts in NOK 1000)	2019	2018
Tax payable	30 908	23 065
Deferred tax (Note 22)	6 171	6 355
Change in tax rate	-	1 530
Income tax expense	**37 079**	**30 950**

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)	2019	2018
Ordinary profit before tax	169 581	141 218
Tax calculated at the domestic rate (23%)/(24%)	37 308	32 480
Expenses not deductible for tax purposes	(3 354)	3 622
Tax loss for which no deferred income tax asset was recognised	2 506	585
Effect on deferred tax asset due to change in tax rate	-	1 530
Change in deferred tax asset booked against other comprehensive income	(272)	(628)
Change in deferred tax asset booked against equity	4 001	-
Adjustment in respect of prior years	-	(371)
Effect on different tax rates in countries in which the group operates	(3 110)	(6 268)
Tax cost	**37 079**	**30 950**

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

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

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

	2019			2018		
(Amounts in NOK 1000)	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gain / losses pensions	(330)	(73)	(257)	(147)	(34)	(113)
Exchange differences on translation of foreign operations	1 567	345	1 222	2 880	662	2 218
Currency translation differences	(3 532)	-	(3 532)	(583)	-	(583)
Other comprehensive income	**(2 295)**	**272**	**(2 567)**	**2 150**	**628**	**1 522**
Deferred tax		272			628	

Note 11 Earnings per share

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

(Amounts in NOK 1000)	**2019**	**2018**
Profit attributable to equity holders of the company	132 502	110 267
Profit used to determine basic and diluted earnings per share	132 502	110 267
Weighted average number of ordinary shares in issue (thousands)	177 891	176 193
Adjusted for share options (thousands)	-	4 503
Weighted average number of ordinary shares for diluted earnings per share (thousands)	177 891	180 696
Basic earnings per share	0.74	0.63
Diluted earnings per share	0.74	0.61

Note 12 Property, plant and equipment

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	Right-of-use assets	Total
At 1 January 2018				
Acquisition cost	963 571	177 875	-	1 141 446
Accumulated depreciation/impairment	(783 886)	(80 068)	-	(863 954)
Accounting carrying amount	**179 685**	**97 806**	**-**	**277 491**
Fiscal 2018				
Opening balance	179 685	97 806	-	277 491
Conversion differences	(357)	364	-	7
Additions	62 026	749	-	62 775
Depreciation	(38 548)	(8 531)	-	(47 080)
Closing balance	**202 805**	**90 389**	**-**	**293 194**
At 31 December 2018				
Acquisition cost	1 025 240	178 988	-	1 204 228
Accumulated depreciation/impairment	(822 435)	(88 599)	-	(911 034)
Accounting carrying amount	**202 805**	**90 389**	**-**	**293 194**
Fiscal 2019				
Opening balance	202 805	90 389	-	293 194
Implementation IFRS16	-	-	63 015	63 015
Conversion differences	(28)	(1 698)		(1 725)
Additions	135 933	46 696	83 801	266 430
Reclassification *)	(7 396)	-	-	(7 396)
Impairment charge	(8 080)	(19 118)	-	(27 198)
Depreciation	(54 884)	(8 703)	(15 641)	(79 228)
Closing balance	268 350	107 566	131 175	507 091
At 31 December 2019				
Acquisition cost	1 145 669	204 869	146 816	1 497 353
Accumulated depreciation/impairment	(877 319)	(97 302)	(15 641)	(990 262)
Accounting carrying amount	**268 350**	**107 566**	**131 175**	**507 091**

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 21. In 2019 the difference of NOK 143.3 millions between additions in the table above and aquisitions of assets in Consolidated statement of cash flow consists of assets financial leased minus assets written of (2018 NOK 14.1 million). *) Part of value of ERP system is reclassified to intangible assets.

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 132.5 million and NOK 45.6 million (2018: NOK 60.4 million and NOK 50.0 million), see note 21.

Note 13 Goodwill

(Amounts in NOK 1000)	Goodwill
At 1 January 2018	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
Accounting carrying amount	**26 786**
Fiscal 2018	
Opening balance	26 786
Closing balance	**26 786**
At 31 December 2018	
Acquisition cost	30 618
Accumulated impairment charge	(3 832)
Accounting carrying amount	**26 786**
Fiscal 2019	
Opening balance	26 786
Conversion differences	9
Additions	10 138
Closing balance	**36 933**
At 31 December 2019	
Acquisition cost	40 765
Accumulated impairment charge	(3 832)
Accounting carrying amount	**36 933**

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)	2019	2018
Norway	715	715
Sweden	3 555	3 555
Lithuania	20 062	20 062
Germany	2 454	2 454
USA	10 147	-
Total	**36 933**	**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 calculated values are also sustainable against write offs due to a fair change in assumptions. The calculations are based on cash flows for the next three years and a residual value for future earnings. The discount rate is 8 per cent.

Note 14 Other intangible assets

(Amounts in NOK 1000)	ERP System	MES System	Other intangible assets	Total
At 1 January 2018				
Acquisition cost	52 962	8 143	417	61 522
Accumulated depreciation	(45 256)	(4 774)	(341)	(50 371
Accounting carrying amount	**7 706**	**3 369**	**76**	**11 151**
Fiscal 2018				
Opening balance	7 706	3 369	76	**11 151**
Conversion differences	(4)	-	(3)	(7)
Additions	6 720	-	482	7 201
Depreciation	(4 507)	(1 181)	(57)	(5 745)
Closing balance	**9 916**	**2 188**	**497**	**12 601**
At 31 December 2018				
Acquisition cost	59 677	8 143	895	68 717
Accumulated depreciation	(49 763)	(5 955)	(398)	(56 116)
Accounting carrying amount	**9 916**	**2 188**	**497**	**12 601**
Fiscal 2019				
Opening balance	9 916	2 188	497	12 601
Conversion differences	5	-	(16)	(11)
Additions	5 429	1 942	5 429	12 800
Reclassification *)	7 396	-	-	7 396
Depreciation	(3 455)	(1 141)	(231)	(4 828)
Closing balance	**19 290**	**2 988**	**5 679**	**27 958**
At 31 December 2019				
Acquisition cost	72 507	10 085	6 308	88 902
Accumulated depreciation	(53 218)	(7 097)	(629)	(60 944)
Accounting carrying amount	**19 290**	**2 988**	**5 679**	**27 958**

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 1 years. Additions for the ERP and MES systems will be depreciated over 7 years. Other intangible assets consists of a cyber security system for Kitron AB, which is also depreciated over 7 years. The remaining amortisation period for the cyber security system is 5 years.

*) Part of value of ERP system is reclassified from tangible assets.

Note 15 Accounts receivable and other receivables

(Amounts in NOK 1000)	2019	2018
Accounts receivable	696 934	690 598
Provision for bad debts	-	-
Accounts receivable - net	**696 934**	**690 598**

(Amounts in NOK 1000)	2019	2018
Earned non-invoiced income	2 998	9 761
Prepaid costs	36 021	21 025
Other	36 005	37 079
Other receivables	**75 025**	**67 864**

Fair value of accounts receivable and other receivables:

(Amounts in NOK 1000)	2019	2018
Accounts receivable - net	696 934	690 598
Accounts receivable - net	**696 934**	**690 598**

(Amounts in NOK 1000)	2019	2018
Earned non-invoiced income	2 998	9 761
Prepaid costs	36 021	21 025
Other	36 005	37 079
Other receivables	**75 025**	**67 864**

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

As of 31 December 2019 accounts receivables of NOK 696.9 million were fully performing. (2018: 690.6 million).

As of 31 December 2019 accounts receivables of 55.6 million (2018: NOK 46.3 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)	2019	2018
Not past due	641 305	644 297
Past due 1-30 days	43 086	41 358
Past due 31-60 days	7 165	1 366
Past due 61-90 days	2 164	743
Past due > 90 days	3 215	2 834
Total	**696 934**	**690 598**

As of 31 December 2019 no trade receivables were impaired and provided for (2018: NOK 0.0 million).

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

(Amounts in NOK 1000)	2019	2018
CNY	22 342	22 403
EUR	222 129	262 970
NOK	210 176	145 328
SEK	74 001	85 041
USD	237 511	242 643
GBP	838	69
PLN	4 960	8
Total	**771 959**	**758 462**

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

(Amounts in NOK 1000)	2019	2018
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. (2018: 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 2019 provided security for NOK 315.9 million (2018: 360.7 million), see note 21.

Contract assets

The group has recognised assets related to contract with customers. No increase in loss allowance in 2019 (2018 NOK 0.0 thousands).

(Amounts in NOK 1000)	2019	2018
Contract assets	313 719	235 201
Loss allowance	-	-
Contract assets - net	**313 719**	**235 201**

Note 16 Inventories

(Amounts in NOK 1000)	2019	2018
Raw materials and purchased semi-manufactures	445 600	448 203
Total inventory	**445 600**	**448 203**

For obsolete goods in year 2019 there was recognised a change of NOK 0.8 million. In 2018 NOK (1.0) million. Impairment charge recorded in the balance sheet as per 31 December 2019 was 6.8 million, per 31 December 2018 6.0 million. Inventory at 31 December 2019 provides security for NOK 453.0 million (392.4), see note 21.

Note 17 Cash, cash equivalents and bank overdraft

(Amounts in NOK 1000)	2019	2018
Cash and cash equivalents	203 976	45 654

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

(Amounts in NOK 1000)	2019	2018
Cash and cash equivalents	203 976	45 654
Overdraft drawn down (Note 21)	(323 437)	(153 201)
Total	**(119 461)**	**(107 547)**

(Amounts in NOK 1000)	2019	2018
Bank overdraft facilities 31 December	392 400	202 777
Net drawn on overdraft facilities 31 December	(323 437)	(153 201)
Locked-in bank deposits 31 December		
Security for factoring receivables	11 526	10 166
Security for leasing contracts	8 280	-
Total	**19 806**	**10 166**

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

Note 18 Share capital and premium reserve

Share capital and share premium reserve

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

*) Issue of shares from exercise of option program

Shares and shareholder information

The company's share capital at 31 December 2019 comprised 179 103 990 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 5 293 shareholders at 31 December 2019.

The 20 largest shareholders of Kitron ASA at 31 December 2019:

Shareholder	Number	Percentage
Vevlen Gård AS	12 700 000	7.09
Morgan Stanley & Co. Int. Plc.[1)]	10 465 128	5.84
Nordea Nordic Small Cap Fund	10 442 602	5.83
MP Pensjon PK	10 080 439	5.63
AAT Invest AS	6 364 212	3.55
Danske Invest Norge Vekst	5 672 028	3.17
J.P. Morgan Bank Luxembourg S.A.	5 374 327	3.00
VJ Invest AS	5 074 994	2.83
Verdipapirforndet Holberg Norge	5 000 000	2.79
Montanaro Smaller Comp PLC	3 500 000	1.95
Equinor Pensjon	3 450 226	1.93
The Bank of New York Mellon SA/NV	3 063 049	1.71
Verdipapirfondet Pareto Nordic	2 978 000	1.66
Avanza Bank AB [2)]	2 796 034	1.56
Varner Equities AS	2 630 161	1.47
Verdipapirfondet Nordea Avkastning	2 470 591	1.38
J.P. Morgan Bank Luxembourg S.A.	2 441 701	1.36
State Street Bank and Trust Comp	2 344 164	1.31
Morgan Stanley & Co. International	2 220 577	1.24
Folketrygdfondet	1 959 323	1.09
Total 20 largest shareholders	**101 027 556**	**56.41**
Total other shareholders	**78 076 434**	**43.59**
Total outstanding shares	**179 103 990**	**100.00**

1) Beneficial owner: Taiga Funds

2) Beneficial owner: CEO Peter Nilsson 2 079 182 shares (1.16 per cent)

Authorized share capital

Increasing the share capital

The ordinary general meeting of 30 April 2019 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 30 April 2019. 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 2020 but no longer than 30 June 2020. 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 authorization was used by the board in 2019 to increase the share capital by NOK 291 137.90. The authorized share capital of the Company is therefore NOK 17 910 399.00.

Own shares

The ordinary general meeting on 30 April 2019 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 30 April 2019. 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 2020 but no longer than 30 June 2020. The authority had not been exercised at 31 December 2019.

Note 19 Share-based payment

Kitron ASA in 2015 established a 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, each with a par value of NOK 0.10.

In 2019 the option program was exercised, resulting in a share issue of 2 911 379 new shares in the company to the option holders at a strike price of NOK 0.10 per share. In addition, Kitron decided to terminate 2 027 358 options under the option program against cash consideration. The cash consideration was utilized to cover the tax cost for the option holders which were subject to advance tax deductions by Kitron after exercise of the option. The conversion of options was made at NOK 8.97, which was equal to the closing price on Oslo Børs on 29 May 2019 less the strike price of NOK 0.10 per share.

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

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

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

During the period ended 31 December 2019, the company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2019 show grants gross before forfeited options.

Granted	2015	2016	2017	2017	2019
Type of arrangement	Equity settled	Equity settled	Equity settled	Equity settled	Equity settled
Dates of Grant	18.12.2015	13.12.2016	22.03.2017	14.12.2017	23.10.2019
Options granted as of 31.12.2019	0	0	0	0	1 250 000
Contractual life	3.28 years	2.3 years	2.02 years	1.29 years	2.94 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 criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.	"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 criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange."	"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 criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange."	"100% of the options will vest three years after the start of the second calendar quarter of 2019. The employee must remain an employee of the company or an affiliated company at the end of the vesting period. The market cap of the company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause."
Expiry date	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2022

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 2019 are listed below (calculated at grant):

Granted	2015	2016	2017	2017	2019
Exercise price	0.10	0.10	0.10	0.10	0.10
Share price at grant date	3.78	6.05	7.47	6.45	9.14
Expected life from grant date	3.28 years	2.3 years	2.02 years	1.29 years	2.77 years
Volatility	41%	44%	44%	31%	29%
Interest rate	0.67%	0.76%	0.59%	0.42%	1.19%
Fair value per option	1.8061	3.4188	5.0348	3.2753	2.57

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 2019 arising from the option plans are NOK 2 117 762, not including social security. The total carrying amount per 31 December 2019 is NOK 2 959 885, not including social security. Accrued social security at 31 December 2019 is NOK 0 (2018: 6 116 241).

