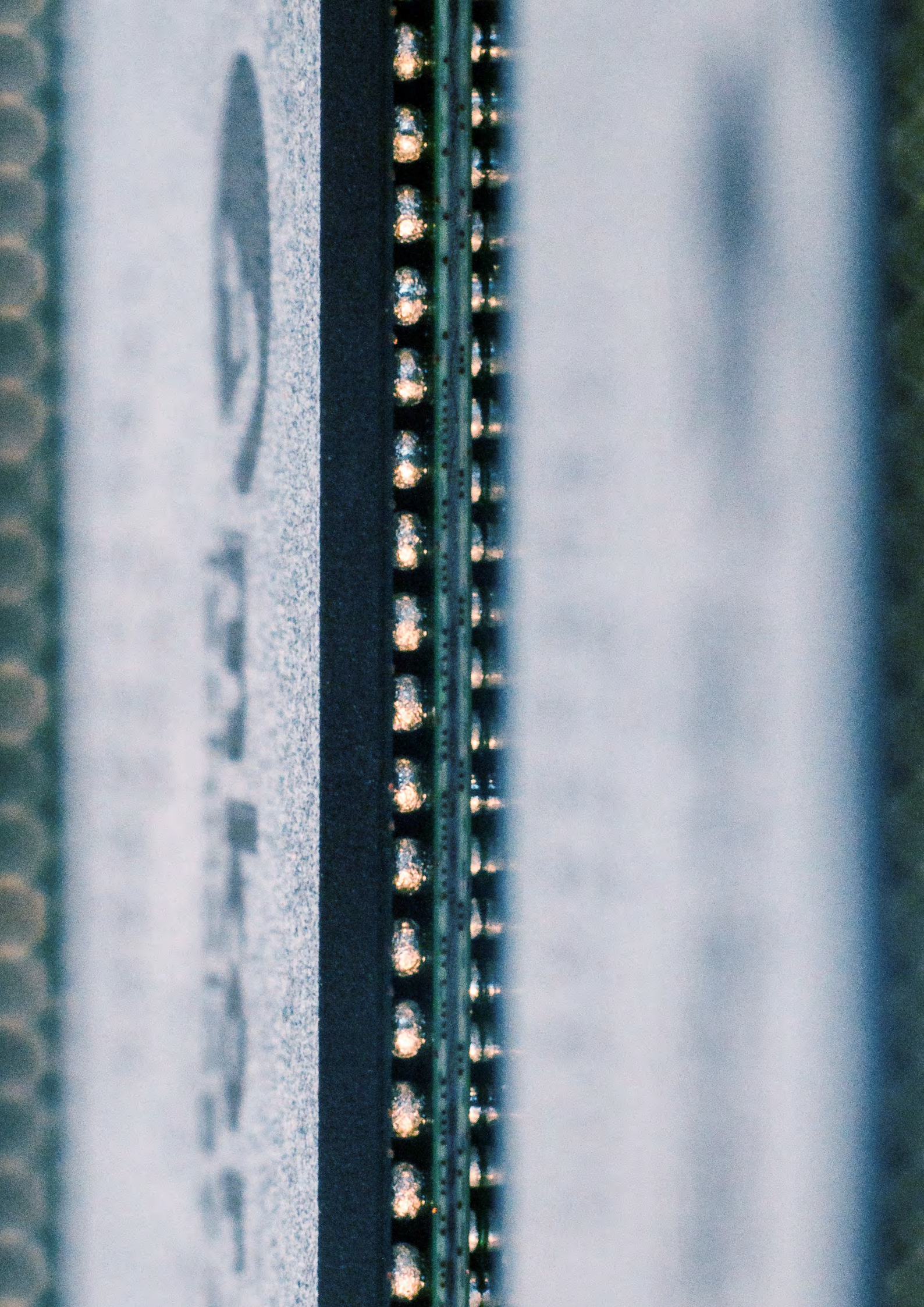


# ANNUAL REPORT 2021



<b>Connectivity</b>	Norway
<b>Electrification</b>	Sweden
<b>Industry</b>	Denmark
<b>Medical Devices</b>	Lithuania
<b>Defence/Aerospace</b>	Germany
	Poland
	Czech Republic
	China
	USA







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## KITRON IN BRIEF

Kitron is an international Electronics Manufacturing Services (EMS) company. The company is located in Norway, Sweden, Denmark, Lithuania, Germany, Poland, the Czech Republic, China and the US and has about 2500 employees. Kitron manufactures both electronics that are embedded in the customers' own products, 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 focuses its sales and marketing activities within five key sectors:

- Connectivity
- Electrification
- Industry
- Medical devices
- Defence/Aerospace

The group has a balanced sales mix among its market sectors, which makes Kitron diversified and puts the group in a good position to handle shifts in demand.

The company has strong, long-term relationships with large multinational customers.

### 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 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 Northern Europe. Germany, China & Asia and the US are large markets where Kitron sees attractive opportunities. The German operation

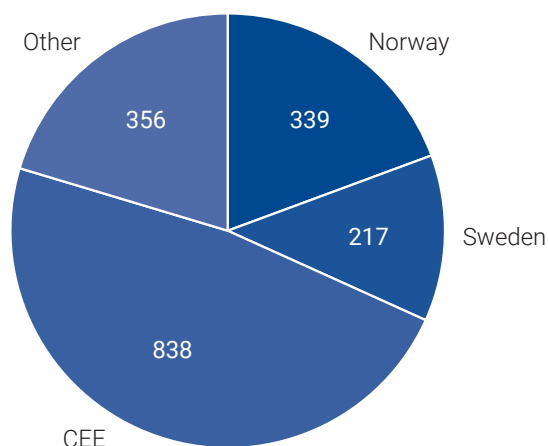


Figure 1: Full time employees 2021, Geographical description

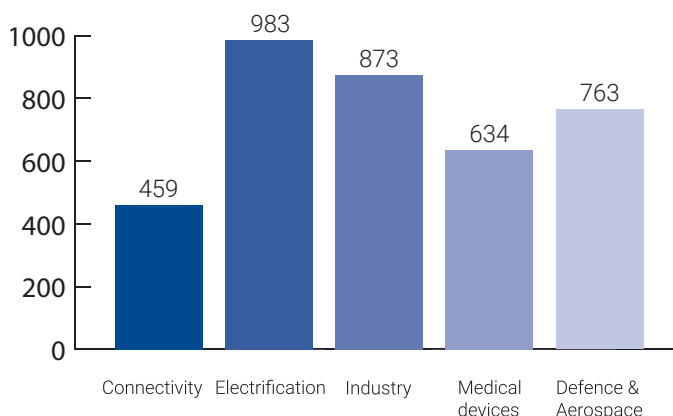


Figure 2: Revenue per market sector in 2021, Revenue in NOK million

is focusing on sales and technical services while the manufacturing will be performed elsewhere, primarily in Lithuania and Poland. Kitron has expanded its factory in Kaunas, Lithuania, and in 2019 production was started at a new site in Grudziądz in Poland, further increasing capacity in Eastern Europe.

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

In addition to targeting new customers, Kitron sees 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 focuses 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 ongoing programs and clear targets. 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 December 2021, Kitron agreed to acquire the Danish EMS company BB Electronics A/S. This added production facilities in Denmark, China and the Czech Republic, and gave Kitron a strong position in the Danish market.

The company intends to pursue further M&A activities to grow and will explore M&A value creation to grow the customer base, realize synergies and expand margins.

