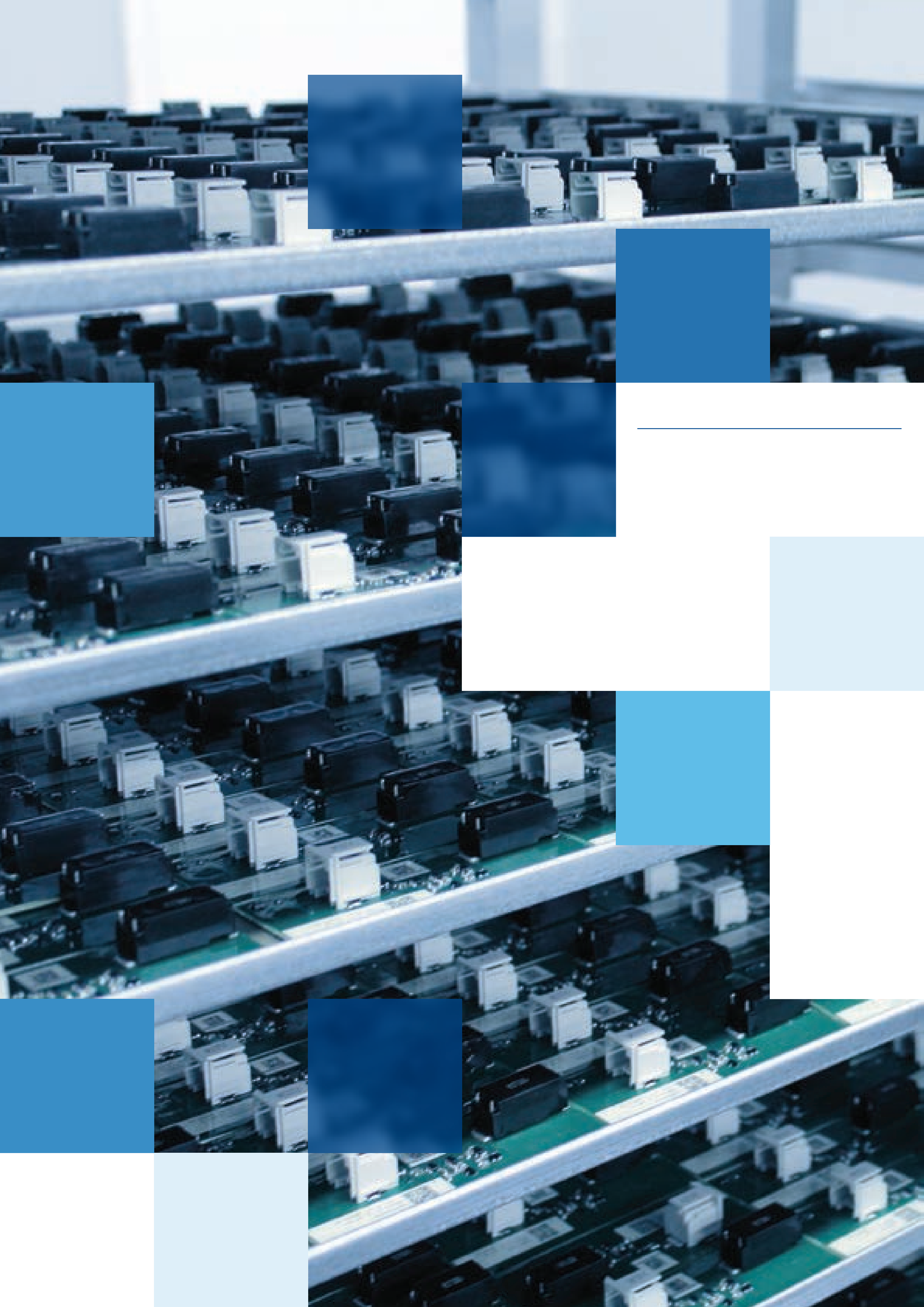
ANNUAL REPORT 2018

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

Norway
Sweden
Lithuania
Germany
USA
China



CONTENTS

KITRON IN BRIEF

Kitron is an international Electronics Manufacturing Services (EMS) company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1600 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 shifting demands.

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. The expansion of the Kaunas factory is a solid platform for market expansion and growth in the German-speaking markets. In 2018, Kitron announced plans for a new plant 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.

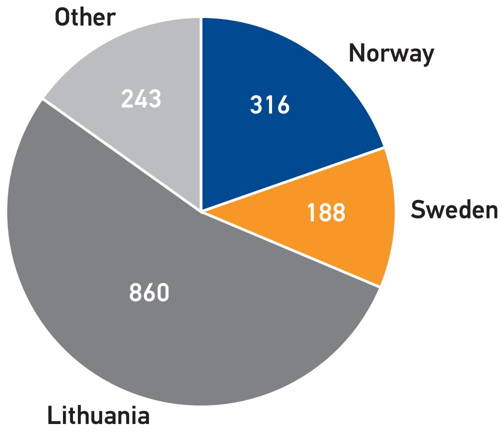
Growth through targeted acquisitions

In 2018, Kitron announced the acquisition of the EMS division of API Technologies Corp., strengthening the position in the United States.

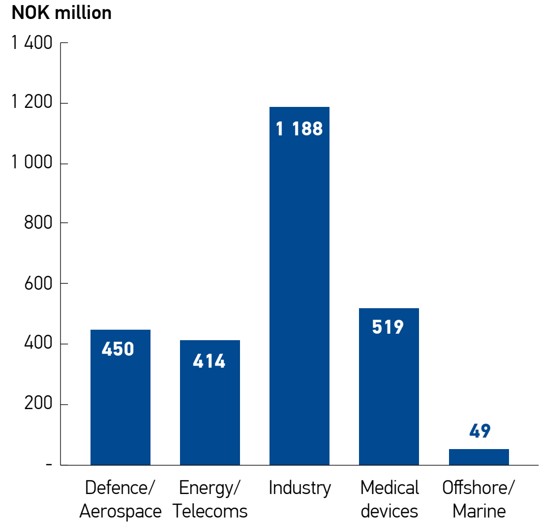
The company intends to pursue further M&A activities to grow and will explore M&A value creation along three axes: Geography, Value and Diversification.

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 2018
Geographical description



Revenue per market sector in 2018
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 from the companies Stratonic and Electric Bureau, both of which were established in the 1960's in Arendal. The Kitron name was established in the 1980's, and Kitron's business idea changed to contract manufacturing of electronics. The business idea has since been extended to include the entire value chain relating to the manufacturing and assembly of electronics and industrial products containing electronics, including development, industrialisation, purchasing, logistics, maintenance/repair and redesign. Kitron was listed on the Oslo Stock Exchange in 1997.

In order to strengthen its market position and competence, Kitron has carried out several mergers and acquisitions. Most notably Sonec ASA and Kitron ASA merged in 2000. Today, Kitron consists of businesses that have their origin in Ericsson, Kongsberg Gruppen, Nera and Tandberg Data in Norway, in addition to Bofors and Saab in Sweden.

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

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

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

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

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

Building on its growth strategy, in 2018, Kitron announced plans for a new facility in Poland as well as the acquisition of the EMS division of API Technologies Corp. in the United States.

Board of Directors' report 2018:

Growth, improved profitability and plans for new sites

Kitron's revenue for the year reached NOK 2 619.7 million (NOK 2 436.7 million), which represented a 7.4 per cent increase compared with 2017. There was solid growth for the operations in Lithuania and outside Europe, while revenues declined in Norway and Sweden. EBITDA for the group reached NOK 208.9 million compared to NOK 201.1 million in 2017. Net profit for the year amounted to NOK 110.3 million (NOK 99.0 million), corresponding to NOK 0.63 per share (NOK 0.57). The Board of Directors will, on this basis, propose to the Annual General Meeting an ordinary dividend per share of NOK 0.40. Last year, the ordinary dividend was NOK 0.35, and there was an additional dividend per share of NOK 0.20.

In the Annual Report 2017, Kitron indicated an expected revenue range of between NOK 2 500 and 2 700 million and an EBIT margin of 6.1 to 6.5 per cent for 2018. The actual revenue ended slightly above the middle of the range, while the actual EBIT margin ended slightly below the low end of the range, but slightly above when adjusting for one off costs associated with the acquisition of the EMS division of API Technologies Corp.

The business

Kitron's business model is to provide manufacturing and assembly services for products containing electronics. The business model covers the whole value chain from development, industrialisation, purchasing, logistics and maintenance/repair to redesign. For customers having Kitron as their professional manufacturing partner, this means increased flexibility, reduced costs and improved quality.

The growing competition among OEMs requires focus on manufacturing efficiency and cost reduction. Hence, an increasing share of OEMs focus on their own core competences and transfer a larger part of the value chain to specialised EMS providers such as Kitron. When selecting an EMS partner, geographical proximity and access to competitive manufacturing play a crucial role in the customer's choice of supplier. With its global presence, Kitron is well placed in this market.

The company has operations in Norway, Sweden, Lithuania, China, Germany and the US. All employees have been certified in accordance with international quality standards for the applicable manufacturing.

Market sectors

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

On a comparable level, the order backlog ended at NOK 1 518.5 million, an increase of 16.2 per cent compared to last year and an all-time high. Due to IFRS 15 implementation, the booked order backlog ended at NOK 1 335 millon, an increase of 2 per cent.

Defence/Aerospace

Revenue in the Defence/Aerospace sector decreased by 31.3 per cent and ended at NOK 449.7 million in 2018 (NOK 654.2 million). The sector accounted for 17.2 per cent (26.8 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 influences the revenue level for the particular year. In this respect 2018 had relatively fewer project deliveries compared to 2017.

For Kitron, the F-35 program secures the company's future position as a strong partner within the defence sector. This market sector is especially important to our Norwegian plant, and Kongsberg Gruppen is a key customer. Defence/ Aerospace is also a prioritised area for our operation in Germany. The long-term outlook for the Defence/ Aerospace sector remains positive, but growth is primarily expected from 2019 and forward.

Energy/Telecoms

Revenue in the Energy/Telecoms sector increased by 2.4 per cent to NOK 414.1 million in 2018 (NOK 404.5 million). This represented 15.8 per cent of the group's revenues (16.6 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.

Kitron has reclassified customers as belonging to the Energy/ Telecoms market sector instead of Industry. Market sector figures for 2017 have been restated to be comparable.

Industry

The Industry sector increased its revenue by 33.3 per cent to NOK 1 187.7 million (NOK 890.8 million), accounting for 45.3 per cent of the group's total revenue (36.6 per cent). The Industry sector continues to grow rapidly, especially in Lithuania and China, due to increased revenue from existing customers as well as new customers. Industry is the market sector within Kitron that tends to be most closely correlated with the general economic development and has lately benefitted from an upturn for European industry.

Kitron has reclassified customers as belonging to the Energy/ Telecoms market sector instead of Industry. Market sector figures for 2017 have been restated to be comparable.

Medical devices

Revenue in the Medical device sector increased by 14.1 per cent to NOK 519.2 million in 2018 (NOK 455.2 million), corresponding to 19.8 per cent of the group's revenues (18.7 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 52.2 per cent from NOK 32.0 million in 2017 to NOK 48.6 million in 2018. The sector accounted for 1.9 per cent (1.3 per cent) of the group's total revenues. Both revenue and order backlog are now increasing rapidly as the bottom of the investment cycle is passed.

Important events in 2018

Mergers and acquisitions

In November, Kitron announced an agreement with API Technologies Corp. to acquire its EMS division in the United States. 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

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

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 2018 amounted to approximately USD 23.5 million. Closing was executed on 15 February 2019.

Customer contracts

During 2018, Kitron has solidified its position as a trusted manufacturing partner for a number of important customers. Growth has been particularly strong within the Industry market sector, with several orders where the facility in Lithuania plays a key role.

While the absolute level is still low, the Offshore/Marine market sector has started to grow, as exemplified by a three-year contract announced in October to manufacture MASS (Marine Autonomous Seismic System) nodes for the seismic company Magseis. An upturn in the Norwegian offshore market is expected to benefit Kitron's facility in Norway.

Within the Defence/Aerospace market sector, Kitron signed a long-term manufacturing agreement expected to generate revenues of NOK 300 million with Kongsberg Defence & Aerospace AS for electronic modules that are part of Kongsberg's weapon control system, Remote Weapon Station (RWS).

Investments

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

During 2018, investments have been focused on automation and robotization intended to increase efficiency at the plants.

In July 2018, Kitron announced plans to expand its Eastern European presence through a facility in northern Poland. Production at the 8 000 square meter facility is scheduled to begin in the fourth quarter 2019.

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.

Kitron implemented the new accounting standard IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. The new accounting standard has some effects for Kitron when it comes to the timing for recognizing revenue, cost of materials and tax. In addition, certain financial statement line items in the balance sheet are changed which is mainly related to contract assets and inventory. See note 6 to the consolidated financial statements for detailed information of the effects.

The group will implement IFRS 16 "Leases" from 1 January 2019. The new standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. See note 21 to the consolidated financial statements for detailed information of the effects.

Profit and loss

Operating revenue for 2018 amounted to NOK 2 619.3 million, compared to NOK 2 436.7 million for 2017, which represents an increase of 7.5 per cent. Growth adjusted for foreign exchange effects in consolidation was 5.2 per cent.

The order backlog at the end of 2018 amounted to NOK 1 334.8 million, compared to NOK 1 306.4 million in 2017. 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). Percentagewise, the order backlog increased the most in the Offshore/Marine market sector, while Defence/Aerospace had the biggest decline.

The number of full-time equivalents (FTE) increased from 1 451 at the end of 2017 to 1 606 at the end of 2018. The work force has increased both in and outside Scandinavia. In absolute numbers, the biggest increase was in Lithuania, largely driven by growth in the Industry market sector. 69 per cent of Kitron FTEs are now in low-cost countries. The group's payroll expenses increased and amounted to NOK 496.9 million in 2018 compared with 480.8 million in 2017. The payroll expenses as a percentage of revenue declined to 19.0 per cent (19.7 per cent in 2017).

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 14.9 million. The corresponding figure for 2017 was a net cost of NOK 16.2 million. Kitron's pre-tax profit for 2018 amounted to NOK 141.2 million (NOK 132.5 million), an increase of NOK 8.7 million. All tax loss carried forward in the businesses in Norway and Sweden are capitalised by December.

The group's net profit for the year amounted to NOK 110.3 million (NOK 99.0 million). This corresponds to earnings per share of NOK 0.63 (NOK 0.57). Diluted earnings per share were NOK 0.61 (NOK 0.57).

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

On this basis, the Board proposes an ordinary dividend for the accounting year 2018 of NOK 0.40 per share, equivalent to a dividend ratio of 64 per cent.

Cash flow

In 2018, Kitron's cash flow from operating activities decreased by NOK 205.3 million compared to 2017, to minus NOK 44.5 million (NOK 160.8 million). Net cash flow from investing activities in 2018 ended at minus NOK 55.9 million (minus NOK 35.2 million), particularly reflecting investments in automation and robotization aimed at increasing efficiency at the plants.

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

Net cash flow from financing activities was minus NOK 126.4 million (minus NOK 70.3 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 last year. The situation is expected to be challenging throughout 2019 but has entered a more stable phase.

Balance sheet and liquidity

Total assets at 31 December 2018 amounted to NOK 1 866.1 (NOK 1 548.7 million). At the same time equity amounted to NOK 691.5 million (NOK 663.6 million) and the equity ratio was 37.1 per cent (42.8 per cent).

Inventories ended at NOK 448.2 million at the end of the year (NOK 398.9 million). The inventory value at the end of 2018 is influenced significantly by the implementation of IFRS 15. Work in process and finished goods which before implementation of the new standard were part of inventory value, is from 2018 to a large degree recognized as revenue and included in contract assets. Contract assets ended at NOK 235.2 million, an increase of NOK 203.9 million compared to last year. The increase in inventory and contract assets during the year are the deliberate efforts to avoid supply disruptions due to electronic component shortages. The component situation is expected to continue through 2019 but has stabilized. Controlling inventory is a major focus area for the company's ongoing improvement program.

Accounts receivable ended at NOK 690.6 million (NOK 516.3 million). The value at year-end is influenced by increased volume, development in currency rates and also invoicing of customer advances for inventory build-up. Overdue receivables are low and credit losses have been small during 2018.

Accounts payable ended at NOK 594.8 million (NOK 428.8 million). The value at year-end is influenced by increased volume, development in currency rates and inventory build-up due to material allocations.

At 31 December 2018, the group's interest-bearing debt was NOK 441.8 million (NOK 351.9 million). The debt is mainly related to long-term bank debt, short-term bank debt, factoring and financial leasing.

Cash and cash equivalents amounted to NOK 45.7 million at the balance sheet date (NOK 176.7 million). NOK 10.2 million of this amount was restricted deposits (NOK 10.0 million). The group's liquidity situation is satisfactory.

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 largely short-term and related to factored accounts receivable. This means that fluctuations in revenue impact the company's liquidity. A minor share of the external debt is long-term. The group has overdraft facilities that cover expected liquidity fluctuations during the year. The board considers the group's liquidity to be sufficient.

The group's interest-bearing debt attracts interest cost at the market-based rate. Kitron has no financial instruments related to interest rates. The group does not hold any significant interest-bearing assets.