Activity overview 2019

Quantity and weighted average prices

	01.01.2019 - 31.12.2019	
Activity	Number of instruments	Weighted Average Strike Price
Outstanding OB (01.01.2019)	5 337 500	0.10
Granted	1 250 000	0.10
Exercised	(4 938 737)	0.10
Forfeited	(398 763)	0.10
Expired	0	-
Outstanding CB (31.12.2019)	1 250 000	0.10
Vested CB	0	-

All options reported forfeited in 2019 are due to final performance achievements at end of performance period

Outstanding instruments year end

Outstanding instruments overview

	Outstanding instruments				Vested instruments
Strike price	Number of instruments	Weighted average remaining contractual life	Weighted average strike price	Vested instruments 31.12.2019	Weighted average strike price
0.10	1 250 000	2.75	0.10	0	0.00

Board	Number of shares 2019	2018	Number of options 2019	2018
Tuomo Lähdesmäki, chairman	197 702	118 634	-	-
Gro Brækken, board member	37 472	30 656	-	-
Espen Gundersen, board member	43 742	36 656	-	-
Maalfrid Brath, board member	13 472	6 656	-	-
Christian Jebsen, board member	13 472	6 656	-	-
Elisabeth Jacobsen, employee elected board member (01.01.2019-26.04.2019)	-	8 256	-	-
Jarle Larsen, employee elected board member	6 816	-	-	-
Tanja Rørheim, employee elected board member	13 472	6 656	-	-
Bjørn M. Gottschlich, employee elected board member	13 472	6 656	-	-

Corporate management team	Number of shares 2019	2018	Number of options 2019	2018
Peter Nilsson, CEO	2 079 182	1 148 876	200 000	1 750 000
Cathrin Nylander, CFO	868 752	515 064	150 000	586 075
Israel Losada Salvador, COO and Sales Director	743 831	460 064	150 000	768 920
Anne Lise Hjelseth, CHRO	113 846	-	150 000	214 285
Mindaugas Sestokas, Vice President and Managing Director	516 978	282 721	150 000	512 145
Hans Petter Thomassen, Vice President and Managing Director	431 770	155 087	150 000	512 145
Stefan Hansson Mutas, Managing Director	219 261	4 000	150 000	512 145
Zygimantas Dirse, Managing Director	452 622	204 170	150 000	381 745

Note 20 Accounts payable and other payables

(Amounts in NOK 1000)	2019	2018
Accounts payable	514 430	594 808

(Amounts in NOK 1000)	2019	2018
Public duties	40 232	26 960
Payable to related parties (note 28)	5 111	4 472
Other accruals	81 128	91 464
Other payables	**126 471**	**122 896**

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

(Amounts in NOK 1000)	2019	2018
Trade and other payables		
CNY	28 547	21 559
EUR	142 320	180 349
NOK	69 370	104 166
SEK	71 140	62 641
USD	313 339	338 171
HKD	16	16
CHF	854	1 687
GBP	7 478	4 861
JPY	2 255	3 024
PLN	4 796	131
DKK	787	1 100
Total trade and other payables	**640 901**	**717 704**

Note 21 Borrowings

(Amounts in NOK 1000)	2019	2018
Long-term loans		
Leasing	185 498	34 075
Other [1)]	145 531	6 755
Total	**331 029**	**40 830**
Current loans		
Debt to credit institutions [2)](Note 17)	323 437	153 201
Factoring debt [3)]	248 583	197 138
Leasing	45 656	19 968
Other	39 590	30 663
Total	**657 266**	**400 970**
Total loans	**988 295**	**441 800**

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

2) Kitron has established a group account agreement with the group's principle bank. This embraces the Norwegian, Swedish, German, Polish and US companies. The group's short term bank financing is a revolving facility. There was a draft at the group account agreement at 31 December 2019 of NOK 226.2 million (2018: 66.9). 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 2019. Unrestricted bank deposits and unused credit lines amounted to NOK 253.1 million for the group at 31 December 2019 (NOK 85.1 million at 31 December 2018).

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)	2019	2018
Between one and two years	78 909	26 183
Between two and five years	223 705	14 647
Over 5 years	28 415	-
Total	**331 029**	**40 830**

Effective interest rate at the balance sheet date:

		2019		2018
	NOK	Other	NOK	Other
Bank overdraft	2.7%	1.5%-5.9%	2.0%	1.5%-5.9%
Other loans	3.4% - 4.0%	1.5%-5.9%	2.8% -3.0%	1.5%-5.9%

Carrying amount and fair value of long-term loans:

		Carrying amount		Fair value
(Amounts in NOK 1000)0	2019	2018	2019	2018
Leasing	185 498	34 075	183 981	32 368
Other	145 531	6 755	133 644	6 439
Total	**331 029**	**40 830**	**317 626**	**38 807**

Fair value is based on discounted cash flow with a discount rate of 4.0 per cent (2018: 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)	2019	2018
NOK	454 932	140 394
SEK	89 066	65 436
EUR	230 563	110 819
USD	139 886	64 180
CNY	73 849	60 970
Total	**988 295**	**441 800**

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 2019. Loans include NOK 988.3 million (2018: 441.8 million) in secured commitments (bank loans and other secured loans).

Mortgages

(Amounts in NOK 1000)	2019	2018
Debt secured by mortgages	854 261	441 800

Carrying amount of assets provided as security:

(Amounts in NOK 1000)	2019	2018
Buildings and land	45 601	49 915
Machinery and equipment	132 461	60 395
Cash	120 380	10 166
Receivables	315 904	360 716
Inventory and contract assets	452 955	392 412
Total	**1 067 302**	**873 603**

For the Swedish entity there are company mortgages of SEK 46.1 million at 31 December 2019 (2018: SEK 46.1 million).

Debt secured by mortgages includes leasing liabilities for machinery and equipment. The carrying amount of these fixed assets is included in the carrying amount of assets provided as security. Of the mortgage debt in the consolidated accounts, the commitment related to leased machinery and equipment recognised in the balance sheet amounted to NOK 95.3 million at 31 December 2019 (2018: NOK 54.0 million).

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

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

The group's guarantee provider had provided guarantees at 31 December for leasing obligations and tax due but not paid. These totalled NOK 28.2 million (2018: NOK 28.4 million) and NOK 11.0 million (2018: NOK 16.0 million) respectively for the group.

Per 31 December 2019 Kitron ASA has granted a parent company guarantee of 7.7 million EUR related to lease obligations for the polish subsidiary Kitron sp.z o.o (2018: 8.4 million EUR).

Note 22 Deferred income tax

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

	2019	2018
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	86 770	45 987
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	16 132	1 196
Deferred tax asset (net)	**70 638**	**44 791**

Change in carrying amount of deferred tax asset:

(Amounts in NOK 1000)	2019	2018
Opening balance	44 791	54 607
Implementation of IFRS 15	-	(1 366)
Currency translation differences	(75)	63
Profit and loss account	(6 171)	(6 355)
Other comprehensive income	(272)	(628)
Equity for the period	4 001	-
Business combination	28 365	-
Change in tax rate	-	(1 530)
Closing balance	**70 638**	**44 791**

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

Deferred tax liabilities

	Fixed assets	Provision and current assets	Contract assets	Gain and loss account	Total
At 1 January 2018	**509**	**-**	**-**	**82**	**1 957**
Profit/(loss) for the period	(509)	800	5 597	(16)	5 872
Currency translation differences	-	(6)	(2)	-	(8)
)Implementation of IFRS 15	-	-	1 366	-	1 366
Change in tax rate	-	(52)	(209)	(3)	(264)
At 31 December 2018	**-**	**742**	**6 752**	**63**	**7 557**
At 1 January 2019	**-**	**742**	**6 752**	**63**	**7 557**
Profit/(loss) for the period	3 409	(742)	4 976	(13)	7 630
Business combination	4 786	-	-	-	4 786
Currency translation differences	(28)	-	39	-	11
Change in tax rate	-	-	-	-	-
At 31 December 2019	**8 167**	**-**	**11 767**	**50**	**19 984**

Deferred tax asset

	Fixed assets	Provision and current assets	Loss carried forward	Pension	Total
At 1 January 2018	**-**	**1 229**	**52 540**	**1 428**	**55 197**
Profit/(loss) for the period	174	(1 229)	662	(90)	(483)
Other comprehensive income	-	-	(662)	34	(628)
Currency translation differences	6	-	49	-	55
Change in tax rate	67	-	(1 801)	(60)	(1 794)
At 31 December 2018	**247**	**-**	**50 788**	**1 312**	**52 348**
At 1 January 2019	**247**	**-**	**50 788**	**1 312**	**52 348**
Profit/(loss) for the period	(247)	729	1 064	(87)	1 459
Other comprehensive income	-	-	(345)	73	(272)
Equity for the period	-	-	33 151	-	33 151
Business combination	-	-	4 001	-	4 001
Currency translation differences	-	4	(69)	-	(65)
At 31 December 2019	**-**	**733**	**88 591**	**1 298**	**90 622**

Deferred tax assets related to tax loss carried forward is recognised in the balance sheet to the extent that it is probable that the group can apply this against future taxable profit.
The group did not recognise deferred tax assets of TNOK 3 787 (2018: TNOK 3 812) in respect of losses amounting to TNOK 25 212 (2018: TNOK 25 384).

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

Note 23 Retirement benefit obligations

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

The 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

(Amounts in NOK 1000)	2019	Unfunded 2018
Pension commitments	5 896	5 966
Costs recognised in the profit and loss account (incl in note 8)		
Pension costs (gain) defined benefit planes	148	143
Cost recognised in other comprehensive income		
Actuarial losses (gains) pensions	330	147

Defined pension benefit plans

(Amounts in NOK 1000)	2019	2018
Carrying amount of the obligation is determined as follows		
Present value of pension obligation	(5 896)	(5 966)
Fair value of plan asset	-	-
Net commitments in unfunded defined benefit plans	**(5 896)**	**(5 966)**
Hereof payroll tax on the pension obligations	(728)	(738)
Net pension obligation in the balance sheet	**(5 896)**	**(5 966)**

Net pension costs comprise

(Amounts in NOK 1000)	2019	2018
Interest cost	(148)	(143)
Total, included in payroll costs	**(148)**	**(143)**

Change in carrying amount of pension commitments

(Amounts in NOK 1000)	2019	2018
Opening balance	(5 966)	(6 205)
Cost recognised in the profit and loss account for the year	(148)	(143)
Cost recognised in other comprehensive income	(330)	(147)
Benefits paid	548	529
Closing balance	**(5 896)**	**(5 966)**

The following assumptions have been applied in calculating pension commitments:

	2019	2018
Discount rate	1.80%	2.60%
Annual pension adjustment	2.00%	2.50%
Social security tax rate	14.10%	14.10%
Assumptions on mortality rates are based on published statistics in Norway	K2013	K2013

	2019	2018
Number of employees in defined benefit plans	1	1

Note 24 Dividends per share

For 2018 a dividend of NOK 0.40 per share was paid. For the financial year 2019 the Board of Directors will recommend a proposal to the Annual General Meeting where an authorization to resolve dividend up to a total amount of NOK 90 million is granted the Board. Such authorization is proposed in order to being prudent with respect to Kitron's liquidity position and also to maintain the option to pay dividend in relation to the risk that the company may face as a result of the corona pandemic, see more info under "Outlook". The authorization is valid until next year's annual general meeting but no longer than to 30 June 2021.

Note 25 Provisions

Classification in the income statement

(Amounts in NOK 1000)	2019	2018
Additional provisions made in period	-	-
Amounts incurred and charged against provision in period	-	-
Total charged in income statement	**-**	**-**

Classification in the balance sheet

(Amounts in NOK 1000)	2019	2018
Value at 1 January	-	-
Conversion differences	-	-
Additional provisions made in period	-	-
Amounts incurred and charged against provision in period	-	-
Total at 31 December	**-**	**-**

Note 26 Cash flow from operations

(Amounts in NOK 1000)	2019	2018
Profit/(loss) before tax	169 581	141 218
Depreciation and impairment	84 056	52 824
Change in inventory	68 635	(168 163)
Change in contract assets	(48 395)	(78 340)
Change in accounts receivable and other short term receivables	17 158	(174 348)
Change in factoring debt	51 446	9 982
Change in accounts payable and other short term payables	(105 477)	166 008
Change in pension funds/obligations	(400)	(386)
Effect from option costs	(16 067)	7 650
Change in other items	(5 582)	7 796
Interest cost - net	20 608	8 820
Foreign exchange losses/(gains) on operating activities	(1 658)	1 913
Cash flow from continuing operations	**233 905**	**(25 026)**

Net debt reconciliation

(Amounts in NOK 1000)	2019	2018
Cash and cash equivalents	203 976	45 654
Borrowings – repayable within one year (including overdraft)	(657 266)	(400 970)
Borrowings – repayable after one year	(331 029)	(40 830)
Net debt	**(784 319)**	**(396 146)**

Cash and liquid investments	203 976	45 654
Gross debt – variable interest rates	(988 295)	(441 800)
Net debt	**(784 319)**	**(396 146)**

	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 31 December 2018	**(117 713)**	**10 166**	**(19 968)**	**(34 075)**	**(227 755)**	**(6 755)**	**(396 146)**
Cash flows	(22 463)	9 640	40 724	-	(29 019)	(144 000)	(145 118)
Acquisitions – finance leases and lease incentives	-	-	(37 381)	(151 875)	-	-	(189 256)
Foreign exchange adjustments	909	-	(220)	(375)	(2 508)	(74)	(2 269)
Other non-cash movements	-	-	(28 812)	828	(28 891)	5 298	(51 576)
Net debt at 31 December 2019	**(139 267)**	**19 806**	**(45 656)**	**(185 498)**	**(288 173)**	**(145 531)**	**(784 319)**

	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 31 December 2017	**108 738**	**10 027**	**(19 816)**	**(39 419)**	**(197 659)**	**(37 015)**	**(175 190)**
Cash flows	(226 842)	139	7 989	-	21 493	-	(197 221)
Acquisitions – finance leases and lease incentives	-	-	(14 144)	-	-	-	(14 144)
Foreign exchange adjustments	391	-	(408)	(811)	(11 216)	(2 109)	(14 153)
Other non-cash movements	-	-	6 411	6 155	(40 373)	32 369	4 562
Net debt at 31 December 2018	**(117 713)**	**10 166**	**(19 968)**	**(34 075)**	**(227 755)**	**(6 755)**	**(396 146)**

Note 27 Leases

The group's leasing activities and how these are accounted for

The Group implemented IFRS 16 1 January 2019. The implementation is further presented in note 31.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Amounts in NOK 1000	31.12.2019	01.01.2019
Right of use assets*		
Buildings and land	128 654	58 880
Machinery and equipment	128 138	85 236
	256 792	**144 116**

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

Amounts in TNOK	31.12.2019	01.01.2019
Lease liabilities**		
Current	45 656	32 488
Non-Current	185 498	84 570
	231 154	**117 058**

** included in the line items "Loans" in the balance sheet. In the previous years the group only recognised lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. These were presented as part of the group's borrowings. For adjustments recognised in adoption of IFRS 16 on 1 January 2019, please refer to note 31.