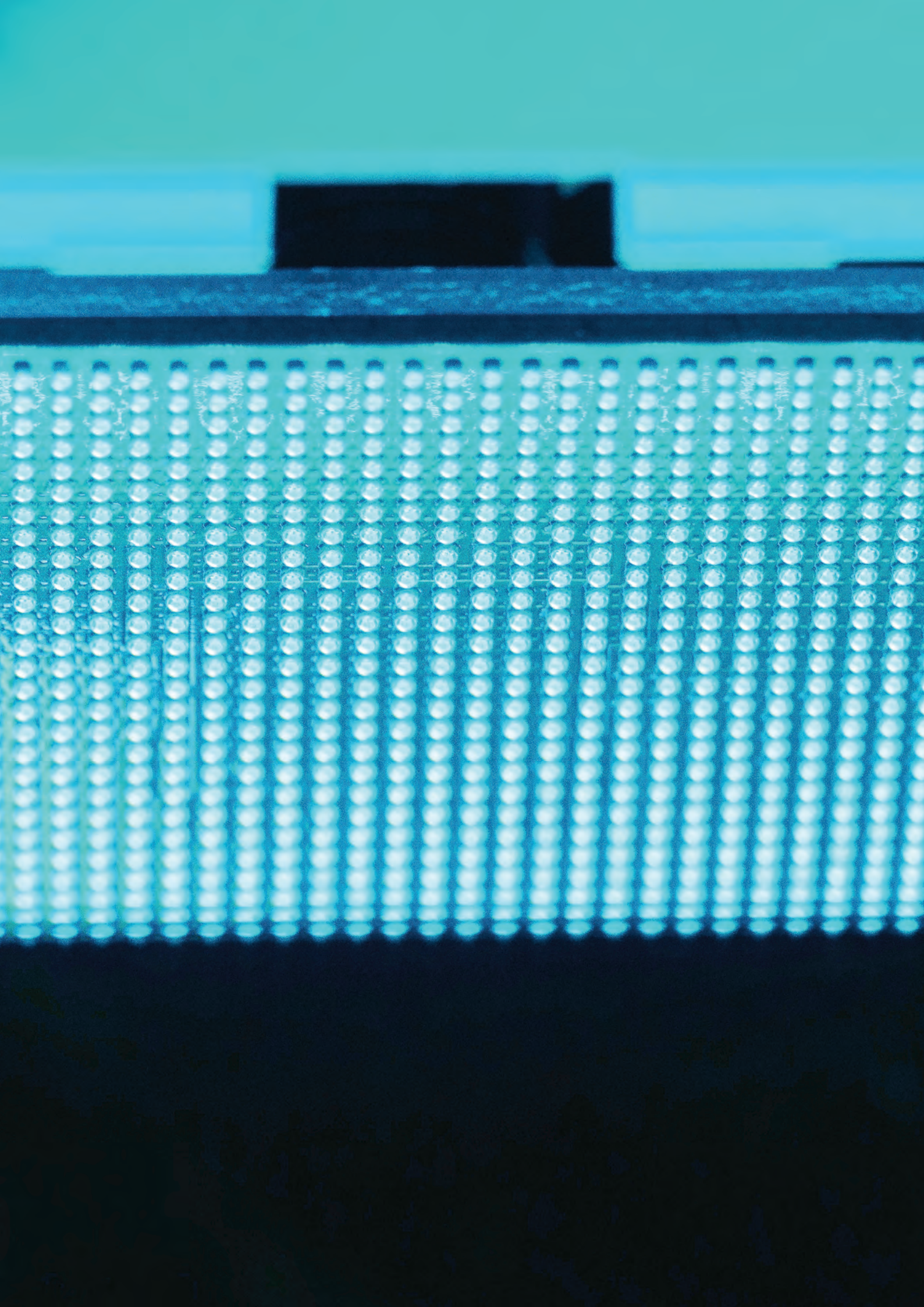
### Kitron's history

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

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

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







## BOARD OF DIRECTORS' REPORT

### Solid year despite supply constraints

Kitron's revenue for the year reached NOK 3 711.4 million (NOK 3 963.9 million), which represented a 6 per cent decrease compared with 2020. The decrease partly reflects that there was extraordinary demand within the Medical devices market sector in 2020 and partly a challenging material supply situation in 2021. EBITDA for the group reached NOK 341.9 million compared to NOK 414.4 million in 2020. Net profit for the year amounted to NOK 152.8 million (NOK 213.1 million), corresponding to NOK 0.85 per share (NOK 1.19). Towards the end of the year, Kitron announced the acquisition of BB Electronics AS. The Board of Directors will, as a consequence of the investment in BB Electronics and the future capital needs of the company, propose to the Annual General Meeting an ordinary dividend of NOK 0.25 per share for the financial year 2021. Last year, the ordinary dividend was NOK 0.70. The Board also has decided to change the Kitron dividend policy into: "Kitron's dividend policy is to pay out an annual dividend of 20 per cent to 60 per cent of the company's consolidated net profit before non-recurring items".

In the Annual Report 2020, Kitron indicated an expected revenue range of between NOK 3 900 and 4 200 million and an EBIT margin of 6.8 to 7.4 per cent for 2021. Both figures ended below the indicated ranges, primarily due to constraints in the supply chain and a COVID-related lockdown of Kitron's facility in Ningbo, China. Demand, however, remained very strong throughout 2021.

### 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, industrialization, 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 industry requires focus on manufacturing efficiency and cost reduction.

Hence, many OEMs choose to focus on their own core competences and partner with specialized EMS (Electronics Manufacturing Services) 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, Denmark, Lithuania, Germany, Poland, the Czech Republic, China and the United States. All employees have been certified in accordance with international quality standards for the applicable manufacturing.

### Market sectors

Kitron's services are most competitive within complex manufacturing processes that require niche expertise. Kitron focuses its sales and marketing activities within five key sectors: Connectivity, Electrification, Industry, Medical devices and Defence/Aerospace.

The order backlog ended at NOK 2 827.1 million, an increase of 41 per cent compared to last year, reflecting a strong demand situation and partly delays caused by the material shortage situation.

### Connectivity

Revenue in the Connectivity sector increased by 39 per cent and ended at NOK 458.9 million in 2021. The sector accounted for 12 per cent of the group's total revenues.

Kitron's Connectivity sector is focused on connected devices. Many of these devices are sensors, continuously feeding data into increasingly advanced software, utilizing artificial intelligence to make predictions and improve efficiency and safety. Examples are multiplying, in everything from industrial control systems to medical devices monitoring vital functions and modern cars, containing many sensors communicating with the Internet. Another part of the connectivity market sector is communication, which supplies the backbone for sensors and IOT. Typical products here are wireless communication, optical transmission and networking products. In the coming years, Kitron expects above-average growth in this sector.

### Electrification

Revenue in the Electrification sector increased by 5 per cent and ended at NOK 983.2 million in

2021. The sector accounted for 26 per cent of the group's total revenues.

Kitron's Electrification sector is focused on the megatrend that sees the world increasingly moving to renewable energy and electrification. Examples are battery management, power grid transmission, power and electric drive management, charging and fuel cell technology. Kitron is involved with electrification from the power grid to end-user products, from control systems for offshore wind power to battery management systems and charging stations. In the coming years, Kitron expects above-average growth in this sector.

### Industry

Revenue in the Industry sector increased by 22 per cent and ended at NOK 872.7 million in 2021. The sector accounted for 24 per cent of the group's total revenues.

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

### Medical devices

Revenue in the Medical sector decreased by 37 per cent and ended at NOK 633.5 million in 2021. The decrease is explained by the exceptional Corona-related volumes within Medical devices being normalized from 2020 to 2021. The sector accounted for 17 per cent of the group's total revenues.

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

### Defence/Aerospace

Revenue in the Defence/Aerospace sector decreased by 21 per cent and ended at NOK 763.1 million in 2021. The decrease is partly due to project delays related to the material shortage situation and effects of the Corona pandemic. The sector accounted for 21 per cent of the group's total revenues.

Aerospace is mainly navigation and communication equipment for civil and military avionics. Defence is primarily communication, encryption, and surveillance systems.

Defence spending has been growing over the past years, and the high level of activity in the defence sector continues. However, this sector is to a large degree project based, and the timing of major projects will influence the revenue level for the particular year.

### Important events in 2021

#### Constraints in supply chain

The component supply situation was difficult throughout 2021, with material decommitments and new delivery dates, substantially limiting Kitron's ability to turn demand into revenues.

#### Impact of the corona pandemic

The corona pandemic continued to impact Kitron's business in 2021, although the overall impact on health and operations was limited. Demand for ventilators surged in 2020, and we concentrated resources to meet this. As we moved into 2021, the demand for ventilators, and consequently revenues within the Medical devices market sector, normalized. Towards the end of 2021, Kitron's facility in Ningbo, China, had to stop production for a limited period due to a lock-down in the area because of a minor corona outbreak.