Social responsibility

Kitron has implemented Ethical guidelines that reflect Kitron core values and Kitron corporate social responsibility. Kitron has implemented an ethical 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 and environment

At the end of 2018 the group employed a total of 1 743 people. Adjusting for part-time employees and hired-ins, this translates to 1 606 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 was no serious work-related accidents in 2018.

Sick leave in Kitron was 3.1 per cent, a decrease from 4.3 per cent in 2017. The board considers the working environment to be good and in 2018 Kitron participated in the Great Place to Work survey for the first time for the purpose of further developing 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 consider 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 are part of the current performance management process. In 2018, the new digital learning platform, Kitron Academy, was launched. Kitron Academy will be 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 2018 about 69 500 hours were registered as spent on training. The new digital learning platform will enable better reporting on training hours over the next couple of years.

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 55.6 per cent of the Kitron work force in 2018. Out of 93 managers (manager having direct reports) 30 per cent are female and 70 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 (basic salary and allowances) of women was approximately 90 per cent of the average pay for men. The average pay for men and women vary due to differences in job categories and years of service, not because of gender. 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 49.4 million for 2018 (NOK 48.4 million). The board of directors proposes the following allocations for Kitron ASA:

Dividend	NOK	70.5	million
Transferred from other equity	NOK	(21.1)	million
Total allocations	**NOK**	**49.4**	**million**

The proposed ordinary dividend accounts for approximately 64 per cent of the group's net profit. This is in line with the group's updated dividend policy. The group's liquidity and financial position is satisfactory, and the future prospects are good.

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

Outlook
For 2019, Kitron expects revenue to grow to between NOK 2 900 and 3 200 million. EBIT margin is expected to be between 6.2 and 6.6 per cent. Growth is primarily driven by the acquisition of the EMS division of API Technologies Corp. and growth for customers in the Industry and Offshore/marine sectors. Profitability is driven by cost reduction activities and improved efficiency.

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

Oslo, 28 March, 2019

Tuomo Lähdesmäki Chairman	Gro Brækken Deputy chairman	Christian Jebsen
Espen Gundersen	Tanja Rørheim Employee elected board member	Elisabeth Jacobsen Employee elected board member
Maalfrid Brath	Bjørn Gottschlich Employee elected board member	Cathrin Nylander Acting 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	2018	2017
Revenue			
Sales revenues	5	2 619 257	2 436 729
Operating costs			
Cost of materials		1 756 246	1 620 014
Payroll expenses	8, 19, 23	496 911	480 751
Depreciation	12, 13, 14	52 824	52 464
Other operating expenses	25, 27, 30	153 490	133 957
Total operating costs		2 459 471	2 287 185
Other gains/(losses)	7	(3 687)	(861)
Operating profit/(loss)		**156 100**	**148 683**
Financial income and expenses			
Finance income	9	2 845	1 566
Finance expenses	9	(19 726)	(17 750)
Net financial items		(14 882)	(16 183)
Profit/(loss) before tax		141 218	132 499
Tax	10	30 950	33 502
Net profit/(loss)		**110 267**	**98 997**

Allocation

Shareholders		110 267	98 997

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	0.63	0.57
Diluted earnings per share	11	0.61	0.57

The notes on pages 16 to 56 are an integral part of the consolidated financial statement.

Consolidated statement of comprehensive income

(Amounts in NOK 1000)	2018	2017
Net profit/(loss)	110 267	98 997
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Actuarial gain / losses pensions	(113)	(176)
	(113)	(176)
Items that may be subsequently reclassified to profit and loss		
Gain / losses forward contract	-	420
Exchange differences on translation of foreign operations	2 218	(1 870)
Currency translation differences	(583)	22 195
	1 635	20 745
Total other comprehensive income	**1 522**	**20 569**
Total comprehensive income	**111 789**	**119 566**

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

Allocation		
Shareholders	111 789	119 566

Consolidated balance sheet

(Amounts in NOK 1000)	Note	31.12.2018	31.12.2017
Assets			
Non-current assets			
Goodwill	13	26 786	26 786
Other intangible assets	14	12 601	10 773
Property, plant and equipment	12	293 193	277 869
Deferred tax assets	22	45 987	58 024
Total non-current assets		**378 567**	**373 451**
Current assets			
Inventory	16	448 203	398 901
Accounts receivable	15, 28	690 598	516 251
Contract assets	15	235 201	31 275
Other receivables	15, 28	67 864	52 097
Cash and cash equivalents	17	45 654	176 725
Total current assets		**1 487 520**	**1 175 248**
Total assets		**1 866 088**	**1 548 699**

The notes on pages 16 to 56 are an integral part of the consolidated financial statement.

Consolidated balance sheet (cont.)

(Amounts in NOK 1000)	Note	31.12.2018	31.12.2017
Equity and liabilities			
Equity			
Equity attributable to owner of the parent			
Share capital and share premium reserve	18	473 677	473 677
Other equity unrecognised in the profit and loss		(1 249)	(15 782)
Retained earnings		219 031	205 670
Total equity		**691 459**	**663 565**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	22	1 196	3 417
Loans	21	40 830	76 434
Pension commitments	23	5 966	6 205
Total non-current liabilities		**47 992**	**86 056**
Current liabilities			
Accounts payable	20, 28	594 808	428 801
Other payables	20, 28	122 896	86 282
Tax payable		7 962	8 515
Loans	21	400 970	275 481
Total current liabilities		**1 126 636**	**799 079**
Total liabilities		**1 174 629**	**885 134**
Total liabilities and equity		**1 866 088**	**1 548 699**

The notes on pages 16 to 56 are an integral part of the consolidated financial statement.

Oslo, 28 March, 2019

Tuomo Lähdesmäki
Chairman

Gro Brækken
Deputy chairman

Christian Jebsen

Espen Gundersen

Tanja Rørheim
Employee elected board member

Elisabeth Jacobsen
Employee elected board member

Maalfrid Brath

Bjørn Gottschlich
Employee elected board member

Cathrin Nylander
Acting CEO of Kitron ASA

Consolidated statement of changes in equity

(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 attributable to owner of the parent					
Equity at 1 January 2017		473 677	(9 315)	(24 051)	(6 233)	150 720	584 799
Net profit						98 997	98 997
Paid dividends						(44 048)	(44 048)
Employee share schemes					3 247		3 247
Other comprehensive income			(176)	20 325	420		20 569
Equity at 31 December 2017		**473 677**	**(9 491)**	**(3 726)**	**(2 565)**	**205 670**	**663 565**
Implementation IFRS 15	**6**				**5 361**		**5 361**
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**

The notes on pages 16 to 56 are an integral part of the consolidated financial statement.

Consolidated statement of cash flow

(Amounts in NOK 1000)	Note	2018	2017
Cash flows from operating activities			
Cash flow from operations	26	(25 026)	183 002
Interest received		2 496	1 206
Interest paid		(11 316)	(8 928)
Income taxes paid		(10 612)	(14 480)
Net cash (outflow) from operating activities		**(44 458)**	**160 800**
Cash flows from investing activities			
Acquisition of tangible fixed assets	12	(49 044)	(34 151)
Acquisition of other intangible assets	14	(6 789)	(999)
Acquisition of shares in subsidiary		(26)	-
Net cash (outflow) from investing activities		**(55 859)**	**(35 150)**
Cash flows from financing activities			
Repayment of loans		(29 482)	(26 246)
Dividends paid		(96 905)	(44 048)
Net cash (outflow) from financing activities	**26**	**(126 387)**	**(70 294)**
Change in cash, cash equivalents and bank overdraft		**(226 704)**	**55 357**
Cash, cash equivalents and bank overdraft at 1 January	17	118 765	53 523
Restricted cash	17	-	10 027
Exchange gains (losses) on cash and cash equivalents		391	(142)
Cash, cash equivalents and bank overdraft at 31 December		**(107 548)**	**118 765**

The notes on pages 16 to 56 are an integral part of the consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

Kitron ASA and its subsidiaries (the group) comprise one of Scandinavia's leading enterprises in the development, industrialisation and manufacturing of electronics for the energy/telecoms, defence/aerospace, offshore/marine, medical equipment and industry sectors. The group has operations in Norway, Sweden, Lithuania, Germany, US and China. Kitron ASA has its head office at Billingstad outside Oslo in Norway and is listed on the Oslo Stock Exchange. The consolidated accounts were considered and approved by the company's board of directors on 28 March 2019.

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 2018:

IFRS 9 Financial Instruments

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

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

IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. See note 6 for more detailed information.

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS

The adaption of this amendment did not have any impact of the group accounts.

b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The group will apply the standard from its mandatory adaption date of 1 January 2019. See note 27 for more detailed information.

Consolidation principles

Subsidiaries

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

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any noncontrolling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

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

Associated companies

The group has no joint ventures or associated companies.

Segment reporting

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

Translation of foreign currencies

Functional and presentation currencies

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

Transaction and balance sheet items

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

Group companies

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

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

Property, plant and equipment

Tangible fixed assets primarily embrace buildings and land, machinery, equipment, and fixtures and fittings. They also include leased buildings, machinery and equipment where the lease is considered to be a financing method (financial leasing). Tangible fixed assets are stated at historical cost less accumulated depreciation and impairments. They are recognised in the balance sheet and depreciated on a straight-line basis to their residual value over their expected useful life, which is:

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

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

On-going maintenance of fixed assets is charged as an operating cost, 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 when conditions arise.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. When assessing impairment, fixed assets are grouped at the lowest level for which identifiable independent cash inflows exist (cash generating units). At each reporting date, an assessment is made of the opportunity for reversing earlier impairment charges on fixed assets.

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

Intangible assets

Goodwill

Goodwill is the difference between the acquisition of a business and the fair value of the group's share of net identifiable assets in the business at the acquisition date. Goodwill is tested annually for impairment and recognised in the balance sheet at its acquisition cost less impairment charges. Impairment losses on goodwill are not reversed. When assessing the need to make an impairment charge on goodwill, the goodwill is allocated to relevant cash-generating units. The allocation is made to those cash-generating units or groups of such units which are expected to benefit from the acquisition. The group allocates goodwill to cash-generating units in each country in which it operates.

Computer software

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

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

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

Financial assets

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

Accounts receivable 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. Amounts drawn on overdraft facilities are included in loans under current liabilities.

Share capital

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

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 tax is calculated using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. If, however, deferred tax arises when initially recognising a liability or asset in a transaction which is not the integration of a business and which at the transaction date has no effect on the income statement or on tax, it is not recognised. Deferred tax is determined using tax rates and laws which have been substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, and that the temporary differences can be deducted from this profit. Deferred tax is calculated on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the group and it is probable that they will not be reversed in the foreseeable future.

Pension commitments, bonus schemes and other compensation for employees

Pension commitments

Group companies have various pension schemes. These schemes are generally funded through payments to insurance companies or pension funds based on periodic actuarial calculations. The group has both defined contribution and defined benefit plans. From 2016 the group has 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. See note 6 for more details.

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.

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

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

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

Kitron Group will implement IFRS 16 "Leases" from 1 January 2019. See note 27 for more details.

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

Note 3 Financial risk

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

Market risk

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

At 31 December, if the currency had weakened/strengthened by 1 per cent against the US dollar with all variables held constant, post –tax profit for the year would have been NOK 0.4 million (2017: NOK 0.3 million) higher/ lower, mainly as a result of foreign exchange gains/ losses on translation of US dollar denominated bank deposits, trade receivables and debt.

At 31 December, if the currency had weakened/strengthened by 1 per cent against the EUR with all variables held constant, post –tax profit for the year would have been NOK 1.0 million (2017: NOK 0.3 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of EUR denominated bank deposits, trade receivables and debt.

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

Credit risk

Credit risk arises from cash and cash equivalents, deposits with bank and receivables. Accounts receivable in the Norwegian, Swedish and Lithuanian operations are credit insured. Accounts receivables in these countries amounts to about 90 per cent of the group total. Kitron accordingly bears credit risk only for accounts receivable which are not insured. The company has routines to ensure that uninsured sales on credit are made only to creditworthy customers.

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 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**	
At 31 December 2017				
Bank overdraft	61 380	-	-	-
Leasing	18 741	17 849	28 797	-
Factoring debt	191 273	-	-	-
Other financial loans	10 944	15 789	23 677	-
Trade and other payables	515 082	-	-	-
Total	**797 420**	**33 638**	**52 474**	

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 2018, if interest rate on NOK borrowings had been 1 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 1.4 million (2017: NOK 1.2 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2018, 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 3.0 million (2017: NOK 2.3 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 2018 and 2017 were as follows:

(Amounts in NOK 1000)	2018	2017
Total borrowings (note 20)	441 800	351 915
Cash and cash equivalents (note 16)	(45 654)	(176 725)
Net debt	**396 146**	**175 190**
Total equity	691 459	663 565
Total capital	**1 087 605**	**838 755**
Gearing ratio	36%	21%

The group does not manage its business according to a fixed gearing ratio.

Note 4 Important accounting estimates and discretionary assessments

Estimates and discretionary assessments are based on historical experience and other factors, including expectations of future events that are considered likely under present conditions. The group prepares estimates and makes assumptions about the future. Accounting estimates derived from these will by definition seldom accord fully with the outcome. Estimates and assumptions which represent a substantial risk for significant changes in the carrying amount of assets and liabilities during the coming fiscal year are discussed below.

Valuation of inventory

Calculating the cost of inventory involves determination of direct and indirect production cost. The determination requires management judgment related to estimation of future costs and production time. Further, it requires consideration of large amounts of data which adds a degree of complexity to the estimation procedures. Management also apply 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.

Sales by lines of business

The table shows the EMS turnover by industry:

(Amounts in NOK 1000)	2018	2017
Defence/Aerospace	449 685	654 290
Energy/Telecoms	414 123	404 478
Industry	1 187 686	890 818
Medical devices	519 151	455 193
Offshore/Marine	48 613	31 950
Total sales	**2 619 257**	**2 436 729**

Geographical breakdown sales

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

(Amounts in NOK 1000)	2018	2017
Norway	459 508	529 549
Sweden	1 201 227	1 171 312
Rest of Europe	642 162	390 926
USA	230 073	273 163
Other	86 287	71 779
Total sales	**2 619 257**	**2 436 729**

The largest customer counts for 10.3% (9.4%) of sales, the next counts for 8.4% (7.3%) and the others are below 7.2% (7.0%) each.

Geographical breakdown of assets.

	Norway		Sweden		Lithuania	
(Amounts in NOK 1000)	2018	2017	2018	2017	2018	2017
Assets	82 984	84 786	40 677	35 552	152 293	143 597

	China		Germany		USA	
(Amounts in NOK 1000)	2018	2017	2018	2017	2018	2017
Assets	23 510	19 929	10	69	6 320	4 709

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

Note 6 Implementation of IFRS 15 “Revenue from Contracts with Customers”

The Kitron group implemented new IFRS 15 “Revenue from Contracts with Customers” from 1 January 2018. This standard replaces IAS 18, which covers contracts for goods and services, and IAS 11 (construction contracts).

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

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The group adopted the standard using the prospective approach, which means that the cumulative impact of the adoption was recognized in retained earnings as of 1 January 2018. The new accounting standard has some effects for Kitron when it comes to the timing for recognizing revenue, cost of materials and tax. In addition, certain financial statement line items in the balance sheet are changed which is mainly related to contract assets and inventory. The table below shows the implementation effects and impact on the condensed balance sheet as of 1 January 2018.

Impact on condensed balance sheet

NOK 1 000	31.12.2017	Effects from IFRS 15	01.01.2018
ASSETS			
Goodwill	26 786	-	26 786
Other intangible assets	10 773	-	10 773
Tangible fixed assets	277 869	-	277 869
Deferred tax assets	58 024	(1 366)	56 657
Total non-current assets	**373 451**	**(1 366)**	**372 085**
Inventory	398 901	(118 860)	280 041
Accounts receivable	516 251	-	516 251
Contract assets	-	125 586	125 586
Other receivables	83 372	-	83 372
Cash and cash equivalents	176 725	-	176 725
Total current assets	**1 175 248**	**6 727**	**1 181 974**
Total assets	**1 548 699**	**5 361**	**1 554 060**
LIABILITIES AND EQUITY			
Equity	663 565	5 361	668 925
Total equity	**663 565**	**5 361**	**668 925**
Deferred tax liabilities	3 417	-	3 417
Loans	76 434	-	76 434
Pension commitments	6 205	-	6 205
Total non-current liabilities	**86 056**	**-**	**86 056**
Accounts payable	428 801	-	428 801
Other payables	86 282	-	86 282
Tax payable	8 515		8 515
Loans	275 481	-	275 481
Total current liabilities	**799 079**	**-**	**799 079**
Total liabilities and equity	**1 548 699**	**5 361**	**1 554 060**

The tables below show impact from IFRS 15 on profit and loss statement for 2018, and on balance sheet per 31 December 2018.