Additions to the right-of-use assets in 2019 were NOK 83.8 million in properties.

Amounts recognised in the consolidated income statement

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

Amounts in NOK 1000	2019	2018
Depreciation charge of right-of-use assets		
Buildings and land	13 726	-
Machinery and equipment	21 788	16 026
Total	35 514	16 026
Interest expense	7 685	1 206
Expenses relating to short-term leases	5 864	-
Expenses relating to leases of low-value	487	-
Expenses relating to variable lease payments not included in lease liabilities	-	-
Income from subleasing right of use assets	-	-
Gains or losses arising from sale and leaseback transactions	-	-

The total cash outflow for leases in 2019 was NOK 40.7 million.

Note 28 Related parties

(Amounts in NOK 1000)	2019	2018
Remuneration of senior executives		
Pay and other short-term benefits (1)	63 588	21 425

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

Payable to related parties:		
Senior executives (1)	5 111	4 472
Total	**5 111**	**4 472**

(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)	2019	2018
Directors' fee:	**2 407**	**2 211**
- chairman	515	476
- board members	1 892	1 735
Auditors fee	**2 859**	**4 348**
- statutory audit	2 444	1 936
- audit related services	37	19
- tax related services	191	188
- other services	187	2 206

Pay and other remuneration of senior executives in 2019:

(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 [1)] /						
	01.10.2019-31.12.2019	2 912	976	13 597	251	17 736	1 355
Cathrin Nylander	CFO and CEO [2)] /						
	01.01.2019-31.12.2019	2 285	728	4 511	366	7 890	234
Israel Losada Salvador	COO and Sales Director /						
	01.01.2019-31.12.2019	2 096	702	5 999	294	9 091	175
Anne Lise Hjelseth	CHRO /						
	01.01.2019-31.12.2019	1 483	497	1 665	242	3 887	133
Hans Petter Thomassen	Vice President and Managing Director /						
	01.01.2019-31.12.2019	1 656	558	3 975	265	6 454	158
Mindaugas Sestokas[***)]	Vice President and Managing Director /						
	01.01.2019-31.12.2019	1 792	591	4 251	121	6 755	
Zygimantas Dirse	Managing Director /						
	01.01.2019-31.12.2019	1 560	537	3 169	385	5 653	68
Stefan Hanson Mutas	Managing Director /						
	01.01.2019-31.12.2019	1 499	520	4 036	67	6 122	488
Total		15 283	5 111	41 203	1 991	63 588	2 611

1) (on leave 01.01.2019-30.09.2019)
2) (01.01.2019-30.09.2019)

(Amounts in NOK 1000)

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

*) Bonuses earned in 2019. The bonuses will be paid in 2020.
**) Calculated benefit from exercise of a three year share option program. The program was established in 2016 and exercised in 2019. See note 19 for more details around the option program. The benefit consists partly of share issue, and partly of cash consideration from termination of options.
***) Mindaugas Sestokas is a Lithuanian citizen. From 1 January 2019 there was a change in Lithuanian law regarding responsibility for social contribution taxes, resulting in an increase of Mr. Sestokas' basic annual salary.

Pay and other remuneration of senior executives in 2018:

(Amounts in NOK 1000)

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (D)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	01.01.2018-31.12.2018	2 788	894	250	3 932	1 347
Cathrin Nylander	CFO	01.01.2018-31.12.2018	1 893	598	310	2 801	182
Tommy Storstein	Sales Director	01-01.2018-31.05.2018	1 222		83	1 305	37
Israel Losada Salvador	COO and Sales Director	01.01.2018-31.12.2018	2 006	643	278	2 927	163
Anne Lise Hjelseth	CHRO	01.01.2018-31.12.2018	1 341	455	233	2 029	124
Hans Petter Thomassen	Vice President and Managing Director	01.01.2018-31.12.2018	1 521	488	252	2 261	108
Mindaugas Sestokas	Vice President and Managing Director	01.01.2018-31.12.2018	1 224	404	117	1 745	
Zygimantas Dirse	Managing Director	01.01.2018-31.12.2018	1 592	498	320	2 410	60
Stefan Hanson Mutas	Managing Director	01.01.2018-31.12.2018	1 455	492	68	2 015	455
Total			15 042	4 472	1 911	21 425	2 476

(Amounts in NOK 1000)

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmaki	Chairman of the board	01.01.2018-31.12.2018	169	295	12	476
Paivi Marttila	Board member	01-01.2018-31.03.2018		51	12	63
Bjørn Gottschlich	Board member	01.01.2018-31.12.2018	61	171		232
Elisabeth Jacobsen	Board member	01.01.2018-31.12.2018	61	171	29	261
Gro Brekken	Deputy chairman	01.01.2018-31.12.2018	61	171	11	243
Tanja Rørheim	Board member	01.01.2018-31.12.2018	61	171		232
Stefan Charette	Board member	01.01.2018-31.03.2018		51	4	55
Espen Gundersen	Board member	01.01.2018-31.12.2018	61	171	34	266
Christian Jebsen	Board member	20.01.2018-31.12.2018	61	121	4	186
Maalfrid Brath	Board member	20.04.2018-31.12.2018	61	121	15	197
Total			596	1 494	121	2 211

*) Bonuses earned in 2018. The bonuses were paid in 2019.

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 2019.

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 2020 and until the Annual General Meeting in 2021. 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 of Kitron.

Executive remuneration

The current compensation and benefit system for senior executives of 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 has 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 2019 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 amounting to NOK 1 315 600 for 2019.

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 2019 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 2019.

2. Principles that are binding on the Board of Directors

Long-term incentive scheme

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

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

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

Per 31 December 2019, 1 250 000 options have been granted to executive management. The share option program is described in more detail in note 19 in the annual financial statements.

Note 29 Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2019. 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
Kitron sp. z o.o	Grudziadz, Poland	100%	100%	EMS Manufacturing

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

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

The Kitron Inc subsidiary owns share in the following subsidiary:

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

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

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

Note 30 Government grants

The group has received grants in 2019 of TNOK 1 258 (2018: 490). TNOK 1 029 was for training and NOK 229 was a business reward. The amount has reduced payroll expenses and other operating expenses correspondingly.

Note 31 Changes in accounting policies – implementation of IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 1 January 2019 using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Kitron agreements consists of buildings, cars, equipment used in the operating activities and office machines. Cars usually have a lease period of 3-5 years, while several of the buildings have a longer time frame. The office machines are leased in a 3-5 year period. Some of the building leases have extension options and this has been taken into account.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. For leases which had previously been classified as operating leases under the principles of IAS 17 Leases, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4-8%.

The associated right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet at 31 December 2018.

For leases previously classified as financial leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 (1 January 2019) is the carrying amount of the lease asset and lease liability immediately before that date (31 December 2018), measured in accordance with IAS 17.

In applying IFRS 16 for the first time, the group has used the following practical expedients as permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics, reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of operating leases of low value, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The reclassifications and adjustments arising from the new leasing rules are recognized in the 1 January 2019 opening balance sheet. The following table explains the reconciliation between the operating lease commitments from applying IAS 17 as at 31 December 2018 and the lease liabilities recognized as at 1 January 2019:

Change in treatment of operational lease agreements

(Amounts in thousand)	
Operating lease commitment disclosed at 31 December 2018	81 123
Discontinued value using the incremental borrowing rate of 4-8%	70 021
- Short term leases recognised on a straight line basis as expense	(6 137)
- Low-value leases recognised on a staright line basis as expense	(869)
+ Financial lease liabilities recognised as at 31 December 2018	54 043
= Lease liability recognised as at 1 January 2019	**117 058**
Of which are:	
Current lease liabilities*	32 488
Non-current lease liabilities**	84 570
Total lease liability as at 1 January 2019	**117 058**

* Current lease liabilities are presented within "Loans" - current liabilities.
** Non-current lease liabilities are presented within "Loans" - non-current liabilities.

Right-of-use assets are presented within "Property, plant and equipment" and amounted to TNOK 63 015 from the IFRS 16 implementation as at 1 January 2019.

Note 32 – Business combinations

On 15 February 2019 the US subsidiary Kitron Inc completed the acquisition of the EMS division of API Technologies Corp. The acquisition marks a substantial strengthening of Kitron's position in the US market.

The operations of the EMS division are highly complementary to Kitron's existing operations and are expected to provide added value to current operations, in particular in the United States. The division's main focus is on defence, aerospace, medical/industrial, and communications/consumer, and it is well aligned with Kitron's overall strategy. The business is located in Windber, Pennsylvania, close to Kitron's current US facility in Johnstown, Pennsylvania, with approximately 100 employees operating a total of six production lines and a facility of approximately 10 000 square meters. Total revenues in 2019 amounted to approximately USD 27.7 million.

The purchase price to be paid, after certain post-signing adjustments, is NOK 135.6 million (USD 15.6 million). The fair value assessment of the assets and liabilities recognized as a result of the acquisition is as follows:

Fair value

(Amounts in NOK 1000)	15.02.2019
Tangible fixed assets	49 678
Other intangible assets: customer contracts	3 149
Deferred tax assets	28 365
Inventory	66 032
Accounts receivable	23 494
Contract assets	30 122
Other receivables	4 156
Cash and cash equivalents	(746)
Loans	(36 872)
Accounts payable	(25 099)
Other payables	(16 770)
Net identifiable assets acquired	125 508
Add: goodwill	10 138
Net assets acquired	**135 646**

The goodwill is attributable to workforce and synergies. It will not be deductible for tax purposes.

Revenue and profit contribution
The acquired business contributed revenues of NOK 251.0 million (including NOK 30.5 million in indemnification from insurance) and net profit of NOK 10.7 million to the group for the period 15 February to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for full year 2019 would have been NOK 3 320.1 million and NOK 133.4 million respectively.

Note 33 – Flooding

In July 2019, the facility of Kitron Technologies Inc. (formerly the EMS division of API Technologies Corp.) in Windber, Pennsylvania, was damaged by flooding and production was moved to a temporary site.

Indemnification from insurance increased revenues by NOK 30.5 million in 2019. Correspondingly the profit and loss statement is charged with write down of assets, salvage costs and other expenses as follows: Cost of materials NOK 3.5 million, Other operational expenses NOK 19.1 million, Depreciation and impairments NOK 6.0 million and Tax NOK 0.6 million. The financial impact on the net result in 2019 was positive NOK 1.3 million.

The balance sheet has per 31 December 2019 incorporated a restoration liability for the building of NOK 12.9 million (line "Other payables" – current liabilities) and a corresponding receivable on the insurance company (line "Other receivables" – current assets).

Note 34 Subsequent events

The outbreak of the corona pandemic has increased uncertainty during the first part of 2020. To date this has not significantly affected Kitron's operations. Demand is so far not materially affected, and the order backlog is close to NOK 2 billion, which supports the current outlook. All tier-1 suppliers in China have re-started operations and are gradually increasing capacity. European suppliers are currently delivering according to plan, with only minor deviations, so currently there has been no major disruption to supply chains outside China. We expect there will be some material allocations as the production capacity has been lower for some time for Chinese producers, and we are preparing for this situation. Kitron is normally dependent on customer approval of changes to the supply chain, and this is a process that usually takes some time. Consequently, this is not likely as a short term action, but is an option in the longer term.

Kitron has implemented a number of actions to reduce the risk of our employees contracting the virus, and currently, we know of no Kitron employee who has contracted the corona virus. This includes keeping safety distance between people, hygiene and increased cleaning and sanitizing of all company facilities. All employees who can do their work from home are doing so. The purpose is to minimize the exposure of our blue-collar workers. Visitors will not be allowed to access Kitron facilities. Keeping our employees healthy and working is key to having the needed production capacity.

Kitron has a solid banking relationship with DNB, going back many years, consisting of long-term loans (5 year), leasing financing of equipment, factoring solutions for Sweden and Norway and a credit facility. Kitron also has credit insurance for revenues in all countries except China. The main covenants for Kitron are Equity % and NIBD/EBITDA. The Equity % covenant is highly contingent on the size of the total balance sheet and is therefore at risk if inventory levels or trade receivable should rise. For NIBD/EBITDA, the margin is broader and allows for both a reduction in EBITDA and also an increase of debt.

Kitron continuously makes capacity adjustments based on demand fluctuations but is now preparing for significantly larger fluctuations, if they should occur. Normally this includes adjustments to number of indirect and direct employees, as well as cost cuts. Cost cuts of fixed expenses are primarily related to costs such as consultancy costs, travel, consumables etc. To better control the demand, and further the visibility, we ask customers to convert forecast to fixed and firm orders.

In summary, we see uncertainty and volatility going forward related to the demand and supply chain situation. Kitron is preparing contingency plans in order to mitigate potential adverse effects from the situation.