#### Acquisition of BB Electronics

In December 2021, Kitron announced an agreement to acquire the Danish EMS company BB Electronics A/S, which has production facilities in Denmark, China and the Czech Republic. BB Electronics is a full-service EMS provider based in Horsens, Denmark. The group had revenues of about DKK 1,000 million in 2021 and about 750 employees and has over the past years grown significantly, both organically and through M&A. The customer base is concentrated within connectivity and industry. The acquisition was completed early in January 2022.

The purchase price for the acquisition was 663.9 million DKK and was financed through a share issue and a term loan over 5 years. The company is expected to have a positive contribution to the cash flow.



## Share Issue

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

## 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 the EU.

## Profit and loss

Operating revenue for 2021 amounted to NOK 3 711.3 million (NOK 3 963.9 million), which represented a 6 per cent decrease compared with 2020. Adjusted for foreign exchange effects in consolidation, the decrease was 3 per cent.

The order backlog at the end of 2021 amounted to NOK 2 827.1 million, compared to NOK 2 005.5 million at the end of 2020. 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).

In absolute numbers, the order backlog increased the most in the Electrification market sector. Percentagewise, the strongest growth was in the Connectivity sector.

The number of full-time equivalents (FTE) decreased from 1 805 at the end of 2020 to 1 749 at the end of 2021. The number of FTE in lower-cost regions now accounts for 68 per cent of the total. The group's payroll expenses increased and amounted to NOK 719.1 million in 2021 compared with 671.4 million in 2020. The payroll expenses as a percentage of revenue increased to 19.4 per cent (16.9 per cent in 2020). The increase is partly explained by inefficiencies due to material shortages.

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 36.6 million. The corresponding figure for 2020 was a net cost of NOK 38.5 million. Kitron's pre-tax profit for 2021 amounted to NOK 204.2 million (NOK 274.1 million). All tax losses carried forward in the businesses in Norway and USA are capitalised by December.

The group's net profit for the year amounted to NOK 152.8 million (NOK 213.1 million). This corresponds to earnings per share of NOK 0.85 (NOK 1.19). Diluted earnings per share were NOK 0.84 (NOK 1.18).

The Board of Directors will, as a consequence of the investment in BB Electronics and the future capital needs of the company, propose to the Annual General Meeting an ordinary dividend of NOK 0.25 per share for the financial year 2021. Last year, the ordinary dividend was NOK 0.70. The Board also has decided to change the dividend policy into: "Kitron's dividend policy is to pay out an annual dividend of 20 per cent to 60 per cent of the company's consolidated net profit before non-recurring items".

## Cash flow

In 2021, Kitron's cash flow from operating activities was NOK 126.3 million (NOK 237.0 million). The decrease is mainly related to a buildup of inventory due to the material shortages situation. Net cash flow from investing activities in 2021 ended at negative NOK 46.0 million (negative NOK 59.0 million).

Net cash flow from financing activities was positive NOK 225.4 million (negative NOK 142.0 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.

## Balance sheet and liquidity

Total assets on 31 December 2021 amounted to NOK 3 309.4 (NOK 2 654.8 million). At the same time, equity amounted to NOK 1.228.0 million (885.7 million), and the equity ratio was 37.1 per cent (33.4 per cent).

Inventories ended at NOK 880.3 million at the end of the year (NOK 545.0 million). Contract assets ended at NOK 400.6 million, compared to NOK 386.7 million last year. Controlling inventory is a major focus area for the company's ongoing improvement program, but in 2021 inventory levels were unusually high due to the supply constraints.

Accounts receivable ended at NOK 864.6 million (NOK 834.5 million). Overdue receivables are low, and credit losses were negligible during 2021.

Accounts payable ended at NOK 917.8 million (NOK 702.4 million).

On 31 December 2021, the group's interest-bearing debt was NOK 999.4 million (NOK 910.6 million). The debt consists mainly of long-term bank debt, short-term bank debt, factoring and leasing.

Cash and cash equivalents amounted to NOK 428.0 million at the balance sheet date (NOK 152.6 million). Of this, NOK 338.8 million was paid out early in January 2022 as part of the purchase of BB Electronics. NOK 10.5 million was restricted deposits (NOK 21.6 million). The group's liquidity situation is satisfactory.

## Risk factors and risk management

Kitron 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 customers when currencies fluctuate outside agreed upon ranges. Other hedge agreements are usually not in use.

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

Kitron's debt is a combination of long-term debt and short-term debt related to factored accounts receivable. The latter means that fluctuations in revenue impact the company's liquidity. The group has overdraft facilities that cover expected liquidity fluctuations during the year. 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.

Kitron has established Directors' and Officers' insurance for personal liability of its Board members, CEO and other management members.

## 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.

Kitron's Sustainability report for 2021 is presented in the Annual report. The report is prepared in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting and Euronext Guidelines to issuers for ESG reporting. The report has been reviewed and approved by the Board.

## Health, safety, security and environment (HSSE)

At the end of 2021, the group employed a total of 1 749 full-time equivalents. For further employee numbers, see the sustainability report. The competence of our employees represents a major asset and competitive advantage for Kitron.

There were no serious work-related accidents in 2021.



Sick leave was 3.3 per cent, the same as in 2020. The Board considers the working environment to be good, despite challenges posed by the global pandemic in 2021, and Kitron participates in the Great Place to Work survey in order to develop an even better working environment.

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

### Personnel and organisation

Kitron considers the competence of employees to be the ultimate competitive advantage. Securing required and relevant competence now and for the future is a fundamental priority, and a Kitron competence roadmap has been outlined. Individual career and competence development is part of the current performance management process. The digital learning platform, Kitron Academy, was launched in 2018, and further developed and supplemented with learning and development activities in the following years. The platform offers the possibility to report on training activities per individual and at group level. In 2021, 51 470 hours were registered as spent on training, compared to 42 797 in 2020.

### Equal opportunities

Kitron's basic view is that people with different backgrounds, irrespective of ethnicity, gender, religion, sexual orientation or age, should have the same opportunities for work and career development at Kitron. The company's manufacturing factories have traditionally employed a higher proportion of women. Women represented 54 per cent of the Kitron workforce in 2021. Out of 108 managers (managers having direct reports) 27 per cent are female and 73 per cent are male.

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

The average pay for men and women vary due to differences in job categories and years of service, not because of gender. Women's pay level compared to men's per location can be found in the sustainability report. 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 8 male and 1 female members after the acquisition of BB Electronics.

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 report on remuneration to senior executives that is available at the companies website.

### Net profit (loss) of the parent company

The Parent Company Kitron ASA recorded a profit of NOK 133.8 million for 2021 (NOK 77.7 million). The Board of Directors proposes the following allocations for Kitron ASA:

Dividend	NOK 49.3 million
Transferred to other equity	NOK 84.5 million
Total allocations	NOK 133.8 million

There have been no events to date in 2022 that significantly affect the result for 2021 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 2021 have been prepared on the basis of this assumption.

### Outlook

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

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

Oslo, 22 March 2022



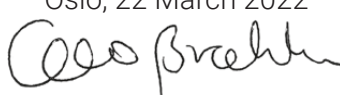
Tuomo Lähdesmäki  
Chairman



Espen Gundersen  
Board Member



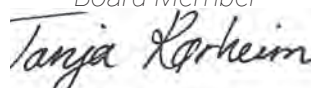
Bjørn Gottschlich  
Employee Elected Board Member



Gro Brækken  
Deputy Chairman



Petra Grandinson  
Board Member



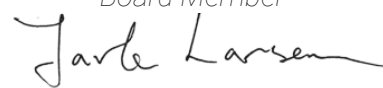
Tanja Rørheim  
Employee Elected Board Member