Consolidated income statement

(Amounts in NOK 1 000)	Old principles 2018	Effects from IFRS 15	New principles 2018
Revenue			
Sales revenue	2 561 765	57 492	2 619 257
Operating costs			
Cost of materials	1 715 932	40 314	1 756 246
Payroll expenses	492 044	4 866	496 911
Other operational expenses	145 602	7 888	153 490
Depreciation and impairments	52 824	-	52 824
Other operating expenses			
Total operating costs	**2 406 403**	**53 068**	**2 459 471**
Other gains / (losses)	(3 687)	-	(3 687)
Operating profit / (loss)	**151 675**	**4 424**	**156 100**
Net financial items	(14 882)	-	(14 882)
Profit (loss) before tax	**136 794**	**4 424**	**141 218**
Tax	30 164	787	30 950
Net profit / (loss)	**106 630**	**3 638**	**110 267**

Consolidated balance sheet

NOK 1 000	Old principles 31.12.2018	Effects from IFRS 15*)	New principles 31.12.2018
ASSETS			
Non-current assets			
Goodwill	26 786	-	26 786
Other intangible assets	12 601	-	12 601
Tangible fixed assets	293 193	-	293 193
Deferred tax assets	48 142	(2 155)	45 987
Total non-current assets	**380 722**	**(2 155)**	**378 567**

Consolidated balance sheet (cont.)

NOK 1 000	Old principles 31.12.2018	Effects from IFRS 15*)	New principles 31.12.2018
Current assets			
Inventory	620 757	(172 553)	448 203
Accounts receivable	690 598	-	690 598
Contract assets	51 445	183 756	235 201
Other receivables	67 864	-	67 864
Cash and cash equivalents	45 654	-	45 654
Total current assets	**1 476 317**	**11 203**	**1 487 520**
Total assets	**1 857 040**	**9 048**	**1 866 088**
LIABILITIES AND EQUITY			
Equity	682 411	9 048	691 459
Total equity	**682 411**	**9 048**	**691 459**
Non-current liabilities			
Deferred tax liabilities	1 196	-	1 196
Loans	40 830	-	40 830
Pension commitments	5 966	-	5 966
Total non-current liabilities	**47 992**	**-**	**47 992**
Current liabilities			
Accounts payable	594 808	-	594 808
Other payables	122 896	-	122 896
Tax payable	7 962	-	7 962
Loans	400 970	-	400 970
Total current liabilities	**1 126 636**	**-**	**1 126 636**
Total liabilities and equity	**1 857 040**	**9 048**	**1 866 088**

*) The effect from IFRS 15 presented in this column is the implementation effects as of 1 January 2018 in addition to the effects for the full year of 2018.

New and adjusted accounting principles from 01.01.2018

Sale of goods
The group manufactures and sells electronics that are embedded in the customer's own products as well as box-build electronic products in the EMS market. The products are manufactured based on the customer's specifications and quality standards, and the group does not own the intellectual property of the products.

Sales are recognized based on estimated percentage of completion for the relevant contracts going forward as control is transferred to the customer over time. This is determined based on the actual cost relative to the total expected cost. The purchase price agreed between the parties is fixed and specified for each good or service provided. The customer is obligated to pay a minimum fee based on the order status if the order is canceled.

Some contracts include multiple deliverables, such as test development, engineering change orders and production. These are accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

In fixed-price contracts, the customer pays the fixed unit amount based on a payment schedule. If the goods/services rendered by the group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

Note 7 Other gains / (losses)

(Amounts in NOK 1000)	2018	2017
Currency gains	32 249	25 682
Currency losses	(35 936)	(26 543)
Other gains/(losses)	**(3 687)**	**(861)**

Note 8 Employee benefit

(Amounts in NOK 1000)	2018	2017
Payroll	372 246	348 598
Payroll tax	76 527	69 933
Net pension costs (gain) defined benefit plans (note 23)	143	152
Pension costs defined contribution plans	19 509	16 499
Other remuneration	28 486	45 569
Total	**496 911**	**480 751**
Average number of man-years (including hired-ins)	1 529	1 204
Average number of employees	1 478	1 345

Note 9 Financial income and expenses

(Amounts in NOK 1000)	2018	2017
Interest income	2 496	1 206
Other financial income	-	89
Agio	2 349	271
Finance income	**2 845**	**1 566**
Interest expenses	(11 316)	(8 928)
Other financial expenses	(4 903)	(4 600)
Disagio	(3 507)	(4 222)
Finance expenses	**(19 726)**	**(17 750)**
Net financial items	**(14 882)**	**(16 183)**

Note 10 Income tax expense

(Amounts in NOK 1000)	2018	2017
Tax payable	23 065	18 012
Deferred tax (Note 21)	6 355	11 059
Change in tax rate	1 530	4 431
Income tax expense	**30 950**	**33 502**

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)	2018	2017
Ordinary profit before tax	141 218	132 499
Tax calculated at the domestic rate (23%)/(24%)	32 480	31 800
Expenses not deductible for tax purposes	3 622	1 902
Tax loss for which no deferred income tax asset was recognised	585	309
Effect on deferred tax asset due to change in tax rate	1 530	4 431
Change in deferred tax asset booked against equity	(628)	645
Adjustment in respect of prior years	(371)	31
Effect on different tax rates in countries in which the group operates	(6 268)	(5 616)
Tax cost	**30 950**	**33 502**

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

The tax rate is 23,0% (22,0% from 01.01.2019) in Norway, 22,0% in Sweden, 15,0% in Lithuania, 25,0% in China, 16,5% in Hong Kong, 30,9% in USA and 15,0% in Germany.

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

(Amounts in NOK 1000)	2018 Before tax	2018 Tax (charge) credit	2018 After tax	2017 Before tax	2017 Tax (charge) credit	2017 After tax
Actuarial gain / losses pensions	(147)	(34)	(113)	(231)	(55)	(176)
Unrealised gain / loss forward contracts	-	-	-	550	130	420
Exchange differences on translation of foreign operations	2 880	662	2 218	(2 460)	(590)	(1 870)
Currency translation differences	(583)	-	(583)	22 195	-	22 195
Other comprehensive income	**2 150**	**628**	**1 522**	**20 053**	**(516)**	**20 569**
Current tax		-			130	
Deferred tax		628			(645)	

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)	2018	2017
Profit attributable to equity holders of the company	110 267	98 997
Profit used to determine basic and diluted earnings per share	110 267	98 997
Weighted average number of ordinary shares in issue (thousands)	176 193	176 193
Adjusted for share options (thousands).	4 503	1 286
Weighted average number of ordinary shares for diluted earnings per share (thousands)	180 696	177 479
Basic earnings per share	0.63	0.57
Diluted earnings per share	0.61	0.57

Note 12 Property, plant and equipment

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	Total
At 1 January 2017			
Acquisition cost	882 881	171 692	1 054 573
Accumulated depreciation/impairment	(751 518)	(70 754)	(822 272)
Accounting carrying amount	**131 363**	**100 938**	**232 301**
Fiscal 2017			
Opening balance	131 363	100 938	232 301
Conversion differences	5 188	3 439	8 628
Additions	78 583	2 743	81 326
Depreciation	(35 071)	(9 314)	(44 385)
Closing balance	**180 063**	**97 806**	**277 869**
At 31 December 2017			
Acquisition cost	966 652	177 875	1 144 527
Accumulated depreciation/impairment	(786 589)	(80 068)	(866 657)
Accounting carrying amount	**180 063**	**97 806**	**277 869**
Fiscal 2018			
Opening balance	180 063	97 806	277 869
Conversion differences	(357)	364	7
Additions	62 439	749	63 188
Depreciation	(39 340)	(8 531)	(47 871)
Impairment charge	-	-	-
Closing balance	**202 804**	**90 389**	**293 193**
At 31 December 2018			
Acquisition cost	1 028 733	178 988	1 207 722
Accumulated depreciation/impairment	(825 929)	(88 599)	(914 529)
Accounting carrying amount	**202 804**	**90 389**	**293 193**

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 21. In 2018 the difference of NOK 14.1 million between additions in the table above and acquisitions of assets in Consolidated statement of cash flow consists of assets financial leased.

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 60.4 million and NOK 50.0 million (2017: NOK 51.7 million and NOK 54.0 million), see note 21.

Note 13 Goodwill

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

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)	2018	2017
Norway	715	715
Sweden	3 555	3 555
Lithuania	20 062	20 062
Germany	2 454	2 454
Total	**26 786**	**26 786**

The recoverable amount for a cash-generating unit is based on a calculation of value in use.

The cash flow assumption is based on financial budgets approved by the company's board. These calculations are based on growth assumptions which correspond with industry expectations of growth in the EMS market in the coming years and no significant changes in margins. The calculations are based on cash flows for the next three years and a residual value for future earnings. The discount rate is 8 per cent.

Note 14 Other intangible assets

(Amounts in NOK 1000)	ERP System	MES System	Other intangible assets	Total
At 1 January 2017				
Acquisition cost	49 121	7 840	362	57 324
Accumulated depreciation	(35 710)	(3 618)	(260)	(39 588)
Accounting carrying amount	**13 412**	**4 222**	**103**	**17 736**
Fiscal 2017				
Opening balance	13 412	4 222	103	17 736
Conversion differences	113	-	3	116
Additions	645	303	51	999
Depreciation	(6 841)	(1 156)	(81)	(8 078)
Closing balance	**7 328**	**3 369**	**76**	**10 773**
At 31 December 2017				
Acquisition cost	49 879	8 143	417	58 439
Accumulated depreciation	(42 551)	(4 774)	(341)	(47 666)
Accounting carrying amount	**7 328**	**3 369**	**76**	**10 773**
Fiscal 2018				
Opening balance	7 328	3 369	76	10 773
Conversion differences	(4)	-	(3)	(8)
Additions	6 307	-	482	6 789
Depreciation	(3 715)	(1 181)	(57)	(4 953)
Closing balance	**9 916**	**2 188**	**497**	**12 601**
At 31 December 2018				
Acquisition cost	56 182	8 143	895	65 220
Accumulated depreciation	(46 266)	(5 955)	(398)	(52 619)
Accounting carrying amount	**9 916**	**2 188**	**497**	**12 601**

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 2 years. Additions for the ERP system will be depreciated over 7 years. Other intangible assets consist of payroll system and cyber security system for Kitron AB which also are depreciated over 7 years. Remaining amortisation period for the payroll system is 1 year and 6 years for the cyber security system.

Note 15 Accounts receivable and other receivables

(Amounts in NOK 1000)	2018	2017
Accounts receivable	690 598	516 251
Provision for bad debts	-	-
Accounts receivable - net	**690 598**	**516 251**

(Amounts in NOK 1000)	2018	2017
Earned non-invoiced income	9 761	3 871
Prepaid costs	21 025	19 219
Other	37 079	29 007
Other receivables	**67 864**	**52 097**

Fair value of accounts receivable and other receivables:

(Amounts in NOK 1000)	2018	2017
Accounts receivable - net	690 598	516 251
Accounts receivable - net	**690 598**	**516 251**

(Amounts in NOK 1000)	2018	2017
Earned non-invoiced income	9 761	3 871
Prepaid costs	21 025	19 219
Other	37 079	29 007
Other receivables	**67 864**	**52 097**

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

As of 31 December 2018 accounts receivables of NOK 690.6 million were fully performing. (2017: 516.3 million).

As of 31 December 2018 accounts receivables of 46.3 million (2017: NOK 8.5 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)	2018
Not past due	644 297
Past due 1-30 days	41 358
Past due 31-60 days	1 366
Past due 61-90 days	743
Past due > 90 days	2 834
Total	**690 598**

As of 31 December 2018 no trade receivables were impaired and provided for (2017: NOK 0.0 million).

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

(Amounts in NOK 1000)	2018	2017
CNY	22 403	11 341
EUR	262 970	169 332
NOK	145 328	151 429
SEK	85 041	103 803
USD	242 643	163 374
GBP	69	344
PLN	8	
Total	**758 462**	**599 623**

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

(Amounts in NOK 1000)	2018	2017
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. (2017: 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 2018 provided security for NOK 360.7 million (2017: 381.8 million), see note 21.

Contract assets

Amounts in NOK 1000)	2018	2017
Contract assets	235 201	31 275
Loss allowance	-	-
Contract assets - net	**235 201**	**31 275**

The group has recognised assets related to contract with customers. Contract asstes have increased as an effect of implementation of IFRS 15 (see note 6.) No increase in loss allowance following adoption of IFRS 9.

Note 16 Inventories

(Amounts in NOK 1000)	2018	2017
Raw materials and purchased semi-manufactures	448 203	302 066
Work in progress	-	55 871
Finished goods	-	40 963
Total inventory	**448 203**	**398 901**

For obsolete goods in year 2018 there was recognised a change of NOK (1.0) million. In 2017 NOK (0.5) million. Impairment charge recorded in the balance sheet as per 31 December 2018 was 6.0 million, per 31 December 2017 7.0 million. Inventory at 31 December 2018 provides security for NOK 392.4 million (321.8), see note 21.

Note 17 Cash, Cash Equivalents and Bank Overdraft

(Amounts in NOK 1000)	2018	2017
Cash and cash equivalents	45 654	176 725

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

(Amounts in NOK 1000)	2018	2017
Cash and cash equivalents	45 654	176 725
Overdraft drawn down (Note 21)	(153 201)	(57 960)
Total	**(107 547)**	**118 765**

(Amounts in NOK 1000)	2018	2017
Bank overdraft facilities 31 December	202 777	202 459
Net drawn on overdraft facilities 31 December	(153 201)	(57 960)
Locked-in bank deposits 31 December		
Security for factoring receivables	10 166	10 027
Total	**10 166**	**10 027**

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

Note 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 2018	176 193	17 619	456 058	473 677
At 31 December 2018	176 193	17 619	456 058	473 677

Shares and shareholder information

The company's share capital at 31 December 2018 comprised 176 192 611 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 5 089 shareholders at 31 December 2018.

The 20 largest shareholders in Kitron ASA at 31 December 2018:

Shareholder	Number	Percentage
Vevlen Gård AS	10 500 000	5.96%
Nordea Nordic Small Cap Fund	10 442 602	5.93%
MP Pensjon PK	10 080 439	5.72%
Morgan Stanley & Co. Int. Plc.	9 511 708	5.40%
Handelsbank Nordiska Smabolagsfond	6 500 000	3.69%
AAT Invest AS	5 500 000	3.12%
Verdipapirfondet Delphi Norge	4 261 021	2.42%
Danske Invest Norge Vekst	4 152 892	2.36%
Holberg Norge	4 050 000	2.30%
Statoil Pensjon	3 767 091	2.14%
VJ Invest AS	3 637 678	2.06%
Verdipapirfondet Pareto Nordic	3 534 623	2.01%
J.P. Morgan Bank Luxembourg S.A.	3 000 000	1.70%
The Bank of New York Mellon SA/NV	3 000 000	1.70%
Morgan Stanley & Co. International	2 550 927	1.45%
Montanero Euro Smaller Comp's PLC	2 500 000	1.42%
BMA Invest AS	2 386 594	1.35%
VPF Nordea Avkastning	2 370 591	1.35%
Verdipapirfondet Delphi Kombinasjon	2 105 675	1.20%
Nordea 1 SICAV	2 046 719	1.16%
Total 20 largest shareholders	**95 898 560**	**54.43%**
Total other shareholders	**80 294 051**	**45.57%**
Total outstanding shares	**176 192 611**	**100.00%**

Authorized share capital

Increasing the share capital

The ordinary general meeting of 20 April 2018 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 20 April 2018. The total amount by which the share capital may be increased is NOK 1 761 926.10. The authority applies until the ordinary general meeting in 2018 but no longer than 30 June 2019. The authorization is limited to encompass capital requirements or issuance of consideration shares in relation to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, incentive programs for employees and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2018. The authorized share capital of the Company is therefore NOK 17 619 261.10.

Treasury shares

The ordinary general meeting on 20 April 2018 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 20 April 2018. 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 2019 but no longer than 30 June 2019. The authority had not been exercised at 31 December 2018.

Note 19 Share based payment

Share-Based Payment

Kitron ASA established in 2015 a new 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 (approximately 3.0 percent of the market cap of the company), each with a par value of NOK 0.10.

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

During the period ended 31 December 2018, the Company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2018 show grants gross before forfeited options.

Granted	2015	2016	2017	2017
Type of arrangement	Equity Settled	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	18.12.2015	13.12.2016	22.03.2017	14.12.2017
Options granted as of 31.12.2018	3 000 000	1 150 000	100 000	1 700 000
Contractual life (from grant date)	3.28 years	2.3 years	2.02 years	1.29 years
Vesting conditions	"100% of the options will vest three years after the start of the second calendar quarter of 2016. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange."	"100% of the options will vest three years after the start of the second calendar quarter of 2016. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.	"100% of the options will vest three years after the start of the second calendar quarter of 2016. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.	"100% of the options will vest three years after the start of the second calendar quarter of 2016. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.
Expiry date	31.03.2019	31.03.2019	31.03.2019	31.03.2019

Fair value of Share Options granted is calculated using the Monte Carlo option pricing model. The weighted average inputs to Monte Carlo model and Fair values per 31 December 2018 are listed below (calculated at grant):

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

Expected volatility is based on historical volatility of the Company.
The Company is listed on the Oslo Stock Exchange.

Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2018 arising from the option plan is NOK 7 650 223, not including social security. The total carrying amount per 31 December 2018 is NOK 1 865 397 ,not including social security. Accrued social security at 31 December 2018 is NOK 6 116 241 (2017: 1 245 517).

Further details of the option plans are as follows:

	01.01.2018 - 31.12.2018	
	Shares	Weighted Average Exercise Price
Outstanding at the beginning of period	5 337 500	0.10
Granted	-	0.10
Forfeited	-	0.10
Outstanding at the end of period	5 337 500	0.10
Vested options	-	-

Details concerning outstanding options as of 31 December 2018 are given below.