ANNUAL ACCOUNTS AND NOTES

Kitron ASA

Income statement, Kitron ASA

(Amounts in NOK 1000)	Note	2 019	2 018
Revenues			
Sales revenues	2, 7	99 165	82 157
Total revenues		**99 165**	**82 157**
Operating costs			
Payroll expenses	3, 4, 7, 11, 13	58 132	56 598
Depreciation and impairments	5, 6	4 500	4 870
Other operating expenses	13	56 439	51 073
Total operating costs		**119 071**	**112 541**
Operating profit / (loss)		**(19 906)**	**(30 384)**
Financial income and expenses			
Intra group interest income	7	5 898	3 915
Other interest income		782	609
Other financial income	7, 18	100 540	79 025
Interest expenses		7 747	1 289
Other financial expenses	18	2 696	3 119
Net financial items		**96 777**	**79 141**
Profit before tax		76 871	48 757
Tax	8	(380)	(632)
Net profit / (loss)		**77 251**	**49 389**

Balance sheet at 31 December, Kitron ASA

(Amounts in NOK 1000)	Note	2019	2018
Assets			
Fixed assets			
Intangible fixed assets			
Deferred tax	8	45 265	40 812
Other intangible assets	6	22 555	10 909
Total intangible fixed assets		**67 820**	**51 721**
Tangible fixed assets			
Machinery, equipment etc.	5, 16	356	8 016
Financial fixed assets			
Investment in subsidiaries	9, 16	421 254	329 626
Intra-group loans	7, 14, 16	167 628	112 589
Total financial fixed assets		**588 882**	**442 215**
Total fixed assets		**657 058**	**501 952**
Current assets			
Receivables			
Accounts receivables	7, 16	25 420	12 094
Other receivables	7, 16	110 328	81 484
Total receivables		**135 748**	**93 578**
Bank deposits, cash in hand etc.	17	11 526	10 166
Total current assets		**147 274**	**103 744**
Total assets		**804 332**	**605 696**

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

(Amounts in NOK 1000)	Note	2019	2018
Liabilities and equity			
Equity			
Paid-in equity			
Share capital (179 103 990 shares at NOK 0.10)	10, 12	17 910	17 619
Share premium reserve	10	242 827	242 827
Total paid-in equity		**260 737**	**260 446**
Other equity	10, 11	265 443	200 518
Total equity		**526 180**	**460 964**
Liabilities			
Long-term liabilities			
Pension commitments	4	5 896	5 966
Loans	15	133 250	5 250
Total long-term liabilities		**139 146**	**11 216**
Current liabilities			
Loans	15, 16, 17	119 935	37 919
Accounts payable	7	6 996	10 879
Dividend		-	70 477
Other current liabilities		12 075	14 241
Total current liabilities		**139 006**	**133 516**
Total liabilities		**278 152**	**144 732**
Total liabilities and equity		**804 332**	**605 696**

Oslo, 27 March, 2020

Tuomo Lähdesmäki
Chairman

Gro Brækken
Deputy chairman

Christian Jebsen
Board member

Espen Gundersen
Board member

Tanja Rørheim
Employee elected board member

Jarle Larsen
Employee elected board member

Maalfrid Brath
Board member

Bjørn Gottschlich
Employee elected board member

Lars Peter Nilsson
CEO of Kitron ASA

Cash flow statement, Kitron ASA

(Amounts in NOK 1000)	2019	2018
Cash flows from operational activities		
Profit before tax	76 871	48 757
Ordinary depreciation	4 500	4 870
Change in accounts receivables	(13 326)	575
Change in accounts payables	(3 883)	4 942
Change in pension funds/ obligations	(400)	(386)
Option costs without cash effect	2 118	7 650
Cash effect from termination of options	(18 185)	
Change in other accrual items	(86 050)	18 602
Net cash flow from operational activities	**(38 355)**	**85 010**
Cash flows from investment activities		
Acquisition of fixed assets	(8 485)	(7 870)
Investment in subsidiaries	(91 628)	
Acquisition of subsidiary		(26)
Net cash flow from investment activities	**(100 113)**	**(7 896)**
Cash flows from financing activities		
Net change in overdraft facilities	55 014	26 931
Payment from new borrowings	180 000	
Repayment of borrowings	(25 000)	(7 000)
Issue of ordinary shares	291	
Payment of dividend	(70 477)	(96 906)
Net cash flow from financing activities	**139 828**	**(76 975)**
Net change in cash and cash equivalents	1 360	139
Cash and cash equivalents at 1 January	10 166	10 027
Cash and cash equivalents at 31 December	**11 526**	**10 166**

NOTES TO THE FINANCIAL STATEMENTS
Kitron ASA

Accounting principles

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

Revenue recognition

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

Classification and recognition of assets and liabilities

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

Intangible fixed assets

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

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

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

Tangible fixed assets

Tangible fixed assets are recognised in the balance sheet and depreciated on a straight line basis over their expected useful lifetime if they have an expected lifetime of more than three years and a cost price which exceeds NOK 15 000. Maintenance costs for tangible fixed assets are recognised as an operating expense as they arise, while upgrades or improvements are added to the cost price of the asset and depreciated accordingly. The distinction between maintenance and upgrading/improvement is calculated in relation to the condition of the asset when it was acquired. Leased fixed assets are recognised in the balance sheet as tangible fixed assets if the lease is regarded as financial.

Subsidiaries

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

Accounts receivables

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

Foreign currencies

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

Pensions

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

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

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

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

Note 1 Financial risk

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

Currency risk
Exchange rate developments represent a risk for the company both directly and indirectly. No contracts which reduce this risk had been concluded at 31 December 2019.

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)	2019	2018
Norway	27 850	20 389
Sweden	20 237	18 232
Lithuania	40 112	36 404
Other	10 966	7 132
Total	**99 165**	**82 157**

Note 3 Payroll expenses

Payroll costs

(Amounts in NOK 1000)	2019	2018
Pay	48 612	40 102
Payroll taxes	6 560	3 037
Pension costs	1 118	838
Other remuneration	1 842	12 621
Total	**58 132**	**56 598**
Average number of FTEs	57	49

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)	2019	2018
Carrying amount of the obligation is determined as follows:		
Present value of accrued pension commitments in unfunded benefit plans	5 896	5 966
+/- unrecognised actuarial gains and losses	-	-
Net commitments in unfunded defined benefit plans	**5 896**	**5 966**
Hereof payroll tax on the pension obligation	728	738
Pension costs comprise:		
Interest costs	148	143
Net pension cost for unfunded plans	**148**	**143**
Net pension cost for contribution based pension plans	**970**	**695**
Net pension costs included in note 3	**1 118**	**838**
Cost recognised in equity		
Actuarial losses pensions	330	147

The following assumptions have been applied in calculating pension commitments

	2019	2018
Discount rate	1.8%	2.6%
Annual pension adjustment	2.0%	2.5%
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	24 987
Reclassification	(7 396)
Acquisition cost at 31 December	**17 591**
Accumulated depreciation 1 January	16 971
Depreciation during the year	265
Accumulated depreciation at 31 December	**17 236**
Book value 31 December	**356**
Useful lifetime	3-5 year
Depreciation plan	Linear

Annual lease of fixed assets unrecognised in the balance sheet

Fixed asset	Length of lease	Annual rent
Premises	>2020	959
Company cars	2020	766

Note 6 Other intangible assets

Other intangible assets

(Amounts in NOK 1000)	System software
Acquisition cost at 1 January	55 243
Additions during the year	8 485
Reclassification	7 396
Acquisition cost at 31 December	**71 124**
Accumulated depreciation at 1 January	44 335
Depreciation during the year	4 235
Accumulated depreciations at 31 December	48 570
Book value 31 December	**22 555**
Depreciation plan	Linear
Useful lifetime	5-7 years

Note 7 Related parties

(Amounts in NOK 1000)	2019	2018
Sales revenues		
From subsidiaries [1]	99 045	82 157
Purchase of goods and services		
From subsidiaries [1]	33 507	26 768
Remuneration of senior executives		
Pay and other short-term benefits [2]	38 604	12 994
Financial income		
Interest income from subsidiaries [1]	5 898	3 915
Dividend and group contribution from subsidiaries	100 540	74 010
Total	**106 439**	**77 925**

Balance items at 31 December resulting from transactions with related parties

Receivables and loans		
Subsidiaries [1]	282 942	198 743
Total	**282 942**	**198 743**
Payables		
Subsidiaries [1]	3 342	2 274
Total	**3 342**	**2 274**

(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 by Kitron ASA. See table in note 13 for a more extensive description of remuneration of senior executives.

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

Note 8 Taxes

(Amounts in NOK 1000)	2019	2018
Tax cost for the year breaks down into:		
Tax payable	-	-
Change in deferred tax	(4 453)	(2 521)
Deferred tax charged to equity	4 073	34
Change in tax rate (22%/23%)	-	1 855
Total tax cost	**(380)**	**(632)**
Calculation of tax base for the year:		
Profit before tax	76 870	48 757
Permanent differences *)	(116 111)	(59 717)
Change in temporary differences	(6 498)	2 310
Group contribution received	19 000	-
Adjustment in tax loss carried forward in respect of prior years	-	-
Change in tax loss carried forward	26 739	8 649
Tax base for the year	**-**	**-**
Overview of temporary differences		
Receivables	-	-
Fixed assets	(1 054)	(1 397)
Pensions	(5 896)	(5 966)
Other temporary differences	-	(6 116)
Gain and loss account	121	151
Total	**(6 829)**	**(13 327)**
Loss carried forward	(198 923)	(172 184)
Total	**(205 752)**	**(185 511)**
Deferred tax asset (22%/23%)	**45 265**	**40 812**
Explanation of why tax cost for the year does not equal 22%/23% of pre-tax result		
22%/23% of loss before tax	16 911	11 214
Permanent differences 22%/23%	(25 544)	(13 735)
Group contribution received	4 180	-
Tax effect of actuarial gains and losses charged to equity	73	34
Tax effect of stock option program booked against equity	4 000	-
Change in tax rate (22%/23%)	-	1 855
Adjustment in respect of prior years	-	-
Calculated tax cost	**(380)**	**(632)**
Effective tax rate **)	(0.5%)	(1.3%)

*) 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%	161 218	29 990	243 737
Kitron AB	Jönköping, Sweden	100%	100%	93 180	30 127	13 463
Kitron Hong Kong Ltd	Hong Kong	100%	100%	18 854	10 977	1
Kitron GmbH	Nürtingen, Germany	100%	100%	2 386	13	30 194
Kitron Inc	Johnstown, US	100%	100%	37 580	(8 932)	69 433
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	4 882	343	12 422
UAB Kitron	Kaunas, Lithuania	100%	100%	282 927	64 879	29 201
Kitron sp. z o.o	Grudziadz, Poland	100%	100%	10 006	(13 027)	22 804
Total investment in subsidiaries						**421 254**

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%	92 527	37 400	38 231
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	7 613	3 259	2 042

The Kitron Inc 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 Holding USA Inc	Windber, US	100%	100%	0	0	0

The Kitron Holding USA Inc 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 Technologies Inc	Windber, US	100%	100%	135 527	10 741	0
Kitron Systems Inc	Windber, US	100%	100%	0	0	0

Note 10 Equity

Equity

(Amounts in NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2018	**17 619**	**242 827**	**200 518**	**460 964**
Net profit	-	-	77 249	77 249
Issue of new shares	291			291
Termination of options against cash consideration			(14 185)	(14 185)
Effect from option costs	-	-	2 118	2 118
Actuarial gains and losses pensions	-	-	(257)	(257)
Dividend	-	-	-	-
At 31 December 2019	**17 910**	**242 827**	**265 443**	**526 180**

Note 11 Share-based payment

Kitron ASA in 2015 established a management option program. The Board of Directors was authorised to increase the share capital with NOK 550 000, which corresponds to 5 500 000 shares, each with a par value of NOK 0.10.

In 2019 the option program was excercised, resulting in a share issue of 2 911 379 new shares in the company to the option holders at a strike price of NOK 0.10 per share. In addition, Kitron decided to terminate 2 027 358 options under the option program against cash consideration. The cash consideration was utilized to cover the tax cost for the option holders which were subject to advance tax deductions by Kitron after exercise of the option.

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

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

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

During the period ended 31 December 2019, the company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2019 show grants gross before forfeited options.

Granted	**2015**	**2016**	**2017**	**2017**	**2019**
Type of arrangement	Equity Settled	Equity Settled	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	18.12.2015	13.12.2016	22.03.2017	14.12.2017	23.10.2019
Options granted as of 31.12.2019	0	0	0	0	1 250 000
Contractual life	3.28 years	2.3 years	2.02 years	1.29 years	2.94 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 criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.	"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 criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange."	"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 criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange."	"100% of the options will vest three years after the start of the second calendar quarter of 2019. The employee must remain an employee of the company or an affiliated company at the end of the vesting period. The market cap of the company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause."
Expiry date	31.03.2019	31.03.2019	31.03.2019	31.03.2019	31.03.2022

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 2019 are listed below (calculated at grant):

Granted	2015	2016	2017	2017	2019
Exercise price	0.10	0.10	0.10	0.10	0.10
Share price at grant date	3.78	6.05	7.47	6.45	9.14
Expected life from grant date	3.28 years	2.3 years	2.02 years	1.29 years	2.77 years
Volatility	41%	44%	44%	31%	29%
Interest rate	0.67%	0.76%	0.59%	0.42%	1.19%
Fair value per option	1.8061	3.4188	5.0348	3.2753	2.57

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 2019 arising from the option plans are NOK 2 117 762, not including social security. The total carrying amount per 31 December 2019 is NOK 2 959 885, not including social security. Accrued social security at 31 December 2019 is NOK 0 (2018: 6 116 241).

Activity overview 2019

Quantity and weighted average prices

	01.01.2019 - 31.12.2019	
Activity	Number of instruments	Weighted Average Strike Price
Outstanding OB (01.01.2019)	5 337 500	0.10
Granted	1 250 000	0.10
Exercised	(4 938 737)	0.10
Forfeited	(398 763)	0.10
Expired	0	-
Outstanding CB (31.12.2019)	1 250 000	0.10
Vested CB	0	-

All options reported forfeited in 2019 are due to final performance achievements at end of performance period

Outstanding instruments year end

Outstanding instruments overview

	Outstanding Instruments				Vested Instruments
Strike price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2019	Weighted Average Strike Price
0.10	1 250 000	2.75	0.10	0	0.00

Board	Number of shares 2019	2018	Number of options 2019	2018
Tuomo Lähdesmäki, chairman	197 702	118 634	-	-
Gro Brækken, board member	37 472	30 656	-	-
Espen Gundersen, board member	43 742	36 656	-	-
Maalfrid Brath, board member	13 472	6 656	-	-
Christian Jebsen, board member	13 472	6 656	-	-
Elisabeth Jacobsen, employee elected board member (01.01.2019-26.04.2019)	-	8 256	-	-
Jarle Larsen, employee elected board member	6 816	-	-	-
Tanja Rørheim, employee elected board member	13 472	6 656	-	-
Bjørn M. Gottschlich, employee elected board member	13 472	6 656	-	-

Corporate management team	Number of shares 2019	2018	Number of options 2019	2018
Peter Nilsson, CEO	2 079 182	1 148 876	200 000	1 750 000
Cathrin Nylander, CFO	868 752	515 064	150 000	586 075
Israel Losada Salvador, COO and Sales Director	743 831	460 064	150 000	768 920
Anne Lise Hjelseth, CHRO	113 846	-	150 000	214 285
Mindaugas Sestokas, Vice President and Managing Director	516 978	282 721	150 000	512 145
Hans Petter Thomassen, Vice President and Managing Director	431 770	155 087	150 000	512 145
Stefan Hansson Mutas, Managing Director	219 261	4 000	150 000	512 145
Zygimantas Dirse, Managing Director	452 622	204 170	150 000	381 745

Note 12 Shares and shareholders information

The company's share capital at 31 December 2019 comprised 179 103 990 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 5 293 shareholders at 31 December 2019.