Christian Jebsen  
Board Member



Maalfrid Brath  
Board Member

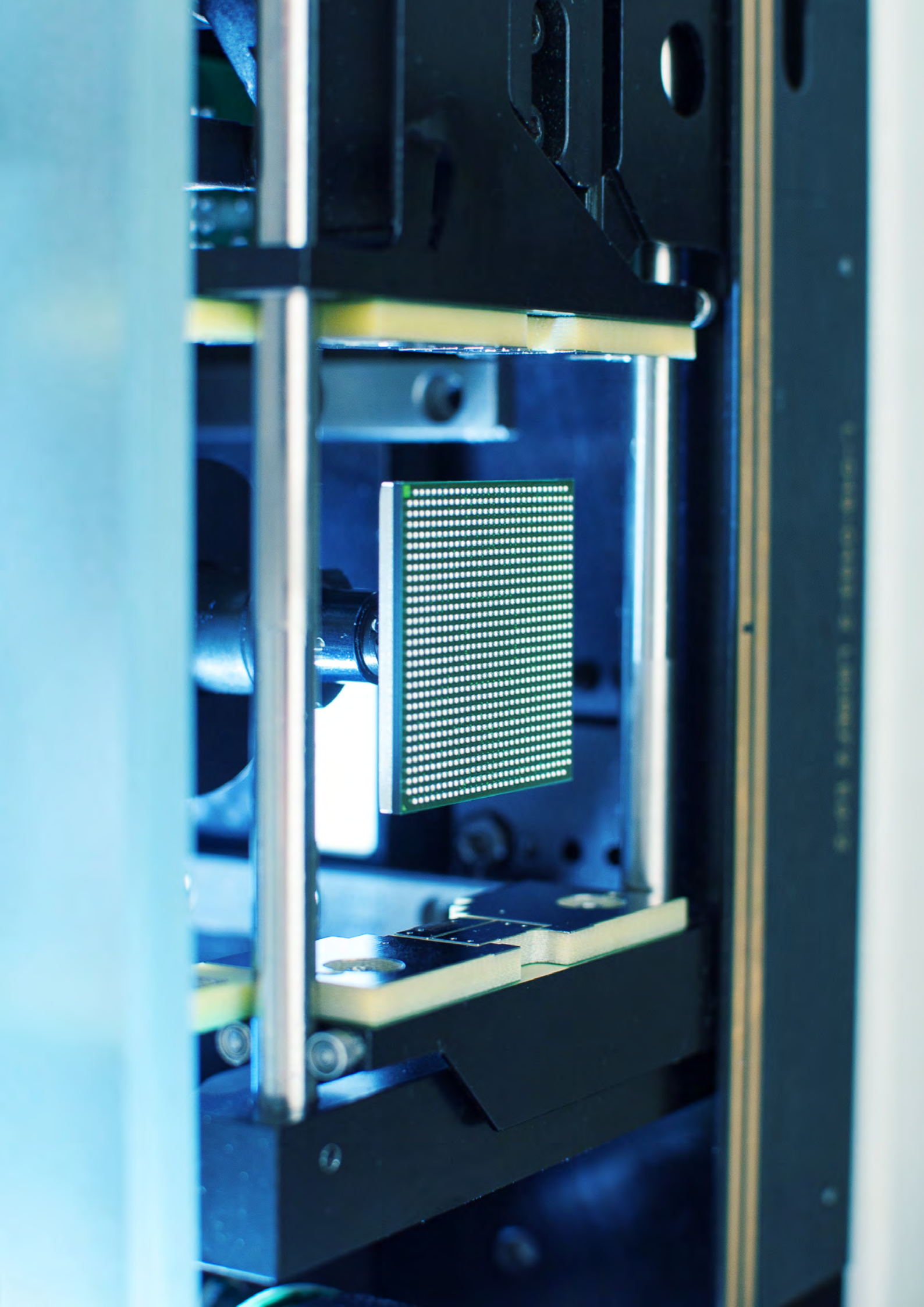


Jarle Larsen  
Employee Elected Board Member



Lars Peter Nilsson  
CEO of Kitron ASA





## CONSOLIDATED ANNUAL ACCOUNTS

### Consolidated income statement

NOK 1000	Note	2021	2020
<b>Revenue</b>			
Revenues	5, 6	3 711 373	3 963 876
<b>Operating costs</b>			
Cost of materials		2 449 714	2 645 855
Payroll expenses	8, 19, 23, 29	719 144	671 438
Depreciation and impairments	12, 13, 14	101 048	101 828
Other operating expenses	27, 29	197 050	225 211
<b>Total operating costs</b>		<b>3 466 956</b>	<b>3 644 332</b>
Other gains/(losses)	7	(3 604)	(6 970)
<b>Operating profit/(loss)</b>		<b>240 813</b>	<b>312 574</b>
<b>Financial income and expenses</b>			
Finance income	9	3 878	10 896
Finance expenses	9	(40 525)	(49 383)
<b>Net financial items</b>		<b>(36 648)</b>	<b>(38 487)</b>
Profit/(loss) before tax		204 165	274 087
Tax	10	51 323	61 031
<b>Net profit/(loss)</b>		<b>152 843</b>	<b>213 056</b>
<b>Allocation</b>			
Shareholders		152 843	213 056
<b>Earnings per share for that part of the net profit/(loss) allocated to the company's shareholders (NOK per share)</b>			
Basic earnings per share	11	0.85	1.19
Diluted earnings per share	11	0.84	1.18

The notes on pages 19 to 59 are an integral part of the consolidated financial statement.



## Consolidated statement of comprehensive income

NOK 1000	Note	2021	2020
Net profit/(loss)		152 843	213 056
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Actuarial gain / losses pensions		(299)	(179)
		(299)	(179)
Items that may be subsequently reclassified to profit and loss			
Gain / losses forward contract		(5 831)	-
Exchange differences on translation		(10 588)	20 231
		(16 419)	20 231
Total other comprehensive income		(16 718)	20 052
Total comprehensive income		136 125	233 108

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

### Allocation

Shareholders	136 125	233 108
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## Consolidated balance sheet

NOK 1000	Note	31.12.2021	31.12.2020
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	13	36 933	36 933
Intangible assets	14	44 917	52 760
Property, plant and equipment	12	212 940	237 960
Right of use assets	12	239 503	256 892
Deferred tax assets	22	73 989	72 384
Other receivables	15	10 316	4 598
Total non-current assets		618 598	661 528
<b>Current assets</b>			
Inventory	16	880 297	544 977
Accounts receivable	15, 27	864 598	834 493
Contract assets	15	400 586	386 660
Other receivables	15, 27	117 302	74 589
Cash and cash equivalents	17	428 035	152 572
Total current assets		2 690 818	1 993 292
Total assets		3 309 417	2 654 820

The notes on pages 19 to 59 are an integral part of the consolidated financial statement.

## Consolidated balance sheet (continued)

### Equity and liabilities

#### Equity

Equity attributable to owner of the parent

Share capital	18	19 701	17 910
Share premium reserve	18	792 623	456 058
Equity unrecognised in the profit and loss		(16 308)	7 125
Retained earnings		432 030	404 560
<b>Total equity</b>		<b>1 228 046</b>	<b>885 654</b>

#### Liabilities

##### Non-current liabilities

Deferred tax liabilities	22	4 223	4 728
Interest bearing debt	21	206 230	267 894
Pension commitments	23	5 557	5 666
Other liabilities		4 227	3 088
<b>Total non-current liabilities</b>		<b>220 237</b>	<b>281 376</b>

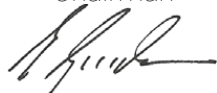
##### Current liabilities

Accounts payable	20, 27	917 779	702 368
Other payables	20, 27	131 057	128 093
Tax payable		19 050	14 605
Interest bearing debt	21	793 247	642 723
<b>Total current liabilities</b>		<b>1 861 133</b>	<b>1 487 789</b>
<b>Total liabilities</b>		<b>2 081 370</b>	<b>1 769 166</b>
<b>Total liabilities and equity</b>		<b>3 309 417</b>	<b>2 654 820</b>

The notes on pages 19 to 59 are an integral part of the consolidated financial statement.