Exercise price	Outstanding Options Per 31.12.2018	Weighted average remaining Contractual Life	Weighted Average Exercise Price
0.10 NOK	5 337 500	0.25	0.10

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

	Number of shares		Number of options	
Board	2018	2017	2018	2017
Tuomo Lähdesmäki, chairman	118 634	100 000	-	-
Gro Brækken, board member	30 656	24 000	-	-
Espen Gundersen, board member	36 656	30 000	-	-
Maalfrid Brath, board member	6 656	-	-	-
Christian Jebsen, , board member	6 656	-	-	-
Elisabeth Jacobsen, board member	8 256	1 600	-	-
Tanja Rørheim, board member	6 656	-	-	-
Bjørn M. Gottschlich, board member	6 656	-	-	-

Corporate management team	Number of shares 2018	2017	Number of options 2018	2017
Peter Nilsson, CEO	1 148 876	1 148 876	1 750 000	1 750 000
Cathrin Nylander, CFO	515 064	515 064	586 075	586 075
Israel Losada Salvador, COO and Sales Director	460 064	460 064	768 920	768 920
Anne Lise Hjelseth, CHRO	-	-	214 285	214 285
Mindaugas Sestokas, Vice President and Managing Director	282 721	339 265	512 145	512 145
Hans Petter Thomassen, Vice President and Managing Director	155 087	155 087	512 145	512 145
Stefan Hansson Mutas, Managing Director	4 000	4 000	512 145	512 145
Zygimantas Dirse, Managing Director	204 170	204 170	381 745	381 785

Note 20 Accounts payable and other payables

(Amounts in NOK 1000)	2018	2017
Accounts payable	594 808	428 801

(Amounts in NOK 1000)	2018	2017
Public duties	26 960	26 896
Payable to related parties (note 28)	4 472	5 300
Other accruals	91 464	54 085
Other payables	**122 896**	**86 281**

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

(Amounts in NOK 1000)	2018	2017
Trade and other payables		
CNY	21 559	19 999
EUR	180 349	125 666
NOK	104 166	70 315
SEK	62 641	47 078
USD	338 171	244 650
HKD	16	160
CHF	1 687	1 043
GBP	4 861	3 602
JPY	3 024	2 135
PLN	131	-
DKK	1 100	434
Total trade and other payables	**717 704**	**515 082**

Note 21 Borrowings

(Amounts in NOK 1000)	2018	2017
Long-term loans		
Leasing	34 075	39 419
Other [1]	6 755	37 015
Total	**40 830**	**76 434**
Current loans		
Debt to credit institutions [2]	153 201	57 960
Factoring debt [3]	197 138	187 156
Leasing	19 968	19 862
Other	30 663	10 503
Total	**400 970**	**275 481**
Total loans	**441 800**	**351 915**

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

2) Kitron has established a group account agreement with the group's principle bank. This embraces the Norwegian, Swedish, German and US companies. The group's short term bank financing is a revolving facility. There was a draft at the group account agreement at 31 December 2018 of NOK 66.9 million (2017: 0). The loan facilities with the company's principle bank, described in 1) and 2), include covenants relating to factors as the company's equity (Equity Ratio not less than 30 per cent) and earnings (Net Interest-Bearing Debt to EBITDA less than 3.5). The company complies with these covenants at 31 December 2018. Unrestricted bank deposits and unused credit lines amounted to NOK 85.1 million for the group at 31 December 2018 (NOK 311.2 million at 31 December 2017).

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)	2018	2017
Between one and two years	26 183	32 018
Between two and five years	14 647	44 417
Total	**40 830**	**76 434**

Effective interest rate at the balance sheet date:

	2018		2017	
	NOK	Other	NOK	Other
Bank overdraft	2.0%	1.5%-5.9%	2.0%	1.5%-5.9%
Other loans	2.0%-2.5%	1.5%-5.9%	2.0%-2.5%	1.5%-5.9%

Carrying amount and fair value of long-term loans:

	Carrying amount		Fair value	
(Amounts in NOK 1000)	2018	2017	2018	2017
Leasing	34 075	39 419	32 368	36 833
Other	6 755	37 015	6 439	33 567
Total	**40 830**	**76 434**	**38 807**	**70 431**

Fair value is based on discounted cash flow with a discount rate of 4.0 per cent (2017: 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)	2018	2017
NOK	140 394	124 710
SEK	65 436	70 208
EUR	110 819	63 830
USD	64 180	32 428
CNY	60 970	60 738
Total	**441 800**	**351 915**

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 2018. Loans include NOK 441.8 million (2017: 351.9 million) in secured commitments (bank loans and other secured loans).

Mortgages

(Amounts in NOK 1000)	2018	2017
Debt secured by mortgages	441 800	351 915

Carrying amount of assets provided as security:

(Amounts in NOK 1000)	2018	2017
Buildings and land	49 915	53 949
Machinery and equipment	60 395	51 710
Cash	10 166	10 027
Receivables	360 716	381 824
Inventory	392 412	321 757
Total	**873 603**	**819 267**

For the Swedish entity there are company mortgages of SEK 46.1 million at 31 December 2018 (2017: SEK 46.1 million).

Debt secured by mortgages includes leasing liabilities for fixed assets treated for accounting purposes as financial leasing. The carrying amount of these fixed assets is included in the carrying amount of assets provided as security. Of the mortgage debt in the consolidated accounts, the commitment related to leasing recognised in the balance sheet amounted to NOK 54.0 million at 31 December 2018 (2017: NOK 59.3 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 providers had provided guarantees at 31 December for leasing obligations and tax due but not paid.
These totalled NOK 28.4 million (2017: NOK 0.4 million) and NOK 16.0 million (2017: NOK 16.0 million) respectively for the group.

Per 31 December 2018 Kitron ASA has granted a parent company guarantee of 8.4 million EUR related to lease obligations for the polish subsidiary Kitron sp. z o.o (2017: 0).

Financial lease agreements, non-current assets

(Amounts in NOK 1 000)	2018	2017
Machinery and equipment		
Carrying amount 31 December	81 101	76 263
Depreciation	16 473	7 710
Nominal rent	55 895	62 014
Present value of future rent	54 043	59 681
Remaining lease period	1-4 years	1-4 years

Specification of estimated lease payments falling due within:

(Amounts in NOK 1 000)		2018	2017
Nominal rent	<1 year	20 001	18 284
	1-2 years	22 423	16 989
	3-5 years	13 471	26 741
	>5 years	-	-
Present value of future rent	<1 year	19 084	17 511
	1-2 years	21 674	16 257
	3-5 years	13 285	25 913
	>5 years	-	-

Present value of future rent is based on a discount rate of 4-8 per cent (2017: 4-8 per cent).

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.

	2018	2017
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	45 987	58 024
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	1 196	3 417
Deferred tax asset (net)	**44 791**	**54 607**

Change in carrying amount of deferred tax asset:

(Amounts in NOK 1000)	2018	2017
Opening balance	54 607	69 436
Implementation of IFRS 15	(1 366)	-
Currency translation differences	63	16
Profit and loss account	(6 355)	(11 059)
Other comprehensive income	(628)	645
Change in tax rate	(1 530)	(4 431)
Closing balance	**44 791**	**54 607**

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 2017	**1 342**	**-**	**-**	**109**	**1 451**
Profit/(loss) for the period	(699)	-	-	(24)	(723)
Other comprehensive income	-	-	-	-	-
Currency translation differences	(32)	-	-	-	(32)
Change in tax rate	(101)	-	-	(4)	(105)
At 31 December 2017	**509**	**-**	**-**	**82**	**591**
Implementation of IFRS 15	-	-	1 366	-	1 366
At 1 January 2018	**509**	**-**	**1 366**	**82**	**1 957**
Profit/(loss) for the period	(509)	800	5 597	(16)	5 872
Other comprehensive income	-	-	-	-	-
Currency translation differences	-	(6)	(2)	-	(8)
Change in tax rate	-	(52)	(209)	(3)	(264)
At 31 December 2018	**-**	**742**	**6 752**	**63**	**7 557**

Deferred tax asset

	Fixed assets	Provision and current assets	Loss carried forward	Pension	Total
At 1 January 2017	**-**	**757**	**68 607**	**1 523**	**70 887**
Profit/(loss) for the period	-	487	(12 181)	(88)	(11 782)
Other comprehensive income	-	-	590	55	645
Currency translation differences	-	25	(41)	-	(16)
Change in tax rate	-	(39)	(4 435)	(62)	(4 536)
At 31 December 2017	**-**	**1 229**	**52 540**	**1 428**	**55 198**
Implementation of IFRS 15	-	-	-	-	-
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**

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 3 812 (2017: TNOK 3 752) in respect of losses amounting to TNOK 25 384 (2017: TNOK 24 991).

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

		Unfunded
(Amounts in NOK 1000)	**2018**	**2017**
Pension commitments	5 966	6 205
Costs recognised in the profit and loss account (incl in note 8)		
Pension costs (gain) defined benefit planes	143	152
Cost recognised in other comprehensive income		
Actuarial losses (gains) pensions	147	231

Defined pension benefit plans

(Amounts in NOK 1000)	2018	2017
Carrying amount of the obligation is determined as follows		
Present value of pension obligation	(5 966)	(6 205)
Fair value of plan asset	-	-
Net commitments in unfunded defined benefit plans	**(5 966)**	**(6 205)**
Hereof payroll tax on the pension obligations	(738)	(767)
Net pension obligation in the balance sheet	**(5 966)**	**(6 205)**

Net pension costs comprise

(Amounts in NOK 1000)	2018	2017
Interest cost	(143)	(152)
Total, included in payroll costs	**(143)**	**(152)**

Change in carrying amount of pension commitments

(Amounts in NOK 1000)	2018	2017
Opening balance	(6 205)	(6 343)
Cost recognised in the profit and loss account for the year	(143)	(152)
Cost recognised in other comprehensive income	(147)	(231)
Benefits paid	529	521
Closing balance	**(5 966)**	**(6 205)**

The following assumptions have been applied in calculating pension commitments:

	2018	2017
Discount rate	2.60%	2.40%
Annual pension adjustment	2.50%	2.25%
Social security tax rate	14.10%	14.10%
Assumptions on mortality rates are based on published statistics in Norway	K2013	K2013

	2018	2017
Number of employees in defined benefit plans	1	1

Note 24 Dividends per share

For 2017 a dividend of NOK 0.55 per share was paid. For the year ended 31 December 2018 a dividend of NOK 0.40 per share will be proposed at the annual general meeting on 30 April 2019. The dividend is not included in the accounts for the group.

Note 25 Provisions

Classification in the income statement

(Amounts in NOK 1000)	2018	2017
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)	2018	2017
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)	2018	2017
Profit/(loss) before tax	141 218	132 499
Depreciation and impairment	52 824	52 464
Change in inventory	(168 163)	(14 031)
Change in Contract Assets	(78 340)	-
Change in accounts receivable and other short term receivables	(174 348)	(73 792)
Change in factoring debt	9 982	(20 200)
Change in accounts payable and other short term payables	166 008	113 668
Change in pension funds/obligations	(386)	(369)
Effect from option costs	7 650	3 248
Change in other items	7 796	(39 896)
Change in restricted bank deposits	-	13 892
Interest cost - net	8 820	7 722
Foreign exchange losses / (gains) on operating activities	1 913	7 797
Cash flow from operations	**(25 026)**	**183 002**

Net debt reconciliation

(Amounts in NOK 1000)	2018	2017
Cash and cash equivalents	45 654	176 725
Borrowings – repayable within one year (including overdraft)	(400 970)	(275 481)
Borrowings – repayable after one year	(40 830)	(76 434)
Net debt	**(396 146)**	**(175 190)**

Cash and liquid investments	45 654	176 725
Gross debt – variable interest rates	(441 800)	(351 915)
Net debt	**(396 146)**	**(175 190)**

	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 January 2018	**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)**

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

Note 27 Commitments

Operating leases, non-current assets

(Amounts in NOK 1 000)	2018	2017
Machinery and equipment		
Rent	2 967	1 948
Remaining lease	1-4 years	1-4 years
Buildings and land		
Rent	14 752	10 259
Remaining lease	1-10 years	1-10 years

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

Specification of estimated lease payments falling due within

(Amounts in NOK 1 000)		2018	2017
Nominal rent	1 year	19 055	9 831
	2-5 years	43 220	33 531
	> 5 years	18 848	22 544

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

Change in treatment of operational lease agreements

(Amounts in thousand)	Amount
Operating lease commitment disclosed at 31 December 2018	81 123
Discontinued value using the incremental borrowing rate of 4-8%	70 021
+ Financial lease liabilities recognised as at 31 December 2018	54 043
- Short term leases recognised on a straight line basis as expence	(6 137)
- Low-value leases recognised on a straight line basis as expence	(869)
- Contract reassessed as service agreements	
+/- Adjustments as a result of a different treatment of extension and termination options	
+/- Adjustments relating to changes in the index or rate affecting variable payments	
= Lease liability recognised as at 1 January 2019	117 058

Implementation of IFRS 16 “Leases”

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term (less than 12 months) and low-value leases.

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Kitron has made an analysis where the group has non-cancellable operating lease commitments of NOK 70.0 million at 1 January 2019. Of these commitments, NOK 6.1 million relate to short-term leases and NOK 0.9 million relate to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the group expects to recognise right-of-use assets of approximately NOK 63 million on 1 January 2019 and lease liabilities of NOK 63 million (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The group expects that net profit after tax will decrease by approximately NOK 1 million for 2019 as a result of adopting the new rules. EBITDA is expected to increase by approximately NOK 12 million, as the operating lease payments were previously included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase, and financing cash flows decrease by approximately NOK 12 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The table below shows the implementation effects and impact on the condensed balance sheet as of 1 January 2019.

Impact on consolidated balance sheet

(Amounts in NOK 1 000)	31.12.2018	Effects from IFRS 16	01.01.2019
ASSETS			
Non-current assets			
Goodwill	26 786	-	26 786
Other intangible assets	12 601	-	12 601
Tangible fixed assets	293 193	63 015	356 208
Deferred tax assets	45 987	-	45 987
Total non-current assets	**378 567**	**63 015**	**441 582**
Current assets			
Inventory	448 203	-	448 203
Accounts receivable	690 598	-	690 598
Contract assets	235 201	-	235 201
Other receivables	67 864	-	67 864
Cash and cash equivalents	45 654	-	45 654
Total current assets	**1 487 520**	**-**	**1 487 520**
Total assets	**1 866 088**	**63 015**	**1 929 103**
LIABILITIES AND EQUITY			
Equity	691 459	-	691 459
Total equity	**691 459**	**-**	**691 459**
Non-current liabilities			
Deferred tax liabilities	1 196	-	1 196
Loans	40 830	50 495	91 325
Pension commitments	5 966	-	5 966
Total non-current liabilities	**47 992**	**50 495**	**98 487**
Current liabilities			
Accounts payable	594 808	-	594 808
Other payables	122 896	-	122 896
Tax payable	7 962	-	7 962
Loans	400 970	12 520	413 490
Total current liabilities	**1 126 636**	**12 520**	**1 139 156**
Total liabilities and equity	**1 866 088**	**63 015**	**1 929 103**

New and adjusted accounting principles from 01.01.2019

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

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
- 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.

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.

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).

Note 28 Related parties

(Amounts in NOK 1000)	2018	2017
Remuneration of senior executives		
Pay and other short-term benefits (1)	21 425	22 472

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

Payable to related parties:		
Senior executives (1)	4 472	5 300
Total	**4 472**	**5 300**

(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)	2018	2017
Directors' fee:	**2 211**	**1 877**
- chairman	476	405
- board members	1 735	1 472
Auditors fee	**4 348**	**2 912**
- statutory audit	1 936	2 316
- audit related services	19	22
- tax related services	188	439
- other services	2 206 (2)	135

(2) On this TNOK 2 062 relate to due diligence costs for acquisition in the United States.

Pay and other remuneration of senior executives in 2018:

(Amounts in NOK 1000) Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	01.01.2018-31.12.2018	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	Shares (A)	Cash (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 Brækken	Board member	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 will be paid in 2019.

Pay and other remuneration of senior executives in 2017:

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (D)	Total pay & remunerat. (A+B+C)	Pension contribution
(Amounts in NOK 1000)							
Peter Nilsson	CEO	01-01.2017-31.12.2017	2 788	1 104	256	4 148	1 276
Cathrin Nylander	CFO	01-01.2017-31.12.2017	2 095	738	301	3 134	127
Tommy Storstein	Sales Director	01-01.2017-31.12.2017	1 152	456	192	1 800	62
Israel Losada Salvador	COO	01-01.2017-31.12.2017	2 006	794	279	3 080	151
Anne Lise Hjelseth	CHRO	01-07.2017-31.12.2017	616	281	119	1 016	45
Hans Petter Thomassen	Managing Director	01-01.2017-31.12.2017	1 521	602	239	2 362	101
Mindaugas Sestokas	Managing Director	01-01.2017-31.12.2017	1 166	494	116	1 776	
Zygimantas Dirse	Managing Director	01-01.2017-31.12.2017	1 451	309	417	2 177	56
Stefan Hanson Mutas	Managing Director	01-03.2017-31.12.2017	1 230	522	53	1 805	370
Thomas Løfgren	Managing Director	01-01.2017-31.05.2017	1 141	0	35	1 176	201
Total			15 164	5 300	2 008	22 472	2 388

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
(Amounts in NOK 1000)						
Tuomo Lähdesmaki	Chairman of the board	01-01.2017-31.12.2017	401	0	4	405
Paivi Marttila	Board member	01-01.2017-31.12.2017	201	0	23	224
Bjørn Gottschlich	Board member	01-01.2017-31.12.2017	201	0	0	201
Elisabeth Jacobsen	Board member	01-01.2017-31.12.2017	201	0	23	224
Gro Brækken	Board member	01-01.2017-31.12.2017	201	0	4	204
Tanja Rørheim	Board member	01-01.2017-31.12.2017	201	0	0	201
Stefan Charette	Board member	01-01.2017-31.12.2017	197	0	8	204
Espen Gundersen	Board member	25-04.2017-31.12.2017	138	0	20	158
Arne Solberg	Board member	01-01.2017-25.04.2017	50	0	7	56
Total			1 789	0	88	1 877

*) Bonuses earned in 2017. The bonuses were paid in 2018.