The 20 largest shareholders of Kitron ASA at 31 December 2019:

Shareholder	Number	Percentage
Vevlen Gård AS	12 700 000	7.09
Morgan Stanley & Co. Int. Plc.[1)]	10 465 128	5.84
Nordea Nordic Small Cap Fund	10 442 602	5.83
MP Pensjon PK	10 080 439	5.63
AAT Invest AS	6 364 212	3.55
Danske Invest Norge Vekst	5 672 028	3.17
J.P. Morgan Bank Luxembourg S.A.	5 374 327	3.00
VJ Invest AS	5 074 994	2.83
Verdipapirforndet Holberg Norge	5 000 000	2.79
Montanaro Smaller Comp PLC	3 500 000	1.95
Equinor Pensjon	3 450 226	1.93
The Bank of New York Mellon SA/NV	3 063 049	1.71
Verdipapirfondet Pareto Nordic	2 978 000	1.66
Avanza Bank AB [2)]	2 796 034	1.56
Varner Equities AS	2 630 161	1.47
Verdipapirfondet Nordea Avkastning	2 470 591	1.38
J.P. Morgan Bank Luxembourg S.A.	2 441 701	1.36
State Street Bank and Trust Comp	2 344 164	1.31
Morgan Stanley & Co. International	2 220 577	1.24
Folketrygdfondet	1 959 323	1.09
Total 20 largest shareholders	**101 027 556**	**56.41**
Total other shareholders	**78 076 434**	**43.59**
Total outstanding shares	**179 103 990**	**100.00**

1) Beneficial owner: Taiga Funds

2) Beneficial owner: CEO Peter Nilsson 2 079 182 shares (1.16 per cent)

Authorized share capital

Increasing the share capital

The ordinary general meeting of 30 April 2019 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 30 April 2019. 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 2020 but no longer than 30 June 2020. 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 authorization was used by the board in 2019 to increase the share capital by NOK 291 137.90. The authorized share capital of the Company is therefore NOK 17 910 399.00.

Own shares

The ordinary general meeting on 30 April 2019 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 30 April 2019. 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 2020 but no longer than 30 June 2020. The authority had not been exercised at 31 December 2019.

Note 13 Remuneration of senior executives directors and auditor

Remuneration of senior executives directors and auditor

(Amounts in NOK 1000)	2019	2018
Directors' fee:	2 407	2 211
- chairman	515	476
- board members	1 892	1 735
Auditors fee *)	1 348	3 086
- statutory audit	1 164	837
- audit related services	15	-
- tax related services	88	96
- other services	81	2 153

*) all figures without VAT

Pay and other remuneration of senior executives in 2019:

(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 [1)] /						
	01.10.2019-31.12.2019	2 912	976	13 597	251	17 736	1 355
Cathrin Nylander	CFO and CEO [2)] /						
	01.01.2019-31.12.2019	2 285	728	4 511	366	7 890	234
Israel Losada Salvador	COO and Sales Director /						
	01.01.2019-31.12.2019	2 096	702	5 999	294	9 091	175
Anne Lise Hjelseth	CHRO /						
	01.01.2019-31.12.2019	1 483	497	1 665	242	3 887	133
Hans Petter Thomassen	Vice President and Managing Director /						
	01.01.2019-31.12.2019	1 656	558	3 975	265	6 454	158
Mindaugas Sestokas[***)]	Vice President and Managing Director /						
	01.01.2019-31.12.2019	1 792	591	4 251	121	6 755	
Zygimantas Dirse	Managing Director /						
	01.01.2019-31.12.2019	1 560	539	3 169	385	5 653	68
Stefan Hanson Mutas	Managing Director /						
	01.01.2019-31.12.2019	1 499	520	4 036	67	6 122	488
Total		15 283	5 111	41 203	1 991	63 588	2 611

1) (on leave 01.01.2019-30.09.2019)
2) (01.01.2019-30.09.2019)

(Amounts in NOK 1000)

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

*) Bonuses earned in 2019. The bonuses will be paid in 2020.
**) Calculated benefit from exercise of a three year share option program. The program was established in 2016 and exercised in 2019. See note 19 for more details around the option program. The benefit consists partly from share issue, and partly of cash consideration from termination of options.
***) Mindaugas Sestokas is a Lithuanian citizen. From 1 January 2019 there was a change in Lithuanian law regarding responsibility for social contribution taxes, resulting in an increase of Mr. Sestokas' basic annual salary.

Pay and other remuneration of senior executives in 2018:

(Amounts in NOK 1000)

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (D)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	01.01.2018-31.12.2018	2 788	894	250	3 932	1 347
Cathrin Nylander	CFO	01.01.2018-31.12.2018	1 893	598	310	2 801	182
Tommy Storstein	Sales Director	01-01.2018-31.05.2018	1 222		83	1 305	37
Israel Losada Salvador	COO and Sales Director	01.01.2018-31.12.2018	2 006	643	278	2 927	163
Anne Lise Hjelseth	CHRO	01.01.2018-31.12.2018	1 341	455	233	2 029	124
Hans Petter Thomassen	Vice President and Managing Director	01.01.2018-31.12.2018	1 521	488	252	2 261	108
Mindaugas Sestokas	Vice President and Managing Director	01.01.2018-31.12.2018	1 224	404	117	1 745	
Zygimantas Dirse	Managing Director	01.01.2018-31.12.2018	1 592	498	320	2 410	60
Stefan Hanson Mutas	Managing Director	01.01.2018-31.12.2018	1 455	492	68	2 015	455
Total			15 042	4 472	1 911	21 425	2 476

(Amounts in NOK 1000)

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmaki	Chairman of the board	01.01.2018-31.12.2018	169	295	12	476
Paivi Marttila	Board member	01-01.2018-31.03.2018		51	12	63
Bjørn Gottschlich	Board member	01.01.2018-31.12.2018	61	171		232
Elisabeth Jacobsen	Board member	01.01.2018-31.12.2018	61	171	29	261
Gro Brekken	Deputy chairman	01.01.2018-31.12.2018	61	171	11	243
Tanja Rørheim	Board member	01.01.2018-31.12.2018	61	171		232
Stefan Charette	Board member	01.01.2018-31.03.2018		51	4	55
Espen Gundersen	Board member	01.01.2018-31.12.2018	61	171	34	266
Christian Jebsen	Board member	20.01.2018-31.12.2018	61	121	4	186
Maalfrid Brath	Board member	20.04.2018-31.12.2018	61	121	15	197
Total			596	1 494	121	2 211

*) Bonuses earned in 2018. The bonuses were paid in 2019.

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 2019.

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 2020 and until the Annual General Meeting in 2021. 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 of Kitron.

Executive remuneration

The current compensation and benefit system for senior executives of 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 2019 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 amounting to NOK 1 315 600 for 2019.

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 2019 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 2019.

2. Principles that are binding on the Board of Directors

Long-term incentive scheme

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

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

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

Per 31 December 2019, 1 250 000 options have been granted to executive management. The share option program is described in more detail in note 11 in the annual financial statements.

Note 14 Receivables

NOK 167.6 million of the NOK 167.6 million in intra-group loans at 31 December 2019 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2019	2018
Kitron Hong Kong Ltd	21 509	29 644
Kitron Inc	122 482	52 140
UAB Kitron Real Estate	18 387	18 555
Kitron AS	5 250	12 250
Total	**167 628**	**112 589**

Note 15 Information on long-term liabilities to financial institutions

The company has long-term bank loans of NOK 167.3 million at 31 December 2019 (NOK 12.3 million at 31 December 2018). Of this is NOK 34.0 million short-term part and is due within one year. The group's long-term and short-term bank financing includes covenants relating to factors such as the company's equity and earnings. The company complies with these covenants at 31 December 2019.

Note 16 Mortgages

Mortgages

(Amounts in NOK 1000)	2019	2018
Debt secured by mortgages:	253 185	43 169
Carrying amount of assets provided as security:		
Machinery and equipment	356	8 016

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.

Per 31 December 2019 Kitron ASA has granted a parent company guarantee of 7.7 million EUR related to lease obligations for the polish subsidiary Kitron sp.z o.o (2018: 8.4 million EUR).

Note 17 Liquid assets

Kitron ASA has established a group account agreement with the company's principal bank. This embraces Kitron ASA and its Norwegian, Swedish, German, US and Polish subsidiaries. Unused credit lines amounted to NOK 162.3 million at the end of 2019. The company has a cash deposit of NOK 11.5 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)	2019	2018
Dividend and group contribution	100 540	74 010
Currency gain		5 015
Other financial income		
Total other financial income	**100 540**	**79 025**
Financial expenses		
Currency loss	875	2 233
Other financial expenses	1 821	886
Total financial expenses	**2 696**	**3 119**

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, which comprise:

- The financial statements of the parent company Kitron ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Kitron ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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 International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

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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

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

Other information

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

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

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

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

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

(2)

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 consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report - Kitron ASA

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 27 March 2020
PricewaterhouseCoopers AS

Bjørn Lund
State Authorised Public Accountant

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RESPONSIBILITY STATEMENT

"We confirm to the best of our knowledge that:

- the consolidated financial statements for 2019 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 2019 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, 27 March, 2020

Tuomo Lähdesmäki Chairman	Gro Brækken Deputy chairman	Christian Jebsen Board member
Espen Gundersen Board member	Tanja Rørheim Employee elected board member	Jarle Larsen Employee elected board member
Maalfrid Brath Board member	Bjørn Gottschlich Employee elected board member	Lars Peter Nilsson CEO of Kitron ASA

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

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

Our definitions and explanations of these terms follow below.

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

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

EBITDA
Operating profit (EBIT) + Depreciation and Impairments

EBIT
Operating profit

EBIT margin (%)
Operating profit (EBIT) / Revenue

Net working capital
Inventory + Contract assets + Accounts Receivables – Accounts Payable

Operating capital
Other intangible assets + Tangible fixed assets + Net working capital

Return on operating capital (ROOC) %
Annualised Operating profit (EBIT) / Operating Capital

Return on operating capital (ROOC) R3 %
(Last 3 months Operating profit (EBIT))*4) / (Last 3 months Operating Capital /3)

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

Days of Inventory Outstanding
360/ (Annualised Direct Costs/(Inventory + Contract assets))

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

Days of Receivables Outstanding
360/ (Annualised Revenue/Trade Receivables)

Days of Receivables Outstanding R3
360/ ((Last 3 months Revenue*4)/(Last 3 months Trade Receivables/3))

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

Days of Payables Outstanding (R3)
360/ (((Last 3 months (Cost of Material + other operational expenses)*4) / (Last 3 months Trade Payables)/3))

Cash conversion cycle (CCC)
Days of inventory outstanding + Days of receivables outstanding – Days of payables outstanding

Cash conversion cycle (CCC) R3
Days of inventory outstanding (R3) + Days of receivables outstanding (R3) – Days of payables outstanding (R3)

Net Interest-bearing debt
- Cash and cash equivalents + Loans (Non-current liabilities) + Loans (Current liabilities)

Interest-bearing debt
Loans (non-current liabilities) + Loans (current liabilities)

Inventory turns
Annualised direct costs / (Inventory + Contract assets)

Variable contribution
Revenue - Direct cost

Net gearing
Net interest bearing debt / Equity

Equity Ratio
The ratio of Equity to Total Assets

CORPORATE GOVERNANCE

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

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

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

§6 General meetings

- Vote separately on each candidate.
  - For practical reasons in the voting, the candidates are grouped into one vote.
- All members of the Board of Directors, the Nomination Committee and the auditor are present
  - The Chairman of the Board and the auditor are always present to respond to any questions. From the Group perspective, this is considered sufficient.
  - Independent chairman for the general meeting.
  - The Chairman of the Board normally chairs the General Meeting. The Board will make arrangements for an independent chair if the setting so requires.

1. Report on Corporate Governance

The report follows the structure of the Code of Practice. The Corporate Governance report is subject to annual evaluation and discussion by the Board. The following report was issued at the Board meeting on 27 March 2020.

2. Business

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

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

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

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

3. Equity and dividends

The parent company's share capital at 31 December 2019 amounted to NOK 17 910 399.00.

Total equity for the group at 31 December 2019 was NOK 739.2 million, corresponding to an equity ratio of 30.8 per cent. Considering the nature and scope of Kitron's business, the board considers that the company has adequate equity and capital structure.

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

Kitron's dividend policy states: "Kitron's dividend policy is to pay out an annual dividend of at least 50 per cent of the company's consolidated net profit before non-recurring items. When deciding on the annual dividend the company will take into account company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth." For the financial year 2019 the Board of Directors will recommend a proposal to the Annual General Meeting where an authorization to resolve dividend up to a total amount of NOK 90 million is granted the Board. Such authorization is proposed in order to being prudent with respect to Kitron's liquidity position and also to maintain the option to pay dividend in relation to the risk that the company may face as a result of the corona pandemic, see more info under "Outlook". The authorization is valid until next year's annual general meeting but no longer than to 30 June 2021.

4. Equal treatment of shareholders and transactions with close associates

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

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

5. Shares and negotiability

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

6. General meetings

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

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

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

The general meetings are opened by the chair of the board. Normally, the board proposes that the chair of the board shall also chair the general meetings. The board will propose an independent chair for the general meeting if any of the matters to be considered calls for such arrangement. The notices and minutes of the general meetings are published in Oslo Børs' information system (www.newsweb.oslobors.no, 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 two to three members, including the head of the committee. At the composition of the nomination committee, the interests of the shareholders will be taken into account, as well as the members' independence of the board and of the executive management.

The nomination committee members

After the Annual General Meeting 30 April 2019, the nomination committee had the following members:

- Ola Wessel-Aas, chairperson elected until the Annual General Meeting in 2020
- Ole Petter Kjerkreit, elected until the Annual General Meeting in 2020

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

Submitting proposals to the nomination committee

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

8. Board of directors: composition and independence

According to the articles of association, the board shall consist of 3 to 6 shareholder elected members as resolved by the general meeting. The board currently consists of 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 30 April 2019, the board of directors consists of eight members and currently has the following composition:

- Tuomo Lähdesmäki (Chairman), re-elected until the Annual General Meeting in 2020
- Gro Brækken (Vice chairman), re-elected until the Annual General Meeting in 2020
- Espen Gundersen, re-elected until the Annual General Meeting in 2020
- Maalfrid Brath, elected until the Annual General Meeting in 2020
- Christian Jebsen, elected until the Annual General Meeting in 2020
- Bjørn M. Gottschlich, elected by and among employees
- Jarle Larsen, elected by and among employees
- Tanja Rørheim, elected by and among employees

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

Board members who own shares in Kitron

At 31 December 2019 Tuomo Lähdesmäki owned 197 702 shares, Gro Brækken 37 472 shares, Espen Gundersen 43 472 shares, Maalfrid Brath 13 472 shares, Christian Jebsen 13 472, Tanja Rørheim 13 472 shares, Bjørn M. Gottschlich 13 472 shares and Jarle Larsen 6 816 shares in Kitron. See presentation of board members for details.