Tuomo Lähdesmäki  
Chairman

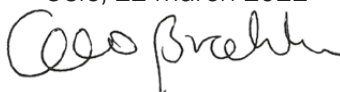


Espen Gundersen  
Board Member

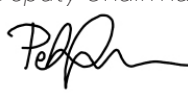


Bjørn Gottschlich  
Employee Elected Board Member

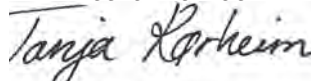
Oslo, 22 March 2022



Gro Brækken  
Deputy Chairman



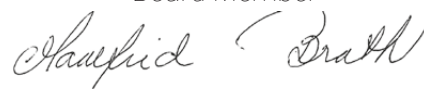
Petra Grandinson  
Board Member



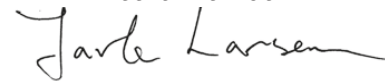
Tanja Rørheim  
Employee Elected Board Member



Christian Jebesen  
Board Member



Maalfrid Brath  
Board Member



Jarle Larsen  
Employee Elected Board Member



Lars Peter Nilsson  
CEO of Kitron ASA



## Consolidated statement of changes in equity

NOK 1000	Equity attributable to owner of the parent						Total
	Share capital	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	
Equity at 1 January 2020	17 910	456 058	(9 861)	(4 402)	(1 549)	281 057	739 213
Net profit						213 056	213 056
Paid dividends						(89 552)	(89 552)
Employee share schemes					2 885		2 885
Other comprehensive income			(179)	20 231	-		20 052
Equity at 31 December 2020	17 910	456 058	(10 040)	15 829	1 336	404 560	885 654
Equity at 1 January 2021	17 910	456 058	(10 040)	15 829	1 336	404 560	885 654
Net profit						152 843	152 843
Paid dividends						(125 373)	(125 373)
Issue of ordinary shares	1 791	336 565					338 356
Employee share schemes					5 243		5 243
Other adjustments					(11 958)		(11 958)
Other comprehensive income			(299)	(16 419)	-		(16 718)
Equity at 31 December 2021	19 701	792 623	(10 339)	(590)	(5 379)	432 030	1 228 046

The notes on pages 19 to 59 are an integral part of the consolidated financial statement.

## Consolidated statement of cash flow

NOK 1000	Note	2021	2020
<b>Cash flows from operating activities</b>			
Cash flow from operations	25	<b>183 357</b>	308 448
Interest received		<b>3 786</b>	4 787
Interest paid		<b>(20 011)</b>	(28 639)
Income taxes paid		<b>(40 818)</b>	(47 591)
<b>Net cash (outflow) from operating activities</b>		<b>126 314</b>	237 005
<b>Cash flows from investing activities</b>			
Paid for tangible fixed assets	12	<b>(39 309)</b>	(29 617)
Paid for intangible assets	14	<b>(6 665)</b>	(29 346)
<b>Net cash (outflow) from investing activities</b>		<b>(45 974)</b>	(58 963)
<b>Cash flows from financing activities</b>			
Proceeds from issuing ordinary shares		<b>338 775</b>	-
Proceeds from new loans		<b>100 564</b>	80 000
Repayment of loans		<b>(59 399)</b>	(102 790)
Repayment lease debt		<b>(29 185)</b>	(29 653)
Dividends paid		<b>(125 374)</b>	(89 552)
<b>Net cash (outflow) from financing activities</b>		<b>225 381</b>	(141 995)
<b>Change in cash, cash equivalents and bank overdraft</b>			
Cash, cash equivalents and bank overdraft at 1 January	17	<b>(81 039)</b>	(119 461)
Exchange gains (losses) on cash and cash equivalents		<b>(2 269)</b>	2 375
<b>Cash, cash equivalents and bank overdraft at 31 December</b>		<b>222 414</b>	(81 039)

The notes on pages 19 to 59 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 Connectivity, Electrification, Industry, Medical devices and Defence & Aerospace sectors. The group has operations in Norway, Sweden, Lithuania, Germany, Poland, China and the US. Kitron ASA has its head office at Billingstad outside Oslo in Norway and is listed on the Oslo Stock Exchange. The consolidated accounts were considered and approved by the company's board of directors on 22 March 2022.

### 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 2021:

- Covid-19-related Rent Concessions – Amendments to IFRS 16
- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

##### b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current reporting period.

#### 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 noncontrolling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

**Acquisition-related costs are expensed as incurred**

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

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

**Changes in ownership interests in subsidiaries without change of control**

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

**Disposal of subsidiaries**

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

**Associated companies**

The group has no joint ventures or associated companies.

**Segment reporting**

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

**Translation of foreign currencies****Functional and presentation currencies**

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

**Transaction and balance sheet items**

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



presented in the income statement within 'Other gains/ (losses)'.

### Group companies

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

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

### Property, plant and equipment

Tangible fixed assets primarily embrace buildings and land, machinery, equipment, and fixtures and fittings. Tangible fixed assets are stated at historical cost less accumulated depreciation and impairments. They are recognised in the balance sheet and depreciated on a straight-line basis to their residual value over their expected useful life, which is:

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

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

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

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

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

### Right-of-use assets

Right-of-use assets consist of buildings, machinery and equipment accounted for in accordance with IFRS 16. See more info under "The group's leasing activities and how they are accounted for" later in this note and note 26 "Leases".

### Intangible assets

#### Goodwill

Goodwill is the difference between the sum of the consideration paid, non-controlling interests recognised and previously held interests at fair value for the acquisition of a business and the fair value of the acquiree's net identifiable assets at the acquisition date. Goodwill is tested annually for impairment and recognised

in the balance sheet at its acquisition cost less impairment charges. Impairment losses on goodwill are not reversed. The goodwill is allocated to relevant cash generating units at the time of the acquisition. The allocation is made to those cash-generating units or groups of such units which are expected to benefit from the acquisition. The group allocates goodwill to cash generating units in each country in which it operates.

### **Computer software**

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

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

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

### **Financial assets**

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

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

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

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

### **Recognition and derecognition**

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

### **Inventory**

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

### **Accounts receivable and contract assets**

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement



within 30- 120 days and therefore are all classified as current. The group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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

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

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

### **Cash and cash equivalents**

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

### **Share capital**

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

### **Financial liabilities**

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

### **Accounts payable and other payables**

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

### **Loans**

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

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

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

**Current and deferred income tax**

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

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

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

**Pension commitments, bonus schemes and other compensation for employees****Pension commitments**

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

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

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

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

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

**Share-based payments**

The group operates an equity settled share-based compensation plan under which the entity receives services from employees as consideration from equity instruments (options) for the group. The compensation plan comprises senior management only. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value). The social security contribution payable in connection with the grant of the share options is considered as an integral part of the grant itself, and the charge will be settled as a cash-settled transaction. Further details around the arrangement are described in note 19.

**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.

**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 standalone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin. In fixed-price contracts, the



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

### **Sales of services**

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

### **Interest income**

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

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

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

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

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

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

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or

less. Low-value assets comprise IT-equipment and small items of office furniture.

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

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

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

### **Dividend payments**

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

## **Note 3 - Financial risk**

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

### **Market risk**

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

At 31 December, if the (NOK) currency had weakened/strengthened by 1 per cent against the USD with all variables held constant, post-tax profit for the year would have been NOK 1.0 million (2020: NOK 0.6 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits, trade receivables and debt.

At 31 December, if the (NOK) currency had weakened/strengthened by 1 per cent against the EUR with all variables held constant, post-tax profit for the year would have been NOK 0,3 million (2020: NOK 0.9 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of EUR denominated bank deposits, trade receivables and debt.

At 31 December if the (NOK) Norwegian currency had weakened/straightened by 1 percent against the SEK with all variables held constant, post-tax for the year would have been NOK 0.6 million (2020: NOK 0.3 million) higher/lower, mainly as a result of foreign exchange gains/losses on trasnlation of SEK denominated bank deposit, trade receivables and dept.

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

## Credit risk

Credit risk arises from cash and cash equivalents, deposits with bank, accounts receivables and contract assets. The major part of accounts receivable are credit insured. 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:

NOK 1000	Less than one year	Between one and two years	Between two and five years	More than five years
<b>At 31 December 2021</b>				
Bank overdraft	210 146	-	-	-
Leasing	48 406	70 227	65 633	21 128
Factoring debt	367 901			
Other financial loans	187 619	38 398	18 540	-
Trade and other payables	917 779	-	-	-
<b>Total</b>	<b>1 731 850</b>	<b>108 626</b>	<b>84 173</b>	<b>21 128</b>
<b>At 31 December 2020</b>				
Bank overdraft	238 178	-	-	-
Leasing	57 607	49 893	103 592	24 812
Factoring debt	275 336	-	-	-
Other financial loans		84 038	43 326	55 107
Trade and other payables	702 368	-	-	-
<b>Total</b>	<b>1 358 527</b>	<b>93 219</b>	<b>158 699</b>	<b>24 812</b>

## 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 2021, 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 5.4 million (2020: NOK 5.1 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2021, 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 4.5 million (2020: NOK 4.0 million) lower/higher. External financing for the group's operational companies takes place in the functional currency. No interest rate instruments have been established in the group. The group does not have significant interest-bearing assets, so that its income and cash flow from operational activities are not significantly exposed to changes in the market interest rate.

### Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios at 31 December 2021 and 2020 were as follows:

NOK 1000	2021	2020
Total borrowings (note 21)	999 477	910 617
Cash and cash equivalents (note 17)	(428 035)	(152 572)
<b>Net debt</b>	<b>571 442</b>	<b>758 045</b>
Total equity	1 228 046	885 654
<b>Total capital</b>	<b>1 799 488</b>	<b>1 643 699</b>
Gearing ratio	32 %	46 %

### 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.

### 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 revenues and assets

The revenues come from sales of goods and services in the fields of development, industrialization and production to customers involved in Connectivity, Defence/Aerospace, Electrification, Industry and Medical devices.

### Revenues by line of business

The table shows the EMS turnover by industry:

NOK 1000	2021	2020
Connectivity	458 932	330 906
Defence & Aerospace	763 093	969 583
Electrification	983 214	938 844
Industry	872 670	717 965
Medical devices	633 464	1 006 578
<b>Total sales</b>	<b>3 711 373</b>	<b>3 963 876</b>

### Geographical breakdown revenues

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

NOK 1000	2021	2020
Norway	599 767	570 835
Sweden	1 740 232	1 728 743
Rest of Europe	709 280	806 980
USA	612 591	764 911
Other	49 503	92 407
<b>Total sales</b>	<b>3 711 373</b>	<b>3 963 876</b>

The largest customer counts for 9.9 % (14.7 %) of sales, the next counts for 8.8 % (11.3 %), the third counts for 5.5 % (9.2 %) and the others are below 5.5 % (4.8 %) each.

### Geographical breakdown of assets

NOK 1000	Norway		Sweden		Lithuania		Poland	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets	110 636	94 822	61 934	70 760	101 737	131 603	120 589	136 313

NOK 1000	China		Germany		USA	
	2021	2020	2021	2020	2021	2020
Assets	45 499	47 840	287	570	54 148	62 767

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

## Note 6 - Revenues

### Revenues consist of

NOK 1000	2021	2020
Revenues from contracts with customers	3 711 373	3 962 408
Other income *)	-	1 468
<b>Total revenues</b>	<b>3 711 373</b>	<b>3 963 876</b>

### Timing of revenue recognition

NOK 1000	2021	2020
Revenues from contracts with customers, over time	3 711 373	3 962 408

\* Other income is related to indemnification from insurance.

## Note - 7 Other gains / (losses)

NOK 1000	2021	2020
Currency gains	53 161	73 344
Currency losses	(56 765)	(80 315)
<b>Other gains/(losses)</b>	<b>(3 604)</b>	<b>(6 970)</b>

## Note 8 - Employee benefits

NOK 1000	2021	2020
Payroll	574 715	563 420
Payroll tax	82 101	62 398
Net pension costs defined benefit plans (note 22)	81	101
Pension costs defined contribution plans	30 701	24 020
Other remuneration	31 546	21 499
<b>Total</b>	<b>719 144</b>	<b>671 438</b>
Average number of man-years (including hired-ins)	1 786	1 764
Average number of employees	1 759	1 728



## Note 9 - Financial income and expenses

NOK 1000	2021	2020
Interest income	3 786	4 787
Other financial income	6	1 187
Agio related to borrowings, cash and cash equivalents	86	4 921
<b>Finance income</b>	<b>3 878</b>	<b>10 896</b>
Interest expenses	(25 573)	(28 639)
Other financial expenses	(2 449)	(7 159)
Disagio related to borrowings, cash and cash equivalents	(12 503)	(13 585)
<b>Finance expenses</b>	<b>(40 525)</b>	<b>(49 383)</b>
<b>Net financial items</b>	<b>(36 648)</b>	<b>(38 487)</b>

## Note 10 - Income tax expense

NOK 1000	2021	2020
Tax payable	48 148	59 409
Deferred tax (Note 22)	3 175	1 622
<b>Income tax expense</b>	<b>51 323</b>	<b>61 031</b>

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:

NOK 1000	2021	2020
Ordinary profit before tax	204 165	274 087
Tax calculated at the domestic rate (22%)	44 916	60 300
Expenses not deductible for tax purposes	(3 179)	903
Tax loss for which no deferred income tax asset was recognised	(265)	(83)
Other adjustments	6 911	-
Effect on different tax rates in countries in which the group operates	2 940	(89)
<b>Tax cost</b>	<b>51 323</b>	<b>61 031</b>

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

The tax rate is 22.0 % in Norway, 20.6 % in Sweden, 15.0 % in Lithuania, 25.0 % in China, 16.5 % in Hong Kong, 30.9 % in USA, 19.0 % in Poland and 15.0 % in Germany.

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

NOK 1000	2021			2020		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gain / (losses) pensions	(383)	84	-299	(230)	50	(179)
Exchange differences on translation of foreign operations	4 251	(935)	3 316	(3 665)	806	(2 859)
Currency translation differences	(13 905)	-	(13 905)	23 090	-	23 090
Gain/(loss) forward contracts	(7 474)	1 644	(5 831)	-	-	-
<b>Other comprehensive income</b>	<b>(17 511)</b>	<b>793</b>	<b>(16 718)</b>	<b>19 195</b>	<b>856</b>	<b>20 052</b>
Current tax		-			-	
Deferred tax		(793)			(856)	

## 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).

NOK 1000	2021	2020
Profit attributable to equity holders of the company	152 843	213 056
<b>Profit used to determine basic and diluted earnings per share</b>	<b>152 843</b>	<b>213 056</b>
<b>Weighted average number of ordinary shares in issue (thousands)</b>	<b>179 202</b>	<b>179 104</b>
Adjusted for share options (thousands)	2 177	1 385
<b>Weighted average number of ordinary shares for diluted earnings per share (thousands)</b>	<b>181 391</b>	<b>180 489</b>
<b>Basic earnings per share</b>	<b>0.85</b>	<b>1.19</b>
<b>Diluted earnings per share</b>	<b>0.84</b>	<b>1.18</b>

## Note 12 - Property, plant and equipment

NOK 1000	Machinery and equipment	Buildings and land	Right-of-use assets	Total
<b>At 1 January 2020</b>				
Acquisition cost	1 145 669	204 869	146 816	1 497 353
Reclassification 1)	(137 769)	-	137 769	-
Accumulated depreciation/impairment	(877 319)	(97 302)	(15 641)	(990 262)
<b>Accounting carrying amount</b>	<b>130 581</b>	<b>107 566</b>	<b>268 944</b>	<b>507 091</b>
<b>Fiscal 2020</b>				
Opening balance	130 581	107 566	268 944	507 091
Currency translation adjustment	9 238	8 904	-	18 142
Additions	55 116	1 607	8 488	65 211
Depreciation	(63 568)	(11 484)	(20 540)	(95 592)
<b>Closing balance</b>	<b>131 367</b>	<b>106 593</b>	<b>256 892</b>	<b>494 852</b>
<b>At 31 December 2020</b>				
Acquisition cost	1 072 254	215 380	293 073	1 580 706
Accumulated depreciation/impairment	(940 887)	(108 787)	(36 181)	(1 085 854)
<b>Accounting carrying amount</b>	<b>131 367</b>	<b>106 593</b>	<b>256 892</b>	<b>494 852</b>
<b>Fiscal 2021</b>				
Opening balance	131 367	106 593	256 892	494 852
Currency translation adjustment	(18 709)	(15 968)	8 858	(25 819)
Additions	34 728	4 581	30 642	69 951
Reclassification 2)	13 230	7 629	(13 230)	7 629
Depreciation	(39 662)	(10 849)	(43 659)	(94 170)
<b>Closing balance</b>	<b>120 955</b>	<b>91 986</b>	<b>239 503</b>	<b>452 443</b>
<b>At 31 December 2021</b>				
Acquisition cost	1 101 503	211 622	319 342	1 632 468
Accumulated depreciation/impairment	(980 549)	(119 636)	(79 840)	(1 180 024)
<b>Accounting carrying amount</b>	<b>120 955</b>	<b>91 986</b>	<b>239 503</b>	<b>452 443</b>

1) For 2020 the accumulated value and for 2021 the change in value of leased assets is reclassified from "Machinery and equipment" to "Right-of-use assets".