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

The company has not given any loans or security for directors or senior executives at 31 December 2018.

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 the following guidelines to be applied for 2019 and until the Annual General Meeting in 2020. The executive remuneration policy for Kitron ASA applies to all units in the group.

Kitron group remuneration policy

The Kitron group general remuneration policy is described in the HR policy and states that salaries are diversified depending on level or responsibility, complexity of tasks, competence, ability and performance. Kitron strives to have fair employment conditions following legal requirements and practice in each country. The remuneration should, together with other employment related conditions make it possible for Kitron to recruit, develop and retain the best possible employees supporting the growth and development of the Kitron group. The policy naturally also forms the basis for salary and benefit levels among senior executives in Kitron.

Executive remuneration

The current compensation and benefit system for senior executives in Kitron is divided in several parts. These parts together are competitive and based on market conditions. The total remunerations consist of fixed annual compensation that includes annual base salary and other benefits (such as pension plan and company car). The total compensation also includes a short term incentive scheme (STI) and a long term incentive scheme (LTI).

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

1. Principles that guide the Board of Directors

Fixed compensation

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

Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. The CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that applies to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2018 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 1 255 079 for 2018.

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 2018 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 2018.

2. Principles that are binding on the Board of Directors

Long-term incentive scheme

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

The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years.

The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange. Per 31 December 2018, 5 337 500 options have been granted to executive management. The share option program is described in more detail in note 19 in the annual financial statements.

New Long-term incentive scheme 2019-2023

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

Note 29 Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2018. 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	Warsaw, 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

Note 30 Government grants

The group has received grants in 2018 of TNOK 490 (2017: TNOK 217). TNOK 343 was for training and NOK 147 was a business development reward. The amount has reduced Other operating expenses correspondingly.

Note 31 Subsequent events

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 2017 amounted to approximately USD 30 million

The purchase price to be paid, after certain post-signing adjustments, is USD 14.8 million, subject to post-closing adjustments, if any.

ANNUAL ACCOUNTS AND NOTES
Kitron ASA

Income statement, Kitron ASA

(Amounts in NOK 1000)	Note	2018	2017
Revenues			
Sales revenues	2, 7	82 157	86 784
Total revenues		**82 157**	**86 784**
Operating costs			
Payroll expenses	3, 4, 7, 11, 13	56 598	49 870
Depreciation and impairments	5, 6	4 870	7 491
Other operating expenses	13	51 073	46 120
Total operating costs		**112 541**	**103 481**
Operating profit / (loss)		**(30 384)**	**(16 697)**
Financial income and expenses			
Intra group interest income	7	3 915	3 376
Other interest income		609	505
Other financial income	7, 18	79 025	69 983
Interest expenses		1 289	887
Other financial expenses	18	3 119	5 244
Net financial items		**79 141**	**67 733**
Profit before tax		48 757	51 036
Tax	8	(632)	2 660
Net profit / (loss)		**49 389**	**48 376**

Balance sheet at 31 December, Kitron ASA

(Amounts in NOK 1000)	Note	2018	2017
Assets			
Fixed Assets			
Intangible fixed assets			
Deferred tax	8	40 812	40 147
Other intangible assets	6	10 909	8 587
Total intangible fixed assets		**51 721**	**48 734**
Tangible fixed assets			
Machinery, equipment etc.	5, 16	8 016	7 338
Financial fixed assets			
Investment in subsidiaries	9, 16	329 626	329 600
Intra-group loans	7, 14, 16	112 589	129 850
Total financial fixed assets		**442 215**	**459 450**
Total fixed assets		**501 952**	**515 522**
Current Assets			
Receivables			
Accounts receivables	7, 16	12 094	12 669
Other receivables	7, 16	81 484	81 003
Total receivables		**93 578**	**93 672**
Bank deposits, cash in hand etc.	17	10 166	10 027
Total current assets		**103 744**	**103 699**
Total assets		**605 696**	**619 221**

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

(Amounts in NOK 1000)	Note	2018	2017
Liabilities and equity			
Equity			
Paid-in equity			
Share capital (172 961 625 shares at NOK 0,10)	10, 12	17 619	17 619
Share premium reserve	10	242 827	242 827
Total paid-in equity		**260 446**	**260 446**
Other Equity	10, 11	200 518	214 068
Total equity		**460 964**	**474 514**
Liabilities			
Long-term liabilities			
Pension commitments	4	5 966	6 205
Loans	15	5 250	12 250
Total long-term liabilities		**11 216**	**18 455**
Current liabilities			
Loans	15, 16, 17	37 919	10 988
Accounts payable	7	10 879	5 937
Dividend		70 477	96 906
Other current liabilities		14 241	12 421
Total current liabilities		**133 516**	**126 252**
Total liabilities		**144 732**	**144 707**
Total liabilities and equity		**605 696**	**619 221**

Oslo, 28 March, 2019

Tuomo Lähdesmäki
Chairman

Gro Brækken
Deputy chairman

Christian Jebsen

Espen Gundersen

Tanja Rørheim
Employee elected board member

Elisabeth Jacobsen
Employee elected board member

Maalfrid Brath

Bjørn Gottschlich
Employee elected board member

Cathrin Nylander
Acting CEO of Kitron ASA

Cash Flow Statement, Kitron ASA

(Amounts in NOK 1000)	2018	2017
Cash flows from operational activities		
Profit before tax	48 757	51 036
Ordinary depreciation	4 870	7 491
Change in accounts receivables	575	(2 285)
Change in accounts payables	4 942	1 332
Change in pension funds/ obligations	(386)	(369)
Option costs without cash effect	7 650	3 247
Change in other accrual items	18 602	(35 469)
Net cash flow from operational activities	**85 010**	**24 983**
Cash flows from investment activities		
Acquisition of fixed assets	(7 870)	(2 718)
Acquisition of subsidiary	(26)	
Net cash flow from investment activities	**(7 896)**	**(2 718)**
Cash flows from financing activities		
Net change in overdraft facilities	26 931	3 988
Repayment of borrowings	(7 000)	(7 000)
Payment of dividend	(96 906)	(44 048)
Net cash flow from financing activities	**(76 975)**	**(47 060)**
Net change in cash and cash equivalents	139	(24 795)
Cash and cash equivalents at 1 January	10 027	34 822
Cash and cash equivalents at 31 December	**10 166**	**10 027**

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 complies with the Norwegian mandatory service pension act.

Tax
Tax cost in the profit and loss account comprises the sum of tax payable for the period and changes to deferred tax or deferred tax assets. Deferred tax is calculated at a rate of 22 per cent (23 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 2018.

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)	2018	2017
Norway	20 389	26 994
Sweden	18 232	18 387
Lithuania	36 404	35 223
Other	7 132	6 180
Total	**82 157**	**86 784**

Note 3 Payroll expenses

Payroll costs

(Amounts in NOK 1000)	2018	2017
Pay	40 102	40 474
Payroll taxes	3 037	2 748
Pension costs	838	804
Other remuneration	12 621	5 844
Total	**56 598**	**49 870**
Average number of FTEs	49	48

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)	2018	2017
Carrying amount of the obligation is determined as follows:		
Present value of accrued pension commitments in unfunded benefit plans	5 966	6 205
+/- unrecognised actuarial gains and losses	-	-
Net commitments in unfunded defined benefit plans	**5 966**	**6 205**
Hereof payroll tax on the pension obligation	738	767
Pension costs comprise:		
Interest costs	143	152
Net pension cost for unfunded plans	**143**	**152**
Net pension cost for contribution based pension plans	**695**	**652**
Net pension costs included in note 3	**838**	**804**
Cost recognised in equity		
Actuarial losses pensions	147	231

The following assumptions have been applied in calculating pension commitments

	2018	2017
Discount rate	2.6%	2.4%
Annual pension adjustment	2.5%	2.25%
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	26 458
Additions during the year	2 023
Disposal during the year	-
Acquisition cost at 31 December	**28 481**
Accumulated depreciation 1 January	19 120
Depreciation during the year	1 345
Disposal during the year	-
Accumulated depreciation at 31 December	**20 465**
Book value 31 December	**8 016**
Useful lifetime	3 - 5 years
Depreciation plan	Linear

Annual lease of fixed assets unrecognised in the balance sheet

Fixed asset	Length of lease	Annual rent
Premises	>2019	936
Company cars	>2019	746

Note 6 Other intangible assets

Other intangible assets

(Amounts in NOK 1000)	System software
Acquisition cost at 1 January	45 901
Additions during the year	5 846
Disposal during year	-
Acquisition cost at 31 December	**51 747**
Accumulated depreciation at 1 January	37 314
Depreciation during the year	3 524
Accumulated depreciations at 31 December	40 838
Book value 31 December	**10 909**
Depreciation plan	Linear
Useful lifetime	7 years

Note 7 Related parties

(Amounts in NOK 1000)	2018	2017
Sales revenues		
From subsidiaries [1]	82 157	86 784
Purchase of goods and services		
From subsidiaries [1]	26 768	25 263
Remuneration of senior executives		
Pay and other short-term benefits [2]	12 994	13 177
Financial income		
Interest income from subsidiaries [1]	3 915	3 376
Dividend and group contribution from subsidiaries	74 010	68 595
Total	**77 925**	**71 941**

Balance items at 31 December resulting from transactions with related parties

	2018	2017
Receivables and loans		
Subsidiaries [1]	198 743	210 785
Total	**198 743**	**210 785**
Payables		
Subsidiaries [1]	2 274	2 308
Total	**2 274**	**2 308**

(1) Revenues from subsidiaries consist primarily of fees and group contributions. Purchase and sales of goods and services from subsidiaries consist primarily of services from corporate personnel employed in subsidiaries. Interest income from subsidiaries consist of interest on long-term loans

(2) Senior executives comprise member of corporate management team employed in Kitron ASA. See table in note 13 for a more extensive description of remuneration of senior executives.

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

Note 8 Taxes

Taxes

(Amounts in NOK 1000)	2018	2017
Tax cost for the year breaks down into:		
Tax payable	-	-
Change in deferred tax	(2 521)	861
Deferred tax charged to equity	34	55
Change in tax rate (22%/23%)	1 855	1 744
Total tax cost	**(632)**	**2 660**
Calculation of tax base for the year:		
Profit before tax	48 757	51 036
Permanent differences *)	(59 717)	(64 654)
Change in temporary differences	2 310	2 626
Adjustment in tax loss carried forward in respect of prior years	-	126
Change in tax loss carried forward	8 649	10 866
Tax base for the year	**-**	**-**
Overview of temporary differences		
Receivables	-	-
Fixed assets	(1 397)	(1 680)
Pensions	(5 966)	(6 205)
Other temporary differences	(6 116)	(3 320)
Gain and loss account	151	189
Total	**(13 327)**	**(11 017)**
Loss carried forward	(172 184)	(163 535)
Total	**(185 511)**	**(174 552)**
Deferred tax asset (22%/23%)	**40 812**	**40 147**
Explanation of why tax cost for the year does not equal 23%/24% of pre-tax result		
23%/24% of loss before tax	11 214	12 249
Permanent differences 23%/24%	(13 735)	(15 517)
Group contribution received	-	4 098
Tax effect of actuarial gains and losses charged to equity	34	55
Tax effect of stock option program booked against equity	-	-
Change in tax rate (22%/23%)	1 855	1 744
Adjustment in respect of prior years	-	31
Calculated tax cost	**(632)**	**2 660**
Effective tax rate **)	(1.3%)	(5.2%)

*) Includes non-tax-deductible costs such as entertainment, group contribution and dividend
**) Tax cost in relation to pre-tax result

Note 9 Investment in subsidiaries

Investment in subsidiaries

(Amounts in NOK 1000)	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron AS	Arendal	100%	100%	163 019	17 468	243 737
Kitron AB	Jönköping, Sweden	100%	100%	91 942	27 164	13 463
Kitron Hong Kong Ltd	Hong Kong	100%	100%	8 140	13 178	1
Kitron GmbH	Nürtingen, Germany	100%	100%	2 364	(190)	30 194
Kitron Inc	Johnstown, US	100%	100%	(22 920)	(7 130)	583
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	4 581	279	12 421
UAB Kitron	Kaunas, Lithuania	100%	100%	249 712	69 639	29 201
Kitron sp. z o.o	Warsaw, Poland	100%	100%	8	(3)	26
Total investment in subsidiaries						**329 626**

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%	68 252	30 870	33 640
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	4 390	1 280	1 807

Note 10 Equity

Equity

(Amounts in NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2017	**17 296**	**242 827**	**214 068**	**474 514**
Net profit	-	-	49 389	49 389
Effect from option costs	-	-	7 650	7 650
Actuarial gains and losses pensions	-	-	(112)	(112)
Dividend	-	-	(70 477)	(70 477)
At 31 December 2018	**17 619**	**242 827**	**200 518**	**460 964**

Note 11 Shares based payments

Share-Based Payment

Kitron ASA established in 2015 a new 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 (approximately 3.0 percent of the market cap of the company), each with a par value of NOK 0.10.

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

During the period ended 31 December 2018, the Company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2018 show grants gross before forfeited options.

Granted	2015	2016	2017	2017
Type of arrangement	Equity Settled	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	18.12.2015	13.12.2016	22.03.2017	14.12.2017
Options granted as of 31.12.2018	3 000 000	1 150 000	100 000	1 700 000
Contractual life (from grant date)	3.28 years	2.3 years	2.02 years	1.29 years
Vesting conditions	"100% of the options will vest three years after the start of the second calendar quarter of 2016. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange."	"100% of the options will vest three years after the start of the second calendar quarter of 2016. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.	"100% of the options will vest three years after the start of the second calendar quarter of 2016. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.	"100% of the options will vest three years after the start of the second calendar quarter of 2016. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period. The market cap of the Company must have increased according to specific criteria during the vesting period The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.
Expiry date	31.03.2019	31.03.2019	31.03.2019	31.03.2019

Fair value of Share Options granted is calculated using the Monte Carlo option pricing model. The weighted average inputs to Monte Carlo model and Fair values per 31 December 2018 are listed below (calculated at grant):

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

Expected volatility is based on historical volatility of the Company.
The Company is listed on the Oslo Stock Exchange.

Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total expensed amount in 2018 arising from the option plan is NOK 7 650 223, not including social security. The total carrying amount per 31 December 2018 is NOK 1 865 397 ,not including social security. Accrued social security at 31 December 2018 is NOK 6 116 241 (2017: 1 245 517).

Further details of the option plans are as follows:

	01.01.2018 - 31.12.2018	
	Shares	Weighted Average Exercise Price
Outstanding at the beginning of period	5 337 500	0.10
Granted	-	0.10
Forfeited	-	0.10
Outstanding at the end of period	5 337 500	0.10
Vested options	-	-

Details concerning outstanding options as of 31 December 2018 are given below.

Exercise price	Outstanding Options Per 31.12.2018	Weighted average remaining Contractual Life	Weighted Average Exercise Price
0.10 NOK	5 337 500	0.25	0.10

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

Board	Number of shares 2018	2017	Number of options 2018	2017
Tuomo Lähdesmäki, chairman	118 634	100 000	-	-
Gro Brækken, board member	30 656	24 000	-	-
Espen Gundersen, board member	36 656	30 000	-	-
Maalfrid Brath, board member	6 656	-	-	-
Christian Jebsen, board member	6 656	-	-	-
Elisabeth Jacobsen, board member	8 256	1 600	-	-
Tanja Rørheim, board member	6 656	-	-	-
Bjørn M. Gottschlich, board member	6 656	-	-	-

Corporate management team	Number of shares 2018	2017	Number of options 2018	2017
Peter Nilsson, CEO	1 148 876	1 148 876	1 750 000	1 750 000
Cathrin Nylander, CFO	515 064	515 064	586 075	586 075
Israel Losada Salvador, COO and Sales Director	460 064	460 064	768 920	768 920
Anne Lise Hjelseth, CHRO	-	-	214 285	214 285
Mindaugas Sestokas, Vice President and Managing Director	282 721	339 265	512 145	512 145
Hans Petter Thomassen, Vice President and Managing Director	155 087	155 087	512 145	512 145
Stefan Hansson Mutas, Managing Director	4 000	4 000	512 145	512 145
Zygimantas Dirse, Managing Director	204 170	204 170	381 745	381 785

Note 12 Shares and shareholders information

The company's share capital at 31 December 2018 comprised 176 192 611 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 5 089 shareholders at 31 December 2018.