9. The work of the board of directors

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

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

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

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

The board had 13 meetings during 2019 with 99 per cent participation.

The board's audit committee

The board's audit committee is appointed by Kitron ASA's board of directors and is a sub-committee of the board. The audit committee 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 2019 there were 5 audit committee meetings.

Members of the audit committee:

- Espen Gundersen, voted chair of the audit committee and re-elected until the Annual General Meeting in 2020
- Christian Jebsen, elected until the Annual General Meeting in 2020
- Tanja Rørheim, 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 2019 there was 4 remuneration committee meetings.

Members of the remuneration committee

- Tuomo Lähdesmäki, voted chair of the remuneration committee and re-elected until the Annual General Meeting in 2020
- Gro Brækken, re-elected until the Annual General Meeting in 2020
- Maalfrid Brath, elected until the Annual General Meeting in 2020

10. Risk management and internal control

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

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

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

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

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

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

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

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

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

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

11. Remuneration of the Board of Directors

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

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

Board members are not encouraged to perform special assignments for the company in addition to their directorship. Such assignments, if any, are reported to the full board and disclosed in the annual report. Information about each director's remuneration, including shares and subscription rights, is provided in the notes to the annual financial statements.

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

12. Remuneration of senior executives

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

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

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

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

Fixed compensation

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

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

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

Short term incentive scheme

The STI system has specific targets and defined maximum pay-outs and is set on annual basis. The possible maximum pay-out is 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.

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

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

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

Kitron reports all forms of remuneration received by the chief executive and each of the other members of the executive management.
Details about remuneration of the executive management are provided in the notes to the annual financial statements. A more detailed description is provided in note 28 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 July 2019.

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.oslobors.no, ticker: KIT. Public, webcast presentations are held quarterly in connection with the interim reporting. Kitron presents a financial calendar every year with dates for important events. Kitron's guidelines for reporting of financial and other information as well as guidelines for the company's contact with shareholders, other than through the general meeting, are presented in the shareholder information section in the annual report.

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

- Revenue;
- EBIT margin;

The aim is to communicate the targets for the financial year in connection with either the Q4, the annual report, or later as soon as they are approved by the board of directors.
Kitron emphasises that the targets by their very nature necessarily involves assumptions and uncertainty.

14. Takeovers

There are no defence mechanisms against takeover 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 takeover 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 takeover 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 takeover bid unless this is approved by the general meeting following announcement of the bid. The Board and management shall refrain from implementing any measures intended to protect their personal interests at the expense of the interests of shareholders following an intention to make a take-over bid or announcement of a bid.

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

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

15. Auditor

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

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

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

The Board and the auditor will meet at least once a year without the CEO or any other members of the executive management present.
The auditor issues a written confirmation to the Board on compliance with the Statutory Audit Independence and Objectivity Requirements.
The Board of Kitron has established guidelines in respect of the use of the auditor by the company's executive management for services other than mandatory audit.

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

PwC has been the company's auditor since 2005.

SUSTAINABILITY REPORT 2019

Kitron

Your ambition. Our passion.

CEO LETTER OF INTRODUCTION

Lars Peter Nilsson
CEO of Kitron ASA

WE SUPPORT
UN GLOBAL COMPACT

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

The foundation for Kitron's sustainability work is the Kitron Ethical Code of Conduct, Kitron Suppliers Code of Conduct and Kitron Anti-Corruption Policy. This report is prepared in accordance with the Oslo Stock Exchange Guidelines for Sustainability Reporting and Euronext Guidelines to issuers for ESG reporting from 2019. We are a UN Global Compact Signatory and support the UN Sustainable Development Goals.

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

An ongoing challenge for companies with mining and metals as part of their supply chain is conflict minerals. Conflict minerals and the avoidance of using such minerals are of particular importance to Kitron. I am proud to see that that the company has maintained our results on sourcing conflict mineral free products. More than 83 per cent of Kitron's products are now considered Conflict Mineral Free, and this work will continue to ensure responsible sourcing. In 2019 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. This work is now supported by digital systems and processes which we believe will make our work more systematic and ensure a consistent approach across our growing organisation.

As a result of strong management focus and the implementation of a digitalized system, our work on screening and onboarding suppliers to Kitron's expectations and ethical standards are seeing significant improvements this year. 80% of our suppliers have now signed our Code of conduct as part of their digital onboarding process with Kitron. Another sign of improvement is that the number of moderate and increased risk suppliers are reduced from 55.9% to 45%.

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

In this annual report, which is also our annual communication on progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication. We are committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. In the report for 2019, we for the first time describe Kitron's support for the UN Development Goals, and outline which of the 17 goals we are striving towards making a reality as part of our sustainability efforts. The goals give a clear and concrete statement of what is needed and expected of businesses and organisations to be able to deliver towards our shared goals for the future. Going forward, we seek to further improve our performance and report on progress for the five topics identified in the materiality assessment. Among our key goals for 2020 is to improve data quality and the implementation of digitalized reporting on key KPIs for our internal work. We will make efforts to bring new locations on-board our continuous improvement agenda and ensure internal follow-up across sites to streamline KPIs and metrics for reporting on our progress. We will continue our ongoing work with supplier dialogue and engage with suppliers to help them meet the highest ethical and quality standards.

ABOUT THIS REPORT

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

This report is prepared in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting throughout 2018 and Euronext Guidelines to issuers for ESG reporting from 2019. In this report and hereafter solely referred to as Guidelines

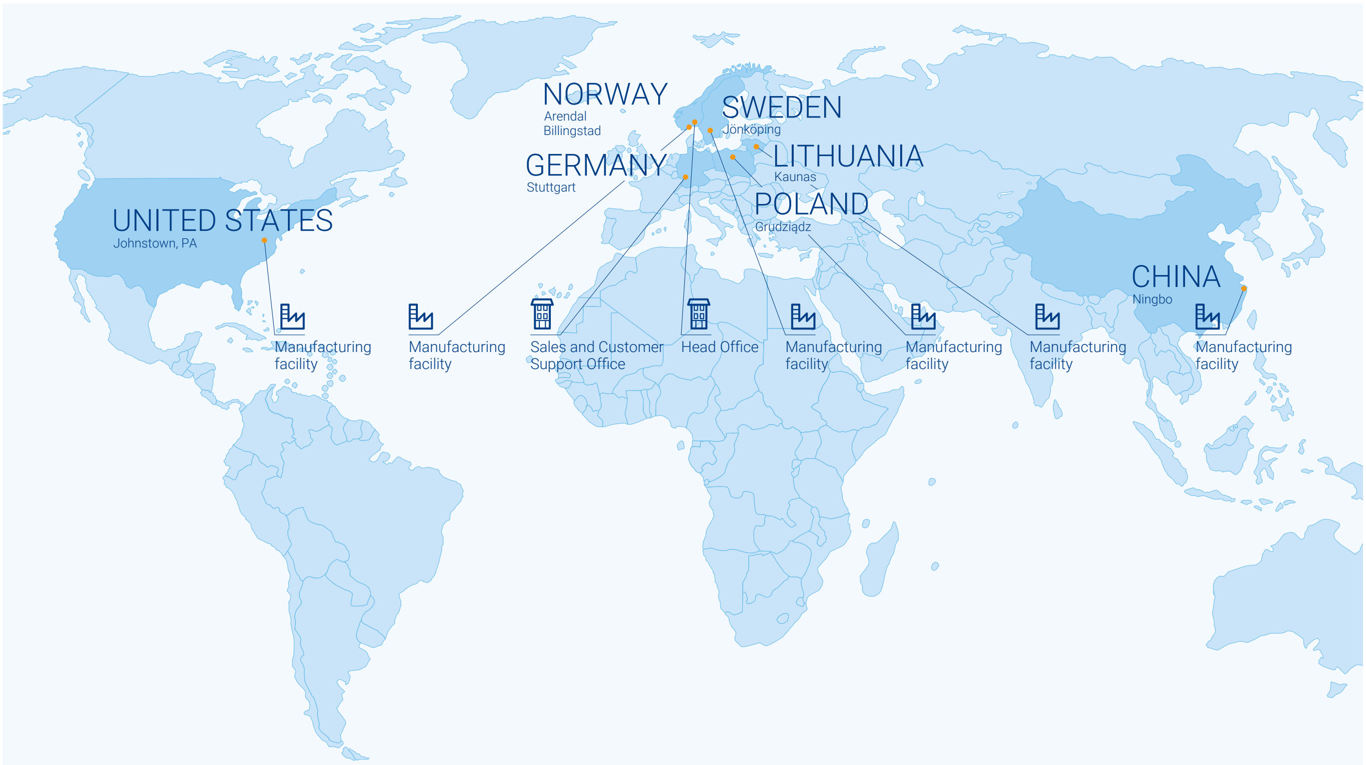
The Kitron Group report on Corporate Responsibility has been reviewed and approved by the Board.

The claims and data in this report has not been audited by a third party.

ABOUT KITRON ASA

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

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



Locations

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

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

Economic impact and tax information

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

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

Payroll and social security expenses 2019

In 2019, labour costs amounted to NOK 593 million (NOK 497 million) Payroll and social security expenses accounted for 18 (19) per cent of sales revenue.

Procurement of goods and services

Kitron purchased goods and services valued at roughly NOK 2 417 million (1 910 million) in 2019.

Tax

The Group's tax expenses for 2019 came to NOK 37.1 million (NOK 31.0 million).

Tax expense by country

(Amounts in NOK million)	2017	2018	2019
Norway	5.6	4.2	3.0
Sweden	5.5	7.7	8.3
Lithuania	10.1	12.5	11.3
Other	12.4	6.5	14.5
Total	**33.6**	**30.9**	**37.1**

Table 1 Tax expense by country

Sectors served

Kitron's core areas of expertise are in the sectors Defence/Aerospace, Energy/Telecoms, Industry, Medical devices and Offshore/Marine.

In addition, Kitron is currently developing expertise in Automotive Electronics with a special focus on autonomous technologies.

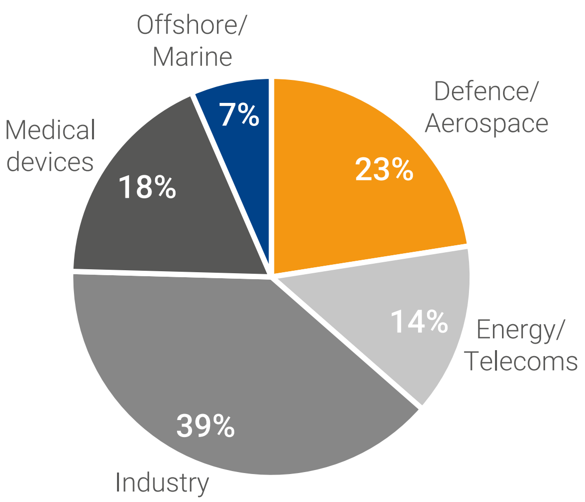


Figure 1: Revenue per sector

KITRON'S APPROACH TO SUSTAINABILITY

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

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

SUSTAINABLE DEVELOPMENT GOALS

Kitron supports The UN Sustainable Development Goals

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

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

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

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

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

Corporate governance

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

Management approach

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

Annual General Meeting (AGM)

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

The Board of Directors

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

Corporate Executive Management

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

The sites

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

Ethics Committee

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

Kitron's stakeholders

Owners

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

Employees

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

Suppliers

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

Customers

Kitron's customers directly affect the company economically, and customer expectations is part of driving Kitron's sustainability priorities.

Authorities and civil society

Civil society, for instance governments and regulatory authorities, affects 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 dialogue

To ensure a strategic approach to Sustainability reporting and to adhere to the intent of the Guidelines Kitron undertook systematic stakeholder dialogue in 2017 and keeps an ongoing dialogue with key stakeholder groups.

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

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

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

Figure 2: Kitron's stakeholders

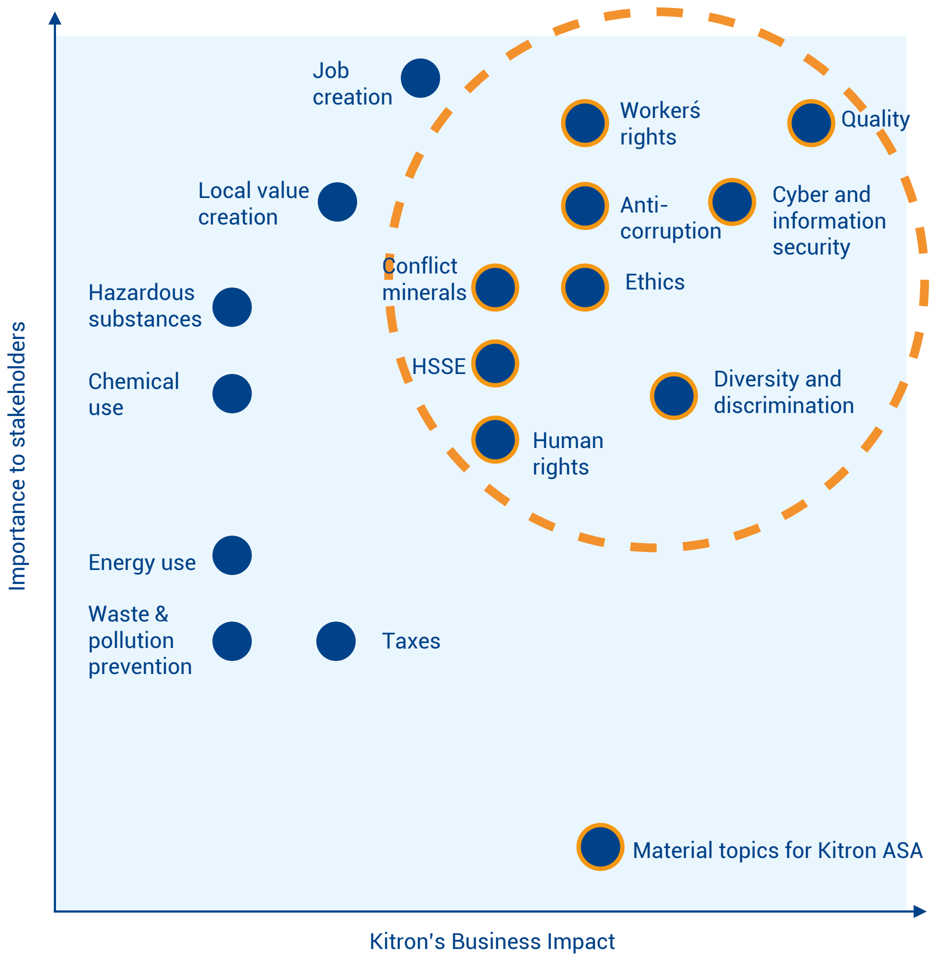


Figure 3: Materiality assessment

Materiality assessment

The Materiality assessment was established in 2017 by the internal task force on sustainability based on the stakeholder dialogue and information gathering. The main goal of the materiality assessment is to establish key reporting topics for Kitron, reflecting the key risks and opportunities created by Kitron's business activities. Further, these topics are included in the Kitron Sustainability report, describing how the most important topics are included in general risk management and strategy process and the measures Kitron is taking to reduce risks associated with material issues and how these are integrated into operational management and corporate governance. The materiality assessment concluded the following 5 material topics for Kitron to report on:

- Workers' rights, diversity and non-discrimination
- Human rights and conflict minerals
- Ethics and anti-corruption
- Supply chain and quality
- Health, safety, security and environment (HSSE)

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. Since 2018, Kitron is a UN Global Compact Signatory and supports the ten UN Global compact principles. The ten UN Global compact principles are embedded in Kitron's Code of Conduct.