2) For 2021 the value of NOK 7629 thousand for "Assets under construction" is reclassified from Intangible asset to Tangible assets/Building and land.

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 108.9 million and NOK 38.1 million (2020: NOK 116.5 million and NOK 42.3 million), see note 21.

Building and land installations are depreciated over 7 years, machinery is depreciated over 5-7 years, other equipment and vehicles are depreciated over 3-5 years while general-purpose IT hardware and software is depreciated over 3 years.



## Note 13 - Goodwill

NOK 1000	Goodwill
<b>At 1 January 2020</b>	
Acquisition cost	40 765
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>36 933</b>
<b>Fiscal 2020</b>	
Opening balance	36 933
<b>Closing balance</b>	<b>36 933</b>
<b>At 31 December 2020</b>	
Acquisition cost	40 765
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>36 933</b>
<b>Fiscal 2021</b>	
Opening balance	36 933
<b>Closing balance</b>	<b>36 933</b>
<b>At 31 December 2021</b>	
Acquisition cost	40 765
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>36 933</b>

The company's cash-generating units are identified by country

### Allocation of carrying amount of goodwill by business area and by country:

NOK 1000	2021	2020
Norway	715	715
Sweden	3 555	3 555
Lithuania	20 062	20 062
Germany	2 454	2 454
USA	10 147	10 147
<b>Total</b>	<b>36 933</b>	<b>36 933</b>

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

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

## Note 14 - Intangible assets

NOK 1000	System Software	Other intangible assets	Total
<b>At 1 January 2020</b>			
Acquisition cost	82 592	6 309	88 902
Accumulated depreciation	(60 315)	(629)	(60 944)
<b>Accounting carrying amount</b>	<b>22 278</b>	<b>5 680</b>	<b>27 958</b>
<b>Fiscal 2020</b>			
Opening balance	22 278	5 680	27 958
Currency translation adjustment	1 411	280	1 691
Additions	29 010	336	29 346
Depreciation	(5 851)	(385)	(6 236)
<b>Closing balance</b>	<b>46 849</b>	<b>5 911</b>	<b>52 760</b>
<b>At 31 December 2020</b>			
Acquisition cost	113 014	6 926	119 939
Accumulated depreciation	(66 165)	(1 014)	(67 179)
<b>Accounting carrying amount</b>	<b>46 849</b>	<b>5 911</b>	<b>52 760</b>
<b>Fiscal 2021</b>			
Opening balance	46 849	5 911	52 760
Additions	6 623	42	6 665
Reclassification 1)	(7 629)	-	(7 629)
Depreciation	(6 089)	(789)	(6 878)
<b>Closing balance</b>	<b>39 753</b>	<b>5 164</b>	<b>44 917</b>
<b>At 31 December 2021</b>			
Acquisition cost	112 007	6 967	118 975
Accumulated depreciation	(72 254)	(1 803)	(74 057)
<b>Accounting carrying amount</b>	<b>39 753</b>	<b>5 164</b>	<b>44 917</b>

1) For 2021 the value of TNOK 7629 for "Assets under construction" is reclassified from Intangible asset to Tangible asset/Building and land.

Additions to System Software in 2021 refers to ERP system and will be depreciated over 7 years. Other intangible assets consists of cyber security system for Kitron AB which also are depreciated over 7 years. Remaining amortisation period for the the cyber security system is 3 years.

## Note 15 - Accounts receivable and other receivables

NOK 1000	2021	2020
Accounts receivable	864 598	834 493
Provision for bad debts	-	-
<b>Accounts receivable - net</b>	<b>864 598</b>	<b>834 493</b>

NOK 1000	2021	2020
Earned non-invoiced income	10 586	5 750
Prepaid costs	57 070	39 758
Other	49 647	29 081
<b>Other receivables</b>	<b>117 302</b>	<b>74 589</b>

### Fair value of accounts receivable and other receivables:

NOK 1000	2021	2020
Accounts receivable - net	864 598	834 493
<b>Accounts receivable - net</b>	<b>864 598</b>	<b>834 493</b>

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

As of 31 December 2021 accounts receivables of 86.1 million (2020: NOK 76.3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

NOK 1000	2021	2020
Not past due	778 532	758 241
Past due 1-30 days	73 582	58 554
Past due 31-60 days	4 219	11 894
Past due 61-90 days	6 446	4 814
Past due > 90 days	1 819	990
<b>Total</b>	<b>864 598</b>	<b>834 493</b>

As of 31 December 2021 no trade receivables were impaired and provided for (2020: NOK 0.0 million).

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

NOK 1000	2021	2020
CNY	35 610	27 496
EUR	298 528	286 264
NOK	277 961	211 163
SEK	112 250	94 845
USD	257 198	279 301
GBP	326	-
PLN	28	10 014
<b>Total</b>	<b>981 900</b>	<b>909 083</b>

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

NOK 1000	2021	2020
Provision at 1 January	-	-
Receivables written off during the year as uncollectable	-	-
<b>Provision at 31 December</b>	<b>-</b>	<b>-</b>

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. (2020: NOK 0.0 million). Impairment charge was assessed independent of the credit insurance.

No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 December 2021 provided security for NOK 455.3 million (2020: 364.4 million), see note 21.

### Contract assets

The group has recognised assets related to contract with customers. No increase in loss allowance in 2021 (2020 NOK 0.0 thousands).

NOK 1000	2021	2020
Contract assets	400 586	386 660
Loss allowance	-	-
<b>Contract assets - net</b>	<b>400 586</b>	<b>386 660</b>



## Note 16 - Inventories

NOK 1000	2021	2020
Raw materials and purchased semi-manufactures	880 297	544 977
<b>Total inventory</b>	<b>880 297</b>	<b>544 977</b>

For obsolete goods in year 2021 there was recognised no change. In 2020 NOK 10.3 million. Impairment charge recorded in the balance sheet as per 31 December 2021 was NOK 17.1 million, per 31 December 2020 NOK 17.1 million.

## Note 17 - Cash, Cash Equivalents and Bank Overdraft

NOK 1000	2021	2020
Cash and cash equivalents	428 035	152 572

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

NOK 1000	2021	2020
Cash and cash equivalents	428 035	152 572
Overdraft drawn down (Note 21)	(205 621)	(233 611)
<b>Total</b>	<b>222 414</b>	<b>(81 039)</b>

NOK 1000	2021	2020
Bank overdraft facilities 31 December	301 465	320 830
Net drawn on overdraft facilities 31 December	(205 621)	(233 611)

<b>Locked-in bank deposits 31 December</b>		
Security for factoring receivables	10 014	11 716
Security for leasing contracts	460	9 851
<b>Total</b>	<b>10 474</b>	<b>21 567</b>

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

## Note 18 - Share capital and premium reserve

### Share capital and share premium reserve

NOK 1000	Number of shares (thousands)	Share capital	Premium reserve	Total
At 1 January 2020	179 104	17 910	456 058	473 968
At 31 December 2020	179 104	17 910	456 058	473 968
At 1 January 2021	179 104	17 910	456 058	473 968
Issue of new shares	17 910	1 791	336 565	338 356
<b>At 31 December 2021</b>	<b>197 014</b>	<b>19 701</b>	<b>792 623</b>	<b>812 324</b>

### Shares and shareholder information

The company's share capital at 31 December 2021 comprised 197 014 389 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 9 010 shareholders at 31 December 2021 (31 December 2020: 7 570 shareholders).