Shareholder	Number	Percentage
Vevlen Gård AS	10 500 000	5.96%
Nordea Nordic Small Cap Fund	10 442 602	5.93%
MP Pensjon PK	10 080 439	5.72%
Morgan Stanley & Co. Int. Plc.	9 511 708	5.40%
Handelsbank Nordiska Smabolagsfond	6 500 000	3.69%
AAT Invest AS	5 500 000	3.12%
Verdipapirfondet Delphi Norge	4 261 021	2.42%
Danske Invest Norge Vekst	4 152 892	2.36%
Holberg Norge	4 050 000	2.30%
Statoil Pensjon	3 767 091	2.14%
VJ Invest AS	3 637 678	2.06%
Verdipapirfondet Pareto Nordic	3 534 623	2.01%
J.P. Morgan Bank Luxembourg S.A.	3 000 000	1.70%
The Bank of New York Mellon SA/NV	3 000 000	1.70%
Morgan Stanley & Co. International	2 550 927	1.45%
Montanero Euro Smaller Comp's PLC	2 500 000	1.42%
BMA Invest AS	2 386 594	1.35%
VPF Nordea Avkastning	2 370 591	1.35%
Verdipapirfondet Delphi Kombinasjon	2 105 675	1.20%
Nordea 1 SICAV	2 046 719	1.16%
Total 20 largest shareholders	**95 898 560**	**54.43%**
Total other shareholders	**80 294 051**	**45.57%**
Total outstanding shares	**176 192 611**	**100.00%**

Authorized share capital

Authorization to the board to issue shares

The ordinary general meeting of 20 April 2018 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 20 April 2018. The total amount by which the share capital may be increased is NOK 1 761 926.10. The authority applies until the ordinary general meeting in 2018 but no longer than 30 June 2019. The authorization is limited to encompass capital requirements or issuance of consideration shares to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, incentive schemes, and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2018. The authorized share capital of the Company is therefore NOK 17 619 261.10.

Authorization to the board to buy own shares

The ordinary general meeting on 20 April 2018 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 20 April 2018. 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 2019 but no longer than 30 June 2019. The authority had not been exercised at 31 December 2018.

Note 13 Remuneration of senior executives, directors and auditor

Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)	2018	2017
Directors' fee:	**2 211**	**1 877**
- chairman	476	405
- board members	1 735	1 472
Auditors fee (1)	**3 086**	**1 473**
- statutory audit	837	1 064
- audit related services		22
- tax related services	96	255
- other services	2 153 (2)	132

(1) all figures without VAT

2) On this TNOK 2 062 relate to due diligence costs for acquisition in the United States.

Pay and other remuneration of senior executives in 2018:

(Amounts in NOK 1000) Name	Function	Period	Basic salary (A)	Bonus earned[*)] (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)	Pension contribution
Peter Nilsson	CEO	01.01.2018-31.12.2018	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	Shares (A)	Cash (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 Brækken	Board member	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 will be paid in 2019.

Pay and other remuneration of senior executives in 2017:

(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	01-01.2017-31.12.2017	2 788	1 104	256	4 148	1 276
Cathrin Nylander	CFO	01-01.2017-31.12.2017	2 095	738	301	3 134	127
Tommy Storstein	Sales Director	01-01.2017-31.12.2017	1 152	456	192	1 800	62
Israel Losada Salvador	COO	01-01.2017-31.12.2017	2 006	794	279	3 080	151
Anne Lise Hjelseth	CHRO	01-07.2017-31.12.2017	616	281	119	1 016	45
Hans Petter Thomassen	Managing Director	01-01.2017-31.12.2017	1 521	602	239	2 362	101
Mindaugas Sestokas	Managing Director	01-01.2017-31.12.2017	1 166	494	116	1 776	
Zygimantas Dirse	Managing Director	01-01.2017-31.12.2017	1 451	309	417	2 177	56
Stefan Hanson Mutas	Managing Director	01-03.2017-31.12.2017	1 230	522	53	1 805	370
Thomas Løfgren	Managing Director	01-01.2017-31.05.2017	1 141	0	35	1 176	201
Total			15 164	5 300	2 008	22 472	2 388

(Amounts in NOK 1000)

Name	Function	Period	Basic salary (A)	Bonus earned*) (B)	Other remunerat. (C)	Total pay & remunerat. (A+B+C)
Tuomo Lähdesmaki	Chairman of the board	01-01.2017-31.12.2017	401	-	4	405
Paivi Marttila	Board member	01-01.2017-31.12.2017	201	-	23	224
Bjørn Gottschlich	Board member	01-01.2017-31.12.2017	201	-	-	201
Elisabeth Jacobsen	Board member	01-01.2017-31.12.2017	201	-	23	224
Gro Brækken	Board member	01-01.2017-31.12.2017	201	-	4	204
Tanja Rørheim	Board member	01-01.2017-31.12.2017	201	-	-	201
Stefan Charette	Board member	01-01.2017-31.12.2017	197	-	8	204
Espen Gundersen	Board member	25-04.2017-31.12.2017	138	-	20	158
Arne Solberg	Board member	01-01.2017-25.04.2017	50		7	56
Total			1 789	-	88	1 877

*) Bonuses earned in 2017. The bonuses were paid in 2018.

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme.
For employee representatives only the board remuneration is declared.

The company has not given any loans or security for directors or senior executives at 31 December 2018.

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 the following to guidelines be applied for 2019 and until the Annual General Meeting in 2020. The executive remuneration policy for Kitron ASA applies to all units in the group.

Kitron group remuneration policy
The Kitron group general remuneration policy is described in the HR policy and states that salaries are diversified depending on level or responsibility, complexity of tasks, competence, ability and performance. Kitron strives to have fair employment conditions following legal requirements and practice in each country. The remuneration should, together with other employment related conditions make it possible for Kitron to recruit, develop and retain the best possible employees supporting the growth and development of the Kitron group. The policy naturally also forms the basis for salary and benefit levels among senior executives in Kitron.

Executive remuneration
The current compensation and benefit system for senior executives in Kitron is divided in several parts. These parts together are competitive and based on market conditions. The total remunerations consist of fixed annual compensation that includes annual base salary and other benefits (such as pension plan and company car). The total compensation also includes a short term incentive scheme (STI) and a long term incentive scheme (LTI).

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

1. Principles that guide the Board of Directors

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

Pension plans, based on defined contribution plans, are in place following the practice and regulations in each country. The CEO and members of the Corporate Management Team are members of Kitron's general pension contribution scheme that applies to all Kitron employees. Some of the members in the Corporate Management Team receive an additional pension contribution. As of 2018 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 1 255 079 for 2018.

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 2018 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 2018.

2. Principles that are binding on the Board of Directors

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

The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years.

The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange. Per 31 December 2018, 5 337 500 options have been granted to executive management. The share option program is described in more detail in note 11 in the annual financial statements.

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

Note 14 Receivables

NOK 112.6 million of the NOK 112.6 million in intra-group loans at 31 December 2018 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2018	2017
Kitron Hong Kong Ltd	29 644	42 990
Kitron Inc	52 140	49 260
UAB Kitron Real Estate	18 555	18 350
Kitron AS	12 250	19 250
Total	**112 589**	**129 850**

Note 15 Information on long-term liabilities to financial institutions

The company has long-term bank loan of NOK 12.3 million at 31 December 2018 (NOK 19.3 million at 31 December 2017). Of this is NOK 7.0 million short-term part and is due within one year. This is a five year finance agreement and will be fully settled during 2020. The group's long-term and short-term bank financing includes covenants relating to factors such as the company's equity and earnings. The company complies with these covenants at 31 December 2018.

Note 16 Mortgages

Mortgages

(Amounts in NOK 1000)	2018	2017
Debt secured by mortgages:	43 169	23 238
Carrying amount of assets provided as security:		
Machinery and equipment	8 016	7 338
Bank deposit	10 166	10 027
Total	**18 182**	**17 365**

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 2018 Kitron ASA has granted a parent company guarantee of 8.4 million EUR related to lease obligations for the polish subsidiary Kitron sp. z o.o (2017: 0).

Note 17 Liquid assets

Kitron ASA has established a group account agreement with the company's principal bank. This embraces Kitron ASA and its Norwegian, Swedish, German and US subsidiaries. Unused credit lines amounted to NOK 49.1 million at the end of 2018. The company has a cash deposit of NOK 10.1 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)	2018	2017
Dividend and group contribution	74 010	68 595
Currency gain	5 015	1 299
Other financial income	-	89
Total other financial income	**79 025**	**69 983**
Financial expenses		
Currency loss	2 233	4 392
Other financial expenses	886	852
Total financial expenses	**3 119**	**5 244**

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 at 31 December 2018, 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 consolidated balance sheet as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated 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 2018, 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 2018, 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.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Auditors Report - Kitron ASA

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. However, the implementation of IFRS 15 has caused us to shift the focus of our audit from valuation of inventory to management's use of the percentage of completion method.

Key Audit Matter	How our audit addressed the Key Audit Matter
Operating costs and percentage of completion method The company implemented IFRS 15 as of 1 January 2018. Based on the guidance for IFRS 15, a significant portion of the revenues should recognized over the contract period based on estimated percentage of completion for the relevant contracts. This represent a change compared with previous periods when revenue was recognised at a point in time. 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, 6 and 15 to the financial statements where management explain how they account for revenue from contracts with customers and how the implementation of IFRS 15 affected the financial statements.	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 2, 6 and 15 and found them to appropriately explain accounting for revenue and to be in accordance with IFRS requirements.

(2)

Auditors Report - Kitron ASA

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 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:

(3)

pwc

- 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.

- 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.

Auditors Report - Kitron ASA

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the 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, 28 March 2019
PricewaterhouseCoopers AS

Bjørn Lund
State Authorised Public Accountant

(5)

RESPONSIBILITY STATEMENT

"We confirm to the best of our knowledge that:

- the consolidated financial statements for 2018 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 2018 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, 28 March, 2019

Tuomo Lähdesmäki
Chairman

Gro Brækken
Deputy chairman

Christian Jebsen

Espen Gundersen

Tanja Rørheim
Employee elected board member

Elisabeth Jacobsen
Employee elected board member

Maalfrid Brath

Bjørn Gottschlich
Employee elected board member

Cathrin Nylander
Acting CEO of Kitron ASA


Kitron

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 + Accounts Receivables – Accounts Payable

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

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

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

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

Days of Inventory Outstanding
360/ (Annualised Direct Costs/Inventory)

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

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

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

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

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

Cash Conversion Cycle (CCC)
Days of inventory outstanding + Days of receivables outstanding – Days of payables outstanding

Cash Conversion Cycle (CCC) R3
Days of inventory outstanding (R3) + Days of receivables outstanding (R3) – Days of payables outstanding (R3)

Net Interest-Bearing Debt
Cash and cash equivalents + Loans (Non-current liabilities) + Loans (Current liabilities)

Interest-Bearing Debt
Loans (non-current liabilities) + Loans (current liabilities)

Inventory Turns
Annualised direct costs / Inventory

Variable Contribution
Revenue - Direct cost

Net Gearing
Net interest - bearing debt / Equity

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 28 March 2019.

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 2018 amounted to NOK 17.6 million (NOK 17.6 million).

Total equity for the group at 31 December 2018 was NOK 691.5 million, corresponding to an equity ratio of 37.1 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."

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.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 20 April 2018, the nomination committee had the following members:

- Ola Wessel-Aas, chairperson elected until the Annual General Meeting in 2019
- Ole Petter Kjerkreit, elected until the Annual General Meeting in 2019

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 20 April 2018, 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 2019
- Gro Brækken (Vice chairman), re-elected until the Annual General Meeting in 2019
- Espen Gundersen, re-elected until the Annual General Meeting in 2019
- Maalfrid Brath, elected until the Annual General Meeting in 2019
- Christian Jebsen, elected until the Annual General Meeting in 2019
- Bjørn M. Gottschlich, elected by and among employees
- Elisabeth Jacobsen, elected by and among employees
- Tanja Rørheim, elected by and among employees

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

Board members who own shares in Kitron

At 31 December 2018 Tuomo Lähdesmäki owned 118 634 shares, Gro Brækken 30 656 shares, Espen Gundersen 36 656 shares, Maalfrid Brath 6 656 shares, Christian Jebsen 6 656 and Elisabeth Jacobsen 8 256 shares in Kitron, Tanja Rørheim 6 656 shares and Bjørn M. Gottschlich 6 656 shares. 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 10 meetings during 2018 with 98 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 2018 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 2019
- Christian Jebsen, elected until the Annual General Meeting in 2019
- Elisabeth Jacobsen, elected by and among the employees

The board's remuneration committee

The Remuneration Committee is appointed by Kitron ASA's board of directors and is a sub-committee of the Board. The committee consists of three members elected among the members of the board.

The remuneration committee will on behalf of the board supervise remuneration and incentive schemes, mainly related to the CEO and the Corporate Management Team (CMT). During 2018 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 2019
- Gro Brækken, re-elected until the Annual General Meeting in 2019
- Maalfrid Brath, elected until the Annual General Meeting in 2019

10. Risk management and internal control

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

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

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

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

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

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

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

The Board regularly reviews and amends the Group's key Governance documents. 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.

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 March 2017.

All information distributed to the shareholders is published on Kitron's website (www.kitron.com) at the same time as it is sent to the shareholders. Furthermore, all announcements to the market are posted on Kitron's website following publication in Oslo Børs' company disclosure system www.newsweb.no, ticker: KIT. Public, webcasted presentations are held quarterly in connection with the interim reporting. Kitron presents a financial calendar every year with dates for important events. Kitron's guidelines for reporting of financial and other information as well as guidelines for the company's contact with shareholders, other than through the general meeting, are presented in the shareholder information section in the annual report.

Kitron 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 take-over bids in the Company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the Company.

The Kitron Board has established guiding principles in respect of take-over bids.

In a bid situation, the Board and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The Board should not hinder or obstruct the possibility of having take-over bids for the Company's activities or shares.

The Board should actively seek other offers upon the receipt of a take- over bid if considered to be in the best common interest of the Company and its shareholders.

Agreements entered into between the Company and the bidder, or significant terms and conditions thereof, that are material to the market's evaluation of the bid shall be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the Company's shares, the Board should not exercise mandates or pass any resolutions with the intention or effect of a disposal of the Company's activities, or material parts thereof, or otherwise obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

The Board and management shall refrain from implementing any measures intended to protect their personal interests at the expense of the interests of shareholders following an intention to make a take-over bid or announcement of a bid.

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

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

15. Auditor

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

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

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

The board and the auditor will meet at least once a year without the CEO or any other members of the executive management present.

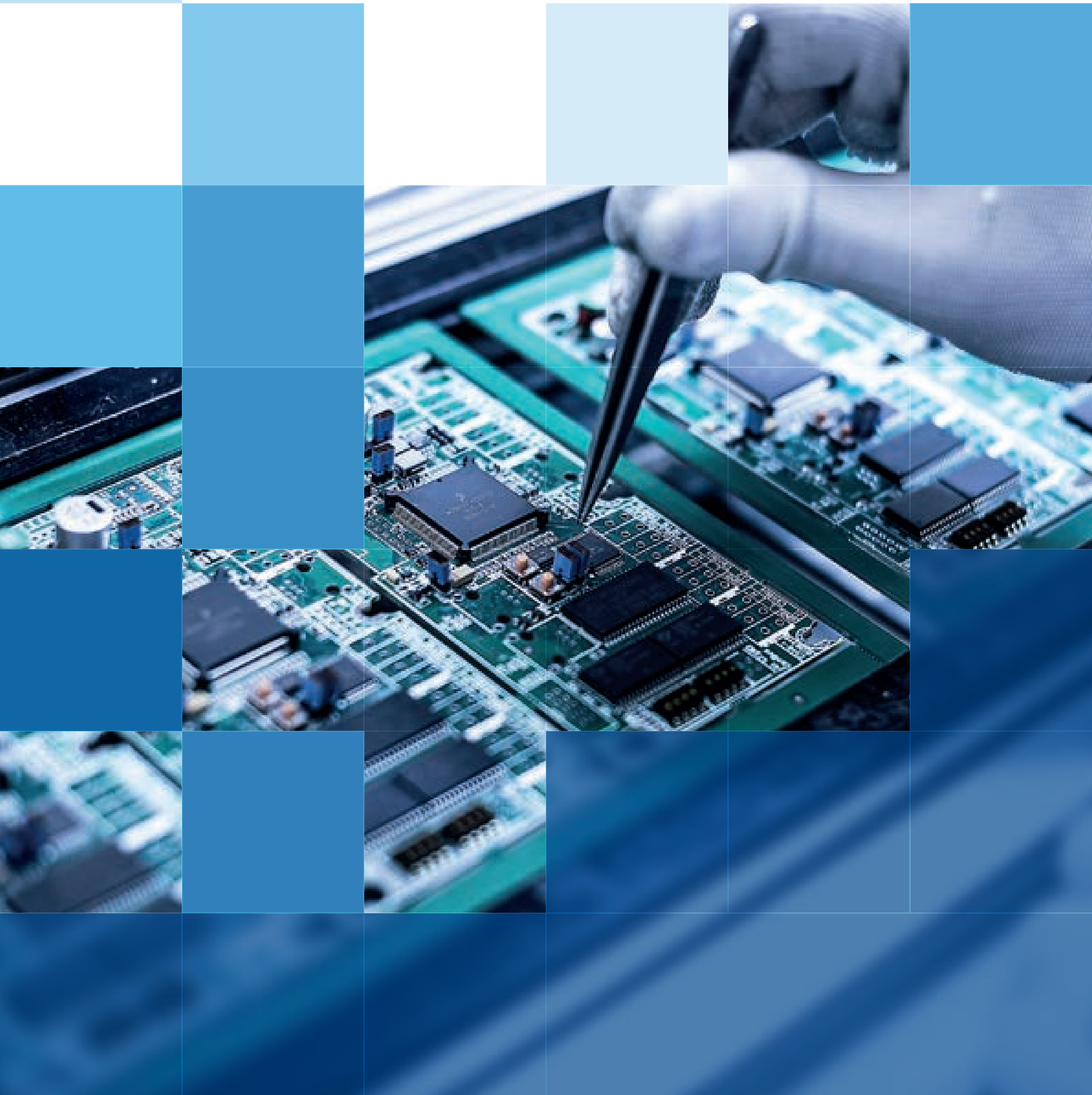
The auditor issues a written confirmation to the Board on compliance with the Statutory Audit Independence and Objectivity Requirements.