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

Conflict minerals

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

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

Table 3: Conflict Minerals by value and number of parts

Goals for 2019

Kitron set the following goals for human rights and conflict minerals work in 2019:

Goals for 2019	Status	Comment
Become a member of an industry initiative against conflict minerals, such as RMI	Not a member	Kitron has undertaken an internal process to determine how the company should pursue the work against conflict minerals in the supply chain and decided not to pursue membership but rather establish company specific procedures and standards.
Remain conflict mineral free	Completed	

Goals for 2020

Remain conflict mineral free.

Workers' rights, diversity and non-discrimination

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

Employees	2017	2018	2019
Permanent employees	1398	1558	1715
Temporary employees	203	185	129
Total workforce	1601	1743	1844

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

Employees	Men	Women	Total
Employees Norway	184	139	323
Employees Sweden	115	71	186
Employees Lithuania	288	482	770
Employees in Poland	56	51	107
Employees China	55	147	202
Employees USA	37	87	124
Employees Germany	2	1	3

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

Working environment, diversity and anti-discrimination

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

Women's percentage amount of men's pay in 2019

	Norway	Sweden	Lithuania	China	USA	Poland
Avg. pay direct women % of men	85%	99%	73%	100%	94%	95%
Avg. pay indirect women % of men	81%	100%	81%	46%	72%	41%

The indirect workforce includes roles with significant difference in responsibility and pay. Pay depend on roles and not gender. We will aim for an improved gender distribution across the positions and countries.

The Ethics Committee has received two concerns regarding working environment. Investigations have been conducted and resulted in actions; the cases are considered closed.

In 2018 Kitron participated for the first time in the Great Place to Work survey. The results were analysed and action plans developed and implemented. These efforts resulted in significantly improved results in 2019 survey, where the overall score of the question "Taking everything into account, I think this is a great place to work" increased to 73% from 68% the previous year. Kitron will continue to utilize employee surveys to further strengthen the working environment and company culture.

In 2019, quarterly updates from the CEO to all employees were launched. The update is digital and includes financial results, major highlights from each site, and recognition of the winners of Kitron global awards.

Kitron global awards were launched in 2019. The intention is to recognize extraordinary efforts made by teams and individuals across the group. Every quarter the Corporate Management Team selects candidates in the following categories for the awards:

- Financial impact
- Innovation
- Operational excellence
- Customer relations
- Special awards

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. In 2018, the new digital learning platform, Kitron Academy, was launched. In 2019, Kitron Academy was further developed and supplemented with learning and development activities, Kitron AB now has all training tracked in the digital platform. The goal for 2020 is to have all training activities at all sites registered in the digital tool and also to increase the amount of available digital training.

Goals 2019

Kitron set the following goals for workers' rights, diversity and non-discrimination in 2019:

Goals 2019	Status	Comment
Increase the employee satisfaction score on the question "Taking everything into account, I think this is a great place to work" to above 70%.	73%	Significant progress made.
Begin to report average hours of training per employee.	All training registered in digital platform in Sweden, in progress for the other sites.	In 2020 all sites will register all training activities in digital platform. Full year tracking possible from 2021.

Goals for 2020

- Register all training activities in Kitron Academy (digital platform) at all sites
- Increase availability of digital training courses

Business ethics and corruption prevention

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

Ethical Code of Conduct

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

Kitron work on anti-corruption

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

We are aware that this presents challenges in regard to our sustainability, and that it can subject us to substantial financial risk. To deal with our sustainability and minimize our financial risk, we work systematically on ethics and anti-corruption. Kitron Ethical Code of Conduct describes several areas of importance for preventing corruption. 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 2019, Kitron conducted a corruption and risk of bribery assessment on its existing suppliers. 3 084 suppliers (1 396 active inventory suppliers and 1 450 non-inventory suppliers) were screened for corruption and bribery risk. Moreover, since 2019 all new suppliers are screened for corruption and bribery risk as part of the onboarding process.

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

Table 6: Supplier risk assessment results per risk category

Ethics training
All Kitron personnel are required to attend periodic training in the Kitron Ethical Code of Conduct to ensure that Kitron's ethical values are understood and implemented at all levels. In 2019, the Ethical Code of Conduct was made available as an online training in 6 different languages.

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

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

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

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

Examples of concerns related to Kitron's business practices that may be reported include allegations such as:
- Violations of Kitron's Ethical Code of Conduct
- Violation of corruption laws
- Insider trading
- Conflict of interest
- Sexual harassment or other forms of harassment or discrimination
- Threats against life and health, e.g. safety deficiencies at the workplace, violence and exposure or interaction with dangerous materials etc.

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

Each Kitron site also has its own contact persons for reports which is the Managing Director, the HR Manager and the (main) employee representative for the site (jointly referred to as the "Reporting Contact"). If the employee does not obtain any appropriate response or reaction, or does not feel comfortable reporting the matter to the immediate superior or persons as set above, the employee shall report to the Reporting Contact. It is also possible for the employee to report directly to the Chairman of the Group Ethics Committee, the CHRO or by email to Whistleblowing@kitron.com. Should the employee not be comfortable reporting to anyone in Kitron management, the employee may report to the Chairman of the Audit Committee for Kitron ASA.
Reporting may be anonymous, but open reporting will normally facilitate expedient resolution of the matter. The name of a reporting person shall remain confidential to all but the recipient.

In 2019 the Ethics Committee received 2 reports of potential misconduct. None of the reports concerned corruption. Both cases have been investigated, actions have been taken and the cases are considered closed. Kitron is not in and has not been in any legal proceedings related to business ethics in 2019.

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

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

Goals for 2019
Kitron set the following goals for ethics and anti-corruption in 2019:

Goals 2019	Status	Comment
Introduce ethics and anti-corruption training as part of onboarding of new employees and as e-learning for everyone.	Online training in Code of Conduct in place in 6 different languages	From 2020 it will be possible to track per cent of employees who has completed online Code of Conduct training.
KPI: share of employees who have completed the ethics and anti-corruption training, share of new employees who have completed onboarding process.	All employees of Kitron are provided an onboarding process, this will be tracked in the digital training platform going forward.	
Ensure that all new onboarded suppliers are at low or very low risk	Completed	Number of moderate and increased risk suppliers reduced from 55.9% to 45%
Ensure that all suppliers sign Kitron's Code of Conduct	Completed	All suppliers must sign code of conduct when filling RFI form
Define simple, lean and easy to use onboarding process for non-inventory suppliers and implement it	Completed	Simplified RFI form approved

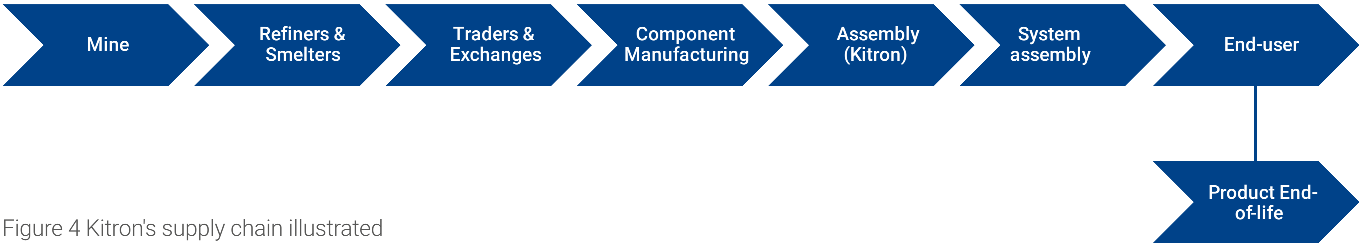


Figure 4 Kitron's supply chain illustrated

Goals for 2020
Kitron has set the following goals for ethics and anti-corruption in 2020:
- Track share of employees who have completed the ethics and anti-corruption training in the digital platform

Supply chain and quality management

Kitron's goal is to minimize negative environmental and social impacts from its supply chain. Kitron expects 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 1000 manufacturers through approximately 400 distributors. In 2014 Kitron established a preferred partner program. In 2019 around 63 per cent of all electronic components (in value) were procured from 9 preferred partners.

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

For printed circuit boards (PCB) – Kitron buys most of the PCBs from China (70 to 80 per cent of the worldś PCBs are produced in China), either directly from manufacturers or through distributors. As with electronic components.
In 2019 Kitron purchased 66 per cent of the PCBs from preferred partners. In the case of PCBs, these preferred partners include both distributors and manufacturers.

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

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

To ensure that the same supplier data is collected regardless of category and country, in 2019 Kitron developed and implemented a web based RFI (Request for information). This data is then automatically uploaded into Kitron's Supplier Evaluation Model (SEM).

To minimize supply chain risk, Kitron seeks to ensure that Kitron's spend with any specific supplier does not exceed 20 per cent of the total revenue of any single supplier and seeks to diversify its sourcing strategy. Moreover, Kitron diligently work with supplier consolidation, making sure that we work only with the best possible supply partners. In 2019, Kitron had 1396 active suppliers, down from 1639 in 2018. Active supplier means Kitron have placed a purchase order in the last 12 months.

Unique active suppliers	2017	2018	2019
Unique active suppliers (12 months)	1 477	1 639	1 396
Share of active suppliers who have signed Code of Conduct	49.8%	53.0%	80%

Table 8: Number of unique active suppliers

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

Kitron sites are certified according to the following quality management standards:
- ISO 9001:2015
- ISO 14001:2015
- EN9100:2018 (Technically equivalent to AS9100D and JISQ 9100:2016)
- ISO/TS 22163
- ISO 13485:2016
- 21 CFR 820 Quality System Regulation
- AQAP 2110 Edition D Version 1

Goals 2019
Kitron set the following goals for supply chain and quality management in 2019:

Goals 2019	Status	Comment
Define and implement onboarding process for non-inventory suppliers	In progress	RFI form approved
Standardize RFI and implement digital quality management system (DocLogix) for gathering and storing RFI data	In progress	RFI standardized and included in quality management system for all sites.

Goals 2020
Kitron has set the following goals for supply chain and quality management in 2020:
- Continue the work to onboard non-inventory suppliers using the new RFI form
- Make sure all sites use the new Standardized RFI and digital quality management system (DocLogix) for gathering and storing RFI data

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

Injuries and absence due to illness
Absence due to illness (as a percentage of total hours worked) was 3.6 per cent for the group in 2019. This is a slight decrease from previous years. A good working environment and the possibility to develop are important factors to keep the absence due to illness at a low level. Going forward, Kitron will continue the work to provide such an environment for our employees.

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

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

All chemicals procured and applied at Kitron sites are registered and handled according to relevant regulations. To prevent negative effects of repetitive tasks, all sites has implemented job rotation for certain tasks. In 2019, there were no serious work-related accidents at Kitron sites. Kitron will continue to monitor the working environment regarding employee health and safety in 2020.

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

Table 9 Absence and work-related injuries

Turnover by site	2018	2019
Turnover Norway	6.4%	2.0%
Turnover Sweden	11.6%	9.0%
Turnover Lithuania	18.0%	16.7%
Turnover Poland	-	6.0%
Turnover China	26.0%	36.0%
Turnover USA	4.0%	1.6%

Table 10 Employee turnover by site

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

We will work systematically to reduce energy consumption and GHG emissions, with special focus on material consumption, energy consumption, effective communication and transportation. We are working on setting targets for the reduction of CO_2 emissions for our in-house operations in accordance with the obligations in the Paris Agreement.

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

Kitron's CO_2 emissions have been calculated in accordance with the "Greenhouse Gas Protocol" published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI).

The below data on greenhouse gas emissions includes the following sources of CO_2 emissions:

Scope 1 direct emissions: emissions from fuel combustion on-site, transportation using company owned vehicles and on-site generation of electricity, heat or steam. All emission factors for Scope 1 emissions are from DEFRA 2018.

Scope 2 indirect emissions from electricity purchased: emissions from the consumption of electricity and district heating purchased. All CO_2 emission factors used for electricity are location based and calculated using IEA emission factors.

Kitron is aware that the emission data presented in the GHG emissions table is somewhat inaccurate due to varying reporting methods among the Kitron sites, and we are working to improve our methods for GHG emissions reporting to reduce such errors in the future.

	Tonnes CO2 equivalents		
Business Unit	**Scope 1**	**Scope 2 location based**	**Sum scope 1 + scope 2**
Kitron Norway	11	30	41
Kitron Sweden	-	59	59
Kitron Lithuania	1 253	315	1 568
Kitron Poland	100	355	455
Kitron China	-	885	885
Kitron USA	-	222	222
Group total	**1 364**	**1 866**	**3 230**

Table 11: GHG emissions from Kitron sites

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.

Kitron has set up an organizational structure to handle the tasks required by the GDPR. The structure is described in the Personal Data Protection Policy for Kitron and consists of a personal data protection committee, a corporate data protection representative in addition to local data protection representatives in all European countries.

Goals for 2019

Kitron set the following goals for the HSSE work in 2019:

Goals 2019 HSSE	Status	Comment
Take actions to maintain or decrease environmental impact from all Kitron sites (KPIs: environmental and climate impacts from all sites, KPI ISO 140001 re-certification)	Completed	Emissions reporting according to the GHG protocol Scope 1 and 2

Goals for 2020

Kitron has set the following goals for the HSSE work in 2020:

- Set goals and targets for the reduction of CO_2 emissions from Kitron's business activities
- Maintain or decrease employee turnover by in site
- Decrease number of Lost Time Injuries


Kitron

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 2019 was NOK 17 910 399.00 divided between 179 103 990 shares with a nominal value of NOK 0.10 each.

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

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

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

Per 31 December 2019, 1 250 000 options have been allocated to the executive management and 3 750 000 options remain un-allocated.

Stock market listing
The company's shares are listed on the Oslo Stock Exchange (ticker code: KIT) in the OB "Match" liquidity segment and is since 1 December 2016 part of the Benchmark Index (OSEBX).

During 2019, the share price moved from NOK 8.70 to NOK 11.00, an increase of 26.4 per cent. In addition, the company paid an ordinary dividend of NOK 0.40 in 2019. The Oslo Børs Main Index increased by 16.5 per cent during the same period. The share price has varied between NOK 8.21 and NOK 11.00. At the end of 2019, the company's market capitalisation was NOK 1 970.1 million. A total of 80.8 million shares were traded during the year, corresponding to a turnover rate of 45.4 per cent.

Shareholder structure
At the end of 2019, Kitron had 5 293 shareholders, compared with 5 016 shareholders at the end of 2018. At the end of the year, the foreign shareholding amounted to 33.6 percent.

At the balance sheet date, Vevlen Gård AS was the largest shareholder holding 7.09 per cent of the Kitron shares, followed by Taiga Funds (NOM Morgan Stanley & Co. Int Plc) with 5.84 per cent and MP Pensjon with 5.63 per cent. Liquidity of the share was 100 per cent. The 20 largest shareholders held a total of 56.40 per cent of the company's shares at the end of the year.

Mandates
Increasing the share capital
The ordinary general meeting of 30 April 2019 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 30 April 2019. 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 2020 but no longer than 30 June 2020. 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 authorization was used by the board in 2019 to increase the share capital by NOK 291 137.90. The authorized share capital of the Company is therefore NOK 17 910 399.00.

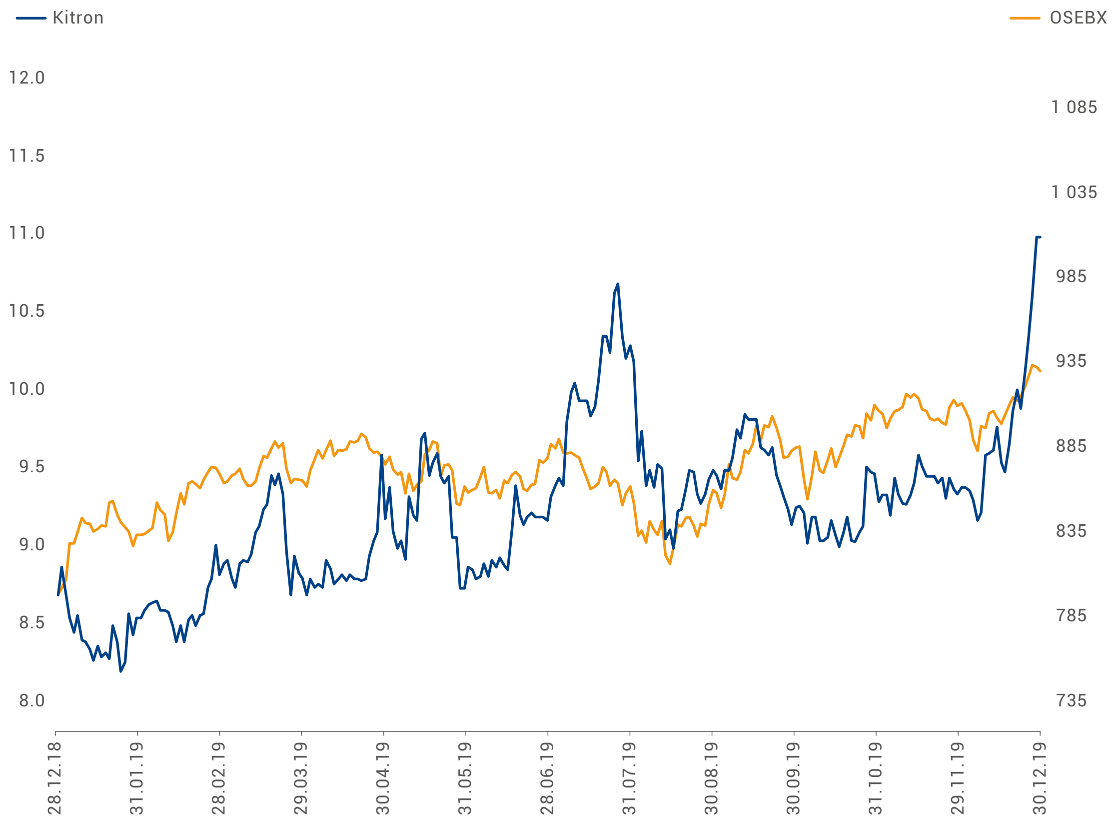
Own shares
The ordinary general meeting on 30 April 2019 authorised the board to acquire own shares for a total nominal value of up to NOK 1 761 926.10 which is equal to 10 per cent of Kitron's registered share capital at 30 April 2019. Under this authorization the company shall pay minimum NOK 1 per 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 2020 but no longer than 30 June 2020. The authority had not been exercised at 31 December 2019.

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

Information and investor relations
Kitron wishes to maintain open communications with its shareholders and other stakeholders. Shareholders and stakeholders are kept informed by announcements to the Oslo Børs and press releases. Kitron's website www.kitron.com 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 – 2019

BOARD AND MANAGEMENT

Board

Tuomo Lähdesmäki
Chairman of the board

Elected for the period 2019-2020

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 Plc 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 Plc, Sievi Capital Plc and Turku University Foundation sr. He is also Vice Chairman of Finland University Oy, Fondia Plc and Meconet Oy. Mr Lähdesmäki was elected to the Kitron Board as Chairman in 2014 and is also Chairman of Kitron's remuneration committee. At 31 December 2019 Mr Lähdesmäki owned 197 702 shares in Kitron.

Gro Brække n
Deputy chairman of the board

Elected for the period 2019-2020

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 previously 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 2019 Ms Brækken owned 37 472 shares in Kitron.

Maalfrid Brath
Board member

Elected for the period 2019-2020

Maalfrid Brath was born in 1965 and is a Norwegian citizen. She holds an MSc degree from BI Norwegian Business School in economics and business administration and a MSc degree from NHH Norwegian School of Economics in professional accountancy. Ms Brath has since 2009 been Managing Director of Manpower Group Norway and became Regional Managing Director of ManpowerGroup Nordic & Baltics in 2019. From 1995 to 2009, she held various executive management positions at Storebrand ASA, including EVP Business Development, EVP Retail, COO of Storebrand Livsforsikring and CEO of Storebrand Fondsforsikring. Prior to 1995, she was Manager at Arthur Andersen. She sits on a number of boards and is Chairman of the Board of NHO National Federation of Services and Trade. Ms Brath was elected to the Kitron board in 2018. At 31 December 2019 Ms Brath owned 13 472 shares in Kitron.

Espen Gundersen
Board member

Elected for the period 2019-2020

Espen Gundersen was born in 1964 and is a Norwegian citizen. He holds an MBA from the Norwegian School of Management, Oslo. He is also a Certified Public Accountant from the Norwegian School of Economics and Business Administration in Bergen. Mr Gundersen is currently Deputy CEO and CFO of Tomra Systems ASA. He joined Tomra in 1999 and has held several positions within the Tomra Group. Prior to joining Tomra, he served as VP Business development of Selmer ASA for five years. He started his career with Arthur Andersen in 1989. Mr. Gundersen was elected to the Kitron Board in 2017 and is also Chairman of Kitron's audit committee. At 31 December 2019 Mr Gundersen owned 43 472 shares in Kitron.

Christian Jebsen
Board member

Elected for period 2019-2020

Christian Jebsen was born in 1967 and is as Danish citizen. He holds a B.S. degree in economics and B.A. from Copenhagen Business School. Mr Jebsen is a partner at Verdane Capital. Prior to Verdane, Jebsen has had a number of executive management positions including CEO of Kebony AS, CEO of Vmetro ASA, CFO/COO of Opera Software ASA and CEO of Stavdal ASA. Jebsen's professional background also includes seven years within investment banking with Nomura International in London and Enskilda Securities (SEB) in Stockholm and Oslo. Mr Jebsen was elected to the Kitron board in 2018. At 31 December 2019 Mr Jebsen owned 13 472 shares in Kitron.

Bjørn Gottschlich
Board member

Elected by and among the employees

Bjørn Gottschlich was born in 1966 and is a German citizen. He was employed as an unskilled production worker in 1996. In 2000 he was elected as a full-time shop steward for Fellesforbundet (The Norwegian United Federation of Trade Unions) at Kitron AS in Arendal. He is now half redeemed from his position at Kitron to perform various duties in his trade union. Presently he is the chair of Fellesforbundet's local branch in Arendal. Mr. Gottschlich has been on the Kitron board since 2012. At 31 December 2019 Mr Gottschlich owned 13 472 shares in Kitron.

Tanja Rørheim
Board member

Elected by and among the employees

Tanja Rørheim was born in 1972 and is a Norwegian citizen. She holds a certificate in electronics and is working as a production worker at Kitron AS in Arendal since 1993. Ms Rørheim has been on the Kitron board since August 2015 and is also a member of Kitron's audit committee. At 31 December 2019 Ms Rørheim owned 13 472 shares in Kitron.

Jarle Larsen
Board member

Elected by and among the employees

Jarle Larsen was born in 1973 and is a Norwegian citizen. He has background as an Electronics Engineer and joined Kitron AS in 2007. Mr Larsen works as a Senior Lean Engineer. In 2010 he was elected as leader for Nito at Kitron AS (The Norwegian Society of Engineers and Technologists). He still holds this position. Mr Larsen was elected to the Kitron board in 2019. On 31 December 2019 Mr Larsen owned 6 816 shares in Kitron.


Kitron

Management

Peter Nilsson
President & CEO

Born in 1964. CEO of Kitron since November 2014. Several senior and executive leadership positions for Swedish and US companies. Mr Nilsson holds a degree in Industrial Management and is a Swedish citizen.

Cathrin Nylander
CFO

Born in 1967. Joined Kitron in 2013. Extensive experience as CFO in various industries such as manufacturing, IT, food industry, and financial services. Ms Nylander holds a bachelor's degree in social science from Lund University in Sweden and is a Swedish citizen.

Israel Losada Salvador
COO & Sales Director

Born in 1973. With Kitron since 2013. Mr. Salvador has extensive experience from operations within the Oil & Gas sector and has a master's degree in finance & Administration from NHH (Norway) and a master's degree in Engineering from the Polytechnic University of Valencia. Israel Losada Salvador is a Spanish citizen.

Anne Lise Hjelseth
CHRO

Anne Lise Hjelseth was 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.

Stian Haugen
CTO

Born in 1976 and is a Norwegian citizen. Mr. Haugen joined Kitron in 2013 managing the technology department of Kitron AS, Arendal. He has extensive experience from international R&D and customer support and holds a B.sc in computer science from Agder University, Norway.

Zygimantas Dirse
Managing Director, Kitron Electronics Manufacturing (Ningbo) CO Ltd., China

Born in 1980. With Kitron since 2003. Diverse experience as a supervision engineer, product engineer and technical manager, operations manager and now general manager of our facility in China. Master of Science in Informatics Technology. Zygimantas Dirse is a Lithuanian citizen.

Stefan Hansson Mutas
Managing Director, Kitron AB, Sweden

Stefan Hansson Mutas was born in 1966 and is a Swedish citizen. 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.

Mindaugas Sestokas
Managing Director UAB Kitron, Lithuania & VP Central Eastern Europe

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

Hans Petter Thomassen
Managing Director, Kitron AS, Norway & VP North America

Born in 1965. He joined Kitron in 2012. Mr Thomassen has extensive experience within manufacturing and logistics and has held several senior-level positions, included CEO of Durapart Industries AS. He also has experience from commercial aviation. Mr Thomassen is a Norwegian. citizen

ARTICLES OF ASSOCIATION

(latest updated 30 May 2019)

§ 1

The company's name is Kitron ASA. The company is a public limited company.

§ 2

The company's registered office shall be located in the municipality of Asker. The company may also conduct the general meeting in the municipality of Oslo.

§ 3

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

§ 4

The share capital of the company is NOK 17,910,399 divided into 179,103,990 shares with face value NOK 0.10 each. The company's shares shall be registered at the Norwegian Central Securities Depository.

§ 5

The company's board of directors shall have from 3 to 6 shareholder elected members for a period of up to two years as resolved by the general meeting. The chairman of the board is elected by the general meeting. Two board members acting jointly are authorised to sign on behalf of the company. The board may grant power of attorney.

§ 6

The ordinary general meeting is held each year before the end of the month of June. The ordinary general meeting shall:

1. Consider and approve the annual report, the profit and loss statement and the balance sheet for the preceding year.
2. Consider and approve the application of profit or coverage of deficit according to the adopted balance sheet, as well as payment of dividend.
3. Consider and resolve other matters that pertain to the general meeting according to Norwegian law.

§ 7

Kitron shall have a nomination committee. The nomination committee shall have two or three members, including its chairman. Members of the nomination committee shall be elected for a term of office of up to two years.

The annual general meeting of Kitron shall elect the chairman and the members of the nomination committee. The mandate of the nomination committee shall be determined by the annual general meeting. The annual general meeting shall also determine the committee's remuneration.

The nomination committee shall submit proposals to the annual general meeting in respect of the following matters:

- \- Propose candidates for election to the board of directors
- \- Propose candidates for election to the nomination committee
- \- Propose the fees to be paid to the members of the board of directors
- \- Propose the fees to be paid to the members of the nomination committee

§ 8

Any issue that has not been resolved in these Articles of Association shall be considered in accordance with the regulations in the existing laws applicable to limited companies.

§ 9

Documents concerning matters to be considered at the general meeting are not required to be sent to the shareholders if the documents are made available for the shareholders at the company's websites. This also applies for documents that pursuant to law shall be included in or attached to the notice of the general meeting. A shareholder may nonetheless require that documents concerning matters to be considered at the general meeting are sent to him/her.

§ 10

The right to participate in and vote at a general meeting can only be exercised if the acquisition of the shares in question has been recorded in the company's share register no later than the fifth business day before the date of the general meeting (the "record date").

§ 11

Shareholders may vote in advance, either in writing or by electronic means, up to 2 days prior to the general meeting. The board of directors determines further in the notice to the general meeting how such voting shall be carried out.

(Office translation)

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Kitron is a Scandinavian Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Poland, China and the US and has about 1 700 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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