The board of Kitron has established guidelines in respect of the use of the auditor by the company's executive management for services other than mandatory audit.

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

PwC has been the company's auditor since 2005.

CORPORATE SOCIAL RESPONSIBILITY 2018



Kitron

CEO LETTER OF INTRODUCTION

Cathrin Nylander
Acting CEO of Kitron ASA

As a leading Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Lithuania, Germany, China and the USA, Kitron has an economic, social and environmental impact on our surroundings and stakeholders. As an EMS company, how we source our materials and how we 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. For Kitron, Corporate Social Responsibility (CSR) is about delivering value to our shareholders while at the same time acting responsibly and taking a broader view of the risks and opportunities in our surroundings.

The foundation for Kitron's CSR work 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 Corporate Social Responsibility Reporting.
At Kitron, we believe in taking responsibility and sustainability into account when making business decisions. By continuously striving to be an ethical and responsible company, we can contribute to minimize risks and realize new business opportunities for the future. I firmly believe that being a responsible and sustainable business on the one hand and being a profitable business on the other hand are mutually reinforcing aspects. We also see an increasing interest in our CSR work from investors and our customers.

This year, Kitron has taken steps to further develop our management approach to corporate responsibility. Our Code of Conduct has been updated with new statements, reflecting that the company is now a UN Global Compact Signatory. I am pleased to confirm that Kitron ASA supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. 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.

The year has been impacted by the challenging material allocation situation.

Another 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 particularly 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, and 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.

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 2019 is to leverage the systems and initiatives implemented to ensure all aspects of our CSR work is addressed in a systematic manner, and further streamline how we implement and measure the effects of our initiatives. Examples of this are rolling out new training programmes for all employees, including CSR topics in the digital tools for supplier assessments and continue our efforts to align our work with internationally recognized standards and industry initiatives. We will continue our ongoing work with supplier dialogue and engage with suppliers to help them meet the highest ethical and quality standards.

ABOUT THIS REPORT

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

This report is prepared for Kitron ASA in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting.

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

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, China and USA. Kitron manufactures and delivers anything from fully assembled electronic circuit boards to complete end products for customers globally.

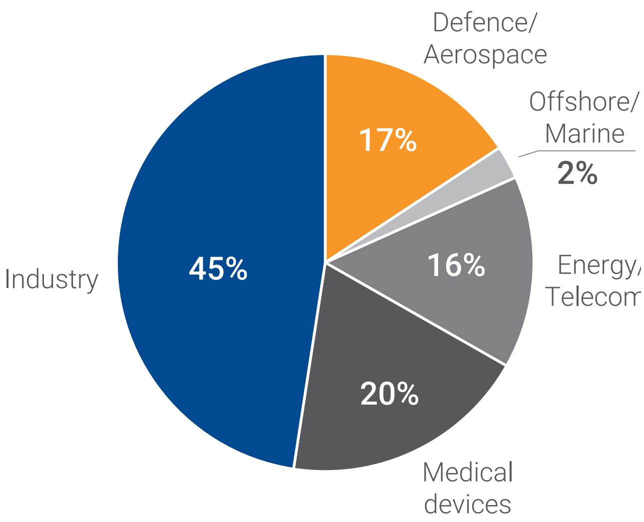
Related technical services like prototyping, industrialization, material analyzing and test development are also key competencies offered by Kitron.

Locations

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

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

Revenue per sector 2018



Key figures (2018):
No. of employees: equivalent to approx. 1 606 full-time equivalents
Revenue: NOK 2 619.3 million
Profit (EBIT): NOK 156.1 million
Equity ratio: 37.1 per cent

Economic impact and tax information

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

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

Payroll and social security expenses
In 2018, labour costs amounted to NOK 496.1 million (NOK 480.8 million) Payroll and social security expenses accounted for 19.0 (19.7) per cent of sales revenue.

Procurement of goods and services
Kitron purchased goods and services valued at roughly NOK 1 910 million (NOK 1 754) million in 2018.

Tax
The Group's tax expenses for 2018 came to NOK 31.0 million (NOK 33.5 million).

Tax expense by country

(Amounts in NOK 1 000)	2016	2017	2018
Norway	3 631	5 594	4 246
Sweden	5 704	5 464	7 707
Lithuania	7 042	10 084	12 510
Other	7 884	12 360	6 487
Total	**24 261**	**33 502**	**30 950**

Table 1 Tax expense by country

KITRON'S APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

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

Corporate governance

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

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

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

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

Corporate Executive Management

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

The Sites

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

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

Suppliers

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

Customers

Kitron´s customers directly affect the company economically, and customer expectations is part of driving Kitron´s Corporate Social Responsibility priorities.

Civil Society

Civil society like governments and regulatory authorities affect Kitron and its operating conditions directly and indirectly. Local communities are indirectly socially, environmentally and economically affected by Kitron´s activities such as job creation, contribution to local value creation and environmental impacts.

Stakeholder group	Expected of Kitron	Arena for dialogue
Customers	Price	CSR Questionnaire (2017)
	Quality	RFI
	Timely delivery	Supplier code of conduct
	Transparency	Supplier audits
	Supply chain responsibility	Supplier actions plans (reviews)
		Stakeholder dialogue
		Ecovadis survey
Suppliers	Fair and neutral supplier assessment	CSR Questionnaire (2017)
	Fair pricing	RFI
	Clear communication of expectations	Supplier code of conduct
	Anti-corruption and anti-bribery routines	Supplier audits
		Supplier action plans (reviews)
		Stakeholder dialogue
Employees	Economic compensations	CSR Questionnaire
	Labour/Management Relations	Employee survey 2016
	Reputation	Employee survey 2018
	Company performance	
Owners	Economic performance	Meetings with company representatives
	Risks and opportunities	MSCI II ratings
	Corporate governance	Analyst interviews (2016)
		Kitron website
		Kitron Quarterly and annual reports
		Capital Markets Day
		Kitron sustainability report

Table 2: Stakeholder groups and arenas for dialogue

Stakeholder dialogue

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

For Kitron to be in ongoing conversation with its most relevant stakeholders strengthens its relationship with the society in which it operates. The stakeholder dialogue also benefits the company by allowing Kitron to detect, investigate and manage potential risks arising in its immediate surroundings. In 2017 Kitron invited key stakeholders to give their view on how they perceive Kitron and its relevant corporate social responsibility topics. This was done by interviews, electronic surveys, and direct contact with employees, customers and suppliers. The findings from the stakeholder dialogue were gathered and structured for discussion in Kitron´s Corporate Social Responsibility task force and used as ground work for the materiality assessment.

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

Materiality Assessment

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

- Workers' rights, diversity and non-discrimination Human rights and conflict minerals
- Ethics and anti-corruption
- Supply chain and quality
- HSE, safety and security (including information and cyber security)

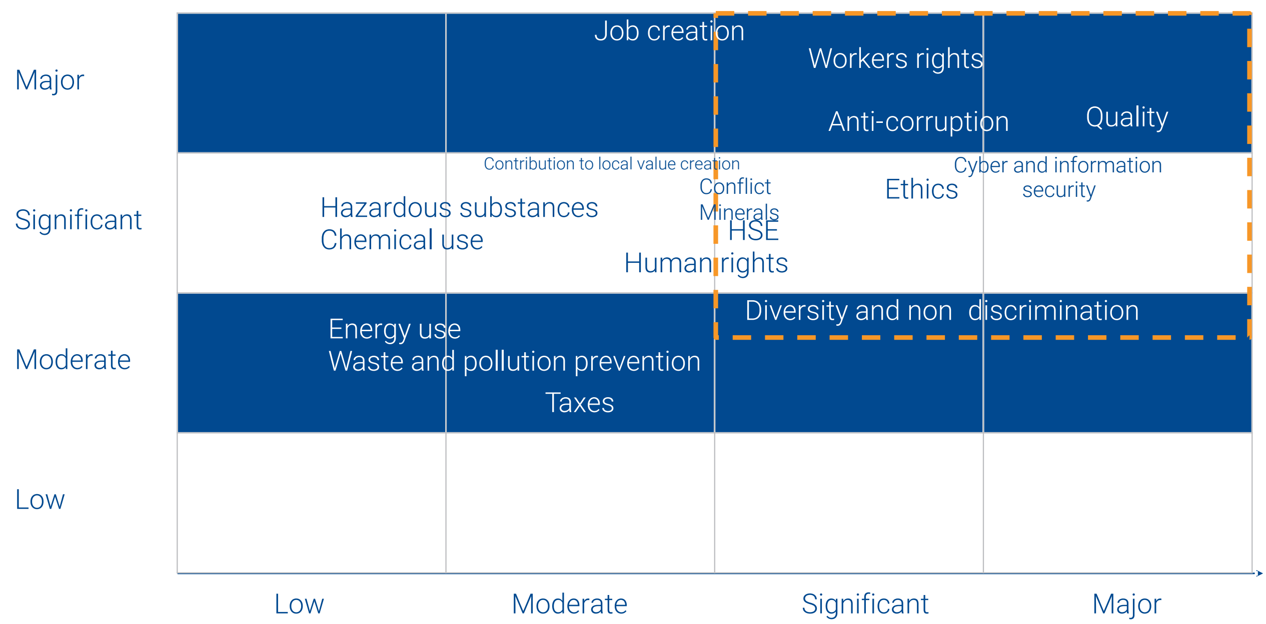


Figure 1 Kitron´s Materiality assessment

REPORTING ON MATERIAL TOPICS

Human rights and conflict minerals

All units of Kitron comply with UN's Universal Declaration on Human Rights, The UN's Convention on Rights of the Child and International Labour Organization Conventions (ILO conventions). Kitron´s approach to human rights protection is guided by Kitron Code of Conduct and the Supplier Code of Conduct. 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 CFSI (now RMI) Conflict Minerals Reporting Template (CMRT).

Employees	2016	2017	2018
Conflict free 3TG + No 3TG by value	61.7%	84.9%	83.7%
Conflict free 3TG + No 3TG by Number of parts	20 654	35 122	41 336

Table 3: Conflict Minerals by value and number of parts

Goals for 2018

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

Goal 2018	Status	Comment
Become a UN Global Compact Signatory company	Complete	
Become a member of an industry initiative against conflict minerals such as RMI	Not started	Due to limited capacity, Kitron has not yet become a member of an industry initiative against conflict minerals. Kitron does however use the RMI templates for supplier screening.
Remain conflict mineral free	Complete	

Goals for 2019

- Deliver first Communication on Progress (COP) to UN Global Compact
- Become a member of an industry initiative against conflict minerals, such as RMI
- Remain conflict mineral free

Worker's rights, diversity and non-discrimination

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

	2017	2018
Permanent employees	1 398	1 558
Temporary employees	203	158
Total workforce	1 601	1 743

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

Employees	Men	Women	Total
Employees Norway	166	142	308
Employees Sweden	122	73	195
Employees Lithuania	315	498	813
Employees China	54	162	216
Employees USA	12	6	23
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 is very important to Kitron and is to be ensured to provide a safe, healthy and satisfactory work place. Kitron opposes discrimination in any form, e.g. due to race, nationality, gender, sexual orientation or religion. Kitron also opposes any form of trafficking and purchase of sexual services. No form of discrimination, harassment or bullying is tolerated. Kitron offers a working environment where it is possible to combine work, career, family life and spare time. Women´s percentage amount of men´s pay in 2018 for the total workforce was 90 per cent. The Ethics Committee has received one concern regarding working environment. Investigations have been conducted and resulted in actions, the case is considered closed.

In 2018 Kitron participated for the first time in the Great Place to Work survey. The results have been analysed and action plans have been developed per country. Kitron will continue to utilize employee surveys to further strengthen the working environment.

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 will be further developed and supplemented with learning and development activities. The platform offers the possibility to report on training activities per individual and group level.

Goals 2018

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

Goal 2018	Status	Comment
Roll out new digital learning platform and training for all	Complete	
New employee survey to be conducted globally	Complete	KPI: Average employee satisfaction score on the question "Taking everything into account, I think this is a great place to work" 2018 result: 68% of Kitron employees answering the Great Place to Work survey agrees with the statement "Taking everything into account, I think this is a great place to work"

Goals for 2019

- Increase the employee satisfaction score on the question "Taking everything into account, I think this is a great place to work" to above 70%
- Begin to report average hours of training per employee

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 December 21st, 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 corporate social responsibility, and that it can subject us to substantial financial risk. To deal with our corporate social responsibility and minimize our financial risk, we work systematically on Ethics and Anti-corruption.
Kitron Ethical Code of Conduct describes several areas of importance for preventing corruption. In 2014 Kitron implemented an Anti-Corruption Policy. The policy clearly describes Kitron's work on anti-corruption, including risk analysis, monitoring, responsibilities, follow-up and training.

Kitron is aware that suppliers, customers and other relevant business partners, such as acquisition targets or agents might expose Kitron to corruption risks. To reduce the risks, Kitron has introduced routines for a risk-based evaluation before entering into new such relationships. The Kitron Suppliers Code of Conduct also defines Kitron's expectations regarding the suppliers' anti-corruption activities. Kitron also has in-house rules for gifts and representation as well as sponsorships.

Risk assessment

Kitron operates in countries and in lines of business that are susceptible to corruption, and Kitron is also indirectly subject to corruption risk and bribery risks through business relationships. To reduce risk, Kitron does not use agents or market representatives, as it constitutes a high risk for corruption. In 2018, Kitron conducted a Supplier Risk of Bribery assessment for its suppliers. 3 084 suppliers (1 639 active suppliers and 1 445 non-inventory suppliers) were screened for corruption and bribery risk. All new suppliers in 2018 were screened for corruption and bribery risk.

Suppliers per risk category	Very low Risk	Low Risk	Moderate Risk	Increased Risk
Share of suppliers 2017	0.2%	41.3%	58.5%	0%
Share of suppliers 2018	1.6%	42.5%	55.8%	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, all employees will receive training in the Ethical Code of Conduct and e-learning version of the Code of Conduct will be developed for the on-boarding of new employees.

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 best to address and follow up on these issues.

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

The 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 also 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 work place, 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 work place safety can alternatively be reported to the relevant representative, HSE-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 2018 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 2018.

Number of cases	2016	2017	2018
Reported	0	1	1
Sanctioned	0	0	0

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

Goals for 2018

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

Goal 2018	Status	Comment
Ensure that all new onboarded suppliers are at Low or Very Low Risk	Ongoing	KPI: share of suppliers in the different risk categories KPI: share of 2018 new suppliers in the different risk categories
Ensure that all suppliers sign Kitron's Code of Conduct	Ongoing	KPI: share of suppliers who have signet Kitron's Code of Conduct 53% of inventory suppliers have signed the Kitron Code of Conduct Process in place to include this digitally in the standard RFI
Define and implement simple, lean and easy to use onboarding process for non-inventory suppliers	Not started	Awaiting new digital solution for RFI
Introduce ethics and anti-corruption training as part of onboarding of new employees and as e-learning for all employees	Ongoing	New e-learning system is in place, and training will continue throughout 2019

Goals for 2019

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

- Ensure that all new onboarded suppliers are at Low or Very Low Risk
- Ensure that all suppliers sign Kitron's Code of Conduct
- Define simple, lean and easy to use onboarding process for non-inventory suppliers and implement it
- Introduce ethics and anti-corruption training as part of onboarding of new employees and as e-learning for all employees. KPI: share of employees who have completed the ethics and anti-corruption training, share of new employees who have completed onboarding process

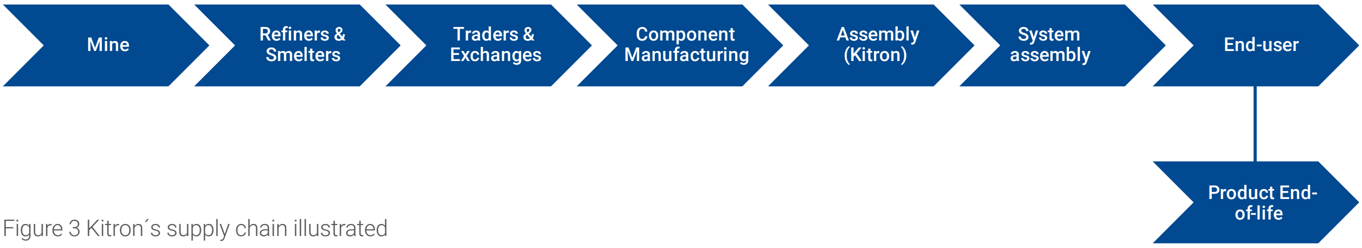


Figure 3 Kitron´s supply chain illustrated

Supply chain and quality management

Kitron´s goal is to minimize negative environmental and social impacts from its supply chain. Kitron expect its suppliers to adhere to all applicable laws and regulations, to the highest ethical standards defined in the Kitron Code of Conduct, as well as to the separate Suppliers Code of Conduct, which applies to all suppliers. Delivering high quality products is key to Kitron´s competitive advantage and of high importance to our customers, employees and owners. Kitron affects quality directly through our purchasing, supplier selection, and quality management processes, as well as indirectly through our business relationships.

Kitron´s supply chain

Kitron production inputs can be divided into three parts: electronic components, mechanical drawing parts and PCB (Printed Circuit Boards), and the inputs are with few exceptions sourced and produced outside of Norway.

Kitron´s role in the supply chain

For production of Electronic Components – Kitron primarily deals with distributors rather that with manufacturers. On an annual basis Kitron purchases components from close to 1000 manufacturers through approximately 400 distributors. In 2014 Kitron established a Preferred Partner Program. Because of this, in 2018 around 68 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 molded plastic, sheet metal and Aluminium die casting. Due to the bulk and weight of this type of parts, Kitron tends to purchase these components close to the point of use.

For Printed Circuit Boards (PCB) – Kitron buys most of the PCB's from China (70 to 80 per cent of the world´s PCBs are produced in China), either directly from manufacturers or through distributors. As with electronic components, Kitron purchases 68 per cent of the PCB's from Preferred Partners. In the case of PCB's, these Preferred Partners includes both distributors and manufacturers.

Supplier selection and onboarding

Kitron's sourcing experts are located in Norway, Sweden, Lithuania and China, enabling us to manage our global network of suppliers and ensure an optimal flow of components and materials to our manufacturing centres. Sourcing in Kitron is a shared responsibility between the global sourcing team and local sourcing managers. New sales, new requests for information (RFI) and conflict mineral reporting is handled by the global sourcing team while local teams handle RFIs for existing suppliers, manage supplier dialogue with local suppliers and supplier coordination.

To ensure all sites use same RFI form to collect data from supplier regardless of supplier category, Kitron´s Supplier Evaluation Model (SEM) is used for this purpose. In 2018 All new suppliers were filling in a web based RFI form and based on their given information SEM report was generated with evaluation (table audit).

To minimize supply chain risk, Kitron seeks to ensure that Kitron's spend with any specific supplier does not exceed 20 per cent of the total revenue of any single supplier and seeks to diversify its sourcing strategy. In 2018, Kitron had 1639 active suppliers. Active supplier means Kitron have placed a purchase order in the last 12 months.

Unique active suppliers	2016	2017	2018
Unique active suppliers (12 months)	1 412	1 477	1 639
Share of active suppliers who have signed Code of Conduct	46.4%	49.8%	53.0%

Table 8: Active suppliers

Quality management

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

Kitron sites are certified according to the following quality management standards:

- ISO 9001:2015
- ISO 14001:2015
- 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 2018

Kitron has set the following goals for supply chain and quality management in 2018:

Goal 2018	Status	Comment
Define and implement onboarding process for non-inventory suppliers	Not started	Awaiting implementation of digital RFI system
Standardize RFI and implement Digital Quality Management system (DocLogix) for gathering and storing RFI data	Complete	KPI: Average employee satisfaction score
Approve and implement a common supplier audit report	Complete	

Goals 2019

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

- Define and implement onboarding process for non-inventory suppliers
- Standardize RFI and implement Digital Quality Management system (DocLogix) for gathering and storing RFI data

HSE, Safety and security

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 3.1 per cent for the group in 2018. 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 work place. 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 proposes risks to the employees foremost in the manual mounting and in the processes where chemical liquids, nitrogen or lead is involved as well as the long-term risks associated with repetitive tasks. The most important mitigation and prevention of accidents and injuries is the workplace design, education of employees and routines for safely handling chemicals.

All chemicals procured and applied at Kitron sites are registered and handled according to relevant regulations. To prevent negative effects of repetitive tasks, all sites has implemented job rotation for certain tasks. In 2018, there was no serious work-related accidents at Kitron sites. Kitron will continue to monitor the working environment regarding employee health and safety in 2019.

	2016	2017	2018
Absence due to illness	3.7	4.3	3.1
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)	0	1	9

Table 9 Absence and work-related injuries

Turnover by site	2018
Turnover Norway	6.4%
Turnover Sweden	11.6%
Turnover Lithuania	18.0%
Turnover China	26.0%
Turnover USA	4.0%

Table 10 Employee turnover by site

Environment

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

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

Kitron AS environmental impact	2018
Energy use (kwh)	11 252 337
Waste (t)	547.5
Sorted waste (t)	366.1
Percentage sorted waste	66.8%
Percentage recycled waste*	84.8%

*(including waste incineration with energy recovery)

Table 11: Environmental impacts from Kitron

Information security and cyber security

Kitron employees have a duty of confidentiality in respect to all business matters and situations that could give unauthorized people access to confidential information. All information not made public is to be considered confidential. This duty of confidentiality remains in force after a Kitron staff member has left the company. Only designated persons may make public statements on behalf of Kitron.

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

GDPR Compliance

In 2017, Kitron initiated the process towards GDPR compliance in our handling of personal data supported by IT consultancy Atea.
Data analysis undertaken in the GDPR project shows that Kitron does not handle sensitive personal data to the extent that a Data Protection Officer is required, however, 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 consist of a Personal Data Protection Committee, a Corporate Data Protection Representative in addition to local Data Protection Representatives in all European countries. Role descriptions are made for the defined roles.

Goal 2018	Status	Comment
Number of sites that has implemented job rotation	Complete	All Kitron sites has implemented job rotation, but only for a certain amount of workers/positions
Become NIST 800-171 compliant	Ongoing	
Undertake necessary actions to adhere to GDPR regulations	Complete	Kitron has appointed a Data protection representative per site. Kitron as implemented policies and dedicated sufficient resources to operate in line with GDPR and relevant local data protection legislation
Appoint Data Protection Officer	Not relevant	Kitron does not handle personal data to the extent that requires a Data Protection Officer
Report employee turnover by site	Complete	See table 10
Report environmental and climate impacts from all Kitron sites	Complete	See table 11
Streamline reporting for all sites on injuries and accidents, as well as near-miss incidents	Complete	Supported by digital documentation in Doclogix

Goals for 2019

Kitron has set the following goals for the HSE, safety and security work in 2019:

- Take actions to maintain or decrease employee turnover by site (KPI: employee turnover by site)
- Continue to increase access to job rotation on all Kitron sites
- 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)

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 2018 was NOK 17 619 261.10 divided between 176 192 611 shares with a nominal value of NOK 0.10 each.

In 2015 the Board introduced a new share option program for executive management comprising up to 5 500 000 shares running for three years from the start of the second calendar quarter 2016. The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange.

Per 31 December 2018, 5 337 500 options have been allocated to the executive management and 162 500 options remain un-allocated.

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

During 2018, the share price moved from NOK 6.99 to NOK 8.70, an increase of 24.46 per cent. In addition, the company paid an ordinary dividend of NOK 0.35 in 2018, and an extraordinary dividend of NOK 0.20, in total NOK 0.55. The Oslo Børs Main Index decreased by 1.8 per cent during the same period. The share price has varied between NOK 6.68 and NOK 10.84. At the end of 2018, the company's market capitalisation was NOK 1 532.9 million. A total of 116.6 million shares were traded during the year, corresponding to a turnover rate of 66.2 per cent.

Shareholder structure
At the end of 2018, Kitron had 5 016 shareholders, compared with 4 708 shareholders at the end of 2017. At the end of the year, the foreign shareholding amounted to 38.0 percent.

At the balance sheet date, Vevlen Gård AS was the largest shareholder holding 5.96 per cent of the Kitron shares, followed by Nordea Nordic Small Cap Fund with 5.92 per cent and MP Pensjon with 5.72 per cent. Liquidity of the share was 100 per cent. The 20 largest shareholders held a total of 54.43 per cent of the company's shares at the end of the year.

Mandates
Increasing the share capital
The ordinary general meeting of 20 April 2018 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 20 April 2018. 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 2019 but no longer than 30 June 2019. The authorization is limited to encompass capital requirements or issuance of consideration shares in relation to strengthening of Kitron ASA's equity, acquisition of other companies or businesses, joint ventures or joint business operations, incentive programs for employees and acquisition of property and business within Kitron ASA's purpose. The authority had not been exercised at 31 December 2018. The authorized share capital of the Company is therefore NOK 17 619 261.10.

Own shares
The ordinary general meeting on 20 April 2018 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 20 April 2018. 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 2019 but no longer than 30 June 2019. The authority had not been exercised at 31 December 2018.

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

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

Information and investor relations
Kitron wishes to maintain open communications with its shareholders and other stakeholders. Shareholders and stakeholders are kept informed by announcements to the Oslo Børs and press releases. Kitron's website www.kitron.com provides information on Kitron's business and financial situation. Interim financial statements are presented at meetings open to the general public and are available as webcasts at www.kitron.com.

Kitron reports all manufacturing orders exceeding NOK 20 million. The group also reports smaller orders if these are of strategic importance or significant in any other way.

The corporate management is responsible for communication activities and investor relations, and also facilitates direct contact with the chairman of the board and other board members.

Share price Kitron vs Oslo Stock Exchange – 2018

BOARD AND MANAGEMENT

Board

Tuomo Lähdesmäki

Chairman of the board
Elected for the period 2018-2019

Tuomo Lähdesmäki was born in 1957 and is a Finnish citizen. He holds a Master of Science in Engineering from Helsinki University of Technology, a Master of Business Administration from INSEAD and has completed the Stanford Executive Program. He is a founding partner of Boardman Oy, "the leading network developing active ownership and board work competences" in Finland, and he has previously, inter alia, been President and CEO of Elcoteq Network Oyj and Leiras Oy, General Manager at Swatch Group and Vice President at Nokia Mobile Phones. Mr Lähdesmäki is Chairman of the board for the following: Efore Oyj, Finland University Oy and Turku University Foundation sr. He is also a board member of Fondia Oyj, Meconet Oy and Yliopiston Apteekki. Mr Lähdesmäki was elected to the Kitron Board as Chairman in 2014 and is also Chairman of Kitron's remuneration committee. At 31 December 2018 Mr Lähdesmäki owned 118 634 shares in Kitron.

Gro Brækken

Deputy chairman of the board
Elected for the period 2018-2019

Gro Brækken was born in 1952 and is a Norwegian citizen. She holds an MSc in Chemical Engineering from the Norwegian University of Science and Technology in Trondheim. Ms Brækken has a long and broad experience from top management of international companies and organizations with CEO, line, and staff-management experience within oil and gas, refinery, natural gas, shipbuilding, and banking. She was until recently CEO of the trade organization Norsk olje & gass (the Norwegian Oil and Gas Association) and is at present Secretary General for the Norwegian Institute of Directors. This background has given her in-depth industrial and political competence and a broad network within politics, business and the society in general. Gro Brækken also has solid board experience as member and chair of the boards of directors of national and international companies and organizations within energy, industry, project management, health and NGOs. Ms Brækken was elected to the Kitron board in 2015 and has since October 2015 been a member of the remuneration committee. At 31 December 2018 Ms Brækken owned 30 656 shares in Kitron.

Maalfrid Brath

Board member
Elected for the period 2018-2019

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 an MSc degree from NHH Norwegian School of Economics in professional accountancy. Ms Brath has since 2009 been Managing Director of Manpower Group Norway. 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 2018 Ms Brath owned 6 656 shares in Kitron.

Espen Gundersen

Board member
Elected for the period 2018-2019

Espen Gundersen was born in 1964 and is a Norwegian citizen. He holds an MBA from the Norwegian School of Management, Oslo. He is also a Certified Public Accountant from the Norwegian School of Economics and Business Administration in Bergen. Mr Gundersen is currently Deputy CEO and CFO of Tomra Systems ASA. He joined Tomra in 1999 and has held several positions within the Tomra Group. Prior to joining Tomra, he served as VP Business development of Selmer ASA for five years. He started his career with Arthur Andersen in 1989. Mr. Gundersen was elected to the Kitron Board in 2017. At 31 December 2018 Mr Gundersen owned 36 656 shares in Kitron.

Christian Jebsen

Board member
Elected for period 2018-2019

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 2018 Mr Jebsen owned 6 656 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 movement. Presently he is the chair of Fellesforbundet's local branch in Arendal and member of Fellesforbundet's Executive Board. Mr. Gottschlich has been on the Kitron board since 2012. At 31 December 2018 Mr Gottschlich owned 6 656 shares in Kitron.

Elisabeth Jacobsen

Board member
Elected by and among the employees

Elisabeth Jacobsen was born in 1962 and is a Norwegian citizen. She holds a B.Sc in Electrical Engineering and Electronics from University of Manchester Institute of Science and Technology. Ms Jacobsen works as a Senior Quality Engineer at Kitron AS in Arendal, where she has been employed since 1995. Ms Jacobsen was elected to the Kitron Board in 2014 and has since October 2015 been a member of the Audit Committee. At 31 December 2018 Ms Jacobsen owned 8 256 shares in Kitron.

Tanja Rørheim

Board member
Elected by and among the employees

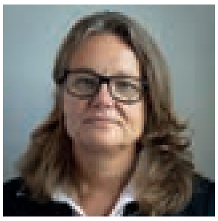
Tanja Rørheim was born in 1972 and is a Norwegian citizen. She holds a certificate in electronics and is working as a production worker in Kitron AS in Arendal since 1993. Ms Rørheim has been on the Kitron board since August 2015. At 31 December 2018 Ms Rørheim owned 6 656 shares in Kitron.

Management

Peter Nilsson

President & CEO - On medical leave until end of June 2019

Born in 1964. CEO of Kitron since November 2014. Almost 25 years of experience in electronics manufacturing and related services. 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 - Acting CEO until end of June 2019

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

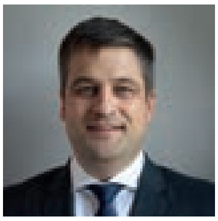
COO & Sales Director

Born in 1973. In 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.



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 Thommassen 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 25 April 2017)

§ 1

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

§ 2

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

§ 3

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

§ 4

The share capital of the company is NOK 17 619 261.10, divided into 176,192,611 shares with face value NOK 0.10 each. The company's shares shall be registered at the Norwegian Central Securities Depository.

§ 5

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

§ 6

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

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

§ 7

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

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

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

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

§ 8

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

§ 9

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

§ 10

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

§ 11

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

(Office translation)

ADDRESSES

HEADQUARTER

Kitron ASA
P O Box 97
NO-1375 Billingstad, Norway
Visiting address:
Olav Brunborgs vei 4
1396 Billingstad
Tel: +47 66 10 00 00

CHINA

Kitron Electromechanical
(Ningbo) Co., Ltd
No. 189, DongHui Road,
Nordic Industrial Park,
Zhenhai District
Ningbo 315221, P. R. China
Tel: +86 574 8630 8600
Fax: +86 574 8630 8601

Kitron Electronics Manufacturing
(Ningbo) Co., Ltd
No. 189, DongHui Road,
Nordic Industrial Park,
Zhenhai District
Ningbo 315221, P. R. China
Tel: +86 574 8630 8600
Fax: +86 574 8630 8601

GERMANY

Kitron GmbH
Carl-Zeiss-Str. 3
DE-72555 Metzingen, Germany
Tel: +49 7123 374122-00

LITHUANIA

UAB Kitron, Taikos site
Taikos pr. 151
LT-52119, Kaunas, Lithuania
Tel: +370 37 40 93 30

UAB Kitron, Užliedžiu site
Plento g. 6
LT-54305 Užliedžiai,
Lithuania
Tel.: + 370 37 44 09 87

NORWAY

Kitron AS
P O Box 799 Stoa
NO-4809 Arendal,
Norway
Visiting address:
Tverrdalsøyveien 100
4920 Staubø
Tel: +47 37 07 13 00

SWEDEN

Kitron AB
P O Box 1052
SE-551 10 Jönköping, Sweden
Visiting address:
Möbelvägen 5
55305 Jönköping
Tel: +46 36 290 21 00

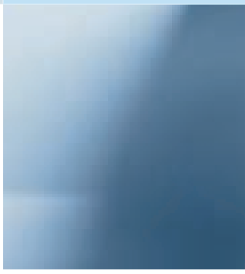
USA

Kitron Inc.
160 JARI Drive, Suite 160
Johnstown,
Pennsylvania 15904, USA
Tel: +1 814 619 0523
Fax: +1 814 266 1452

Kitron Technologies Inc.
345 Pomroys Drive, Windber,
Pennsylvania 15963, USA
Tel: +1 814 467 7477
Fax: +1 815 301 8468

POLAND

Kitron Sp.zo.o
Grudziądz, Poland
Under construction
Operational by Q4 2019



Kitron is an international Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, 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

Kitron ASA Olav Brunborgs vei 4 P.O. BOX 97 NO-1375 Billingstad Norway