The 20 largest shareholders in Kitron ASA at 31 December 2021:

Shareholder	Number	Percentage
FOLKETRYGDFONDET	18 610 708	9.45 %
VEVLEN GÅRD AS	14 850 000	7.54 %
MP PENSJON PK	10 424 520	5.29 %
The Northern Trust Comp, London Br	9 430 009	4.79 %
Danske Invest Norge Vekst	7 165 164	3.64 %
AAT INVEST AS	7 052 772	3.58 %
J.P. MORGAN BANK LUXEMBOURG S.A.	6 191 985	3.14 %
VJ INVEST AS	4 514 760	2.29 %
Avanza Bank AB <sup>1</sup>	3 936 973	2.00 %
The Bank of New York Mellon SA/NV	3 757 000	1.91 %
The Bank of New York Mellon SA/NV	3 750 000	1.90 %
VERDIPAPIRFONDET HOLBERG NORGE	3 200 000	1.62 %
J.P. MORGAN BANK LUXEMBOURG S.A.	2 734 320	1.39 %
VARNER EQUITIES AS	2 711 724	1.38 %
VERDIPAPIRFONDET DNB SMB	2 677 623	1.36 %
VERDIPAPIRFOND ODIN NORGE	2 325 000	1.18 %
HAUSTA INVESTOR AS	1 984 000	1.01 %
EQUINOR PENSJON	1 846 166	0.94 %
The Bank of New York Mellon SA/NV	1 769 574	0.90 %
VERDIPAPIRFONDET KLP AKSJENORGE IN	1 721 433	0.87 %
<b>Total 20 largest shareholders</b>	<b>110 653 731</b>	<b>56.17 %</b>
Total other shareholders	86 360 658	43.83 %
<b>Total outstanding shares</b>	<b>197 014 389</b>	<b>100.00 %</b>

[1] Beneficial owner: CEO Peter Nilsson 2 287 182 shares (1.16 per cent)

**Authorized share capital****Authorization to the board to issue shares**

The ordinary general meeting of 21 April 2021 authorized the board of directors of Kitron ASA to increase the share capital in accordance with the Norwegian Public Limited Liability Companies Act section 10-14 on the following conditions:

- The share capital may, in one or more rounds, in total be increased with up to NOK 1 791 039.90.
- The authorization shall be valid until the Annual General Meeting in 2022, but no later than 30 June 2022.
- The shareholders' pre-emptive rights according to the Norwegian Public Limited Liability Companies Act section 10-4 may be set aside.
- The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company.
- The authorization encompasses share capital increase by contribution in any kind and the right to incur Kitron ASA with special obligations according to the Norwegian Public Limited Liability Companies Act section 10-2.
- The authorization encompasses resolutions on merger according to the Norwegian Public Limited Liability Companies Act section 13-5.
- 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, for remuneration to the members of the board of directors of Kitron ASA, for incentive schemes, and acquisition of property and business within Kitron ASA's purpose.
- The board of directors decides on the other terms and conditions and is authorized to amend the articles of association as implied by the use of this authorization.
- This authorization replaces any previously granted authorizations for the board of directors to increase the share capital.
- The authority was exercised on 22 December 2021. The company carried out a private placement by issuing 17 910 399 new shares. The company's new registered share capital is 19 701 438.90, divided into 197 014 389 shares, each with a par value of NOK 0.10 per share.

**Authorization to the board to buy own shares**

The ordinary general meeting on 21 April 2021 authorized the board of directors of Kitron ASA to acquire Kitron ASA's own shares, for the purpose of ownership or charge, in accordance with the Norwegian Public Limited Liability Companies Act sections 9-4 and 9-5 on the following conditions:

- The Board of Directors may acquire shares in Kitron ASA, on one or several occasions, provided that the total combined nominal value of the acquired shares after the acquisition must not exceed ten per cent of the share capital, i.e. up to a total nominal value of NOK 1,791,039.90. The authorization also includes contract liens in the shares of Kitron ASA.
- The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company.
- Under this authorization the board of directors may 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 50 per share.

- Any and all previous authorizations given to the board of directors to acquire own shares shall be, and hereby are, withdrawn with effect from the date this authorization is registered with the Norwegian Register of Business Enterprises.
- Shares acquired according to the authorization shall either be cancelled, used as remuneration to the members of the board of directors of Kitron ASA, used in incentive schemes or be used as consideration in connection with acquisition of other companies or businesses, joint ventures or joint business operations, and acquisition of property and business within Kitron ASA's purpose.
- This authorization shall be valid until the 2022 annual general meeting, but not longer than 30 June 2022. The authority had not been exercised at 31 December 2021.

### Note 19 - Share based payment

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

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

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

During the period ended 31 December 2021, the Company has had share-based payment arrangements for employees, as described below. Option granted as of 31.12.2021 show grants gross before forfeited options.

Granted	2019	2020	2021
Type of arrangement	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	23.10.2019	10.07.2020	20.10.2021
Options granted as of 31.12.2021	1 250 000	1 250 000	1 190 000
Options not granted as of 31.12.2021	80 000	-	250 000
Contractual life	2.94 years	3.12 years	2.73 years



Granted	2019	2020	2021
	"100% of the options will vest three years after the start of the second calendar quarter of 2019.	"100% of the options will vest three years after the start of the second calendar quarter of 2020.	"100% of the options will vest three years after the start of the second calendar quarter of 2021.
	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.
Vesting conditions	The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause."	The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause."	The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause."
Expiry date	30.09.2022	30.09.2023	30.09.2024

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 2021 are listed below (calculated at grant):

Granted	2019	2020	2021
Exercise price	0.10	0.10	0.10
Share price at grant date	9.14	13.90	20.15
Expected life from grant date	2.77 years	2.95 years	2.94 years
Volatility	29 %	36 %	35 %
Interest rate	1.19%	0.168%	1.12 %
Fair value per option	2.57	6.65	7.48

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 2021 arising from the option plans are NOK 5 243 thousand, not including social security (2020: NOK 2 885 thousand).

The total carrying amount per 31 December 2021 is NOK 11 485 thousand, not including social security (2020: NOK 9 003 thousand). Accrued social security at 31 December 2021 is NOK 6 851 thousand (2020: NOK 2 374 thousand).

## Quantity and weighted average prices

Activity	Number of instruments	Weighted Average Strike Price
Outstanding OB (01.01.2020)	1 250 000	0.10
Granted	1 400 000	0.10
Exercised	-	-
Forfeited	-150 000	0.10
Expired	-	-
Outstanding CB (31.12.2020)	2 500 000	0.10
Vested CB	-	-
Outstanding OB (01.01.2021)	2 500 000	0.10
Granted	1 190 000	0.10
Exercised	-	-
Forfeited	- 270 000	0.10
Expired	-	-
Outstanding CB (31.12.2021)	3 420 000	0.10
Vested CB	-	-
Options not granted CB (31.12.2021)	330 000	-

Outstanding instruments			Vested instruments		
Strike price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2021	Weighted Average Strike Price
0.10	3 420 000	1.70	0.10	-	-

## Board

	Number of shares		Number of options	
	2021	2020	2021	2020
Tuomo Lähdesmäki, chairman	277 796	215 864	-	-
Gro Brækken, board member	46 380	43 147	-	-
Espen Gundersen, board member	52 380	49 147	-	-
Maalfrid Brath, board member	22 677	19 147	-	-
Christian Jebsen, board member	22 380	19 147	-	-
Petra Grandinson, board member	14 254	9 081	-	-
Jarle Larsen, employee elected board member	15 724	12 491	-	-
Tanja Rørheim, employee elected board member	22 380	19 147	-	-
Bjørn M. Gottschlich, employee elected board member	22 580	19 347	-	-

## Management

	Number of shares		Number of options	
	2021	2020	2021	2020
Peter Nilsson, CEO	2 287 182	2 079 182	1 030 000	760 000
Cathrin Nylander, CFO	955 627	868 752	370 000	270 000
Israel Losada Salvador, COO (left Kitron 30.09.2021)	-	743 831	-	270 000
Kristoffer Asklöv, COO (joined Kitron 01.09.2021)	51 561	-	250 000	-
Stian Haugen, CTO	51 561	-	220 000	120 000

Management	Number of shares		Number of options	
	2021	2020	2021	2020
Mindaugas Sestokas, Vice President and Managing Director	316 978	316 978	370 000	270 000
Hans Petter Thomassen, Vice President and Managing Director	387 460	387 460	370 000	270 000
Stefan Hansson Mutas, Managing Director	219 261	219 261	370 000	270 000
Zygimantas Dirse, Managing Director	452 622	452 622	370 000	270 000

## Note 20 - Accounts payable and other payables

NOK 1000	2021	2020
Accounts payable	917 779	702 368

NOK 1000	2021	2020
Public duties	44 195	26 583
Payable to related parties (note 27)	-	11 342
Other accruals	86 862	90 168
Other payables	131 057	128 093

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

NOK 1000	2021	2020
Trade and other payables		
CNY	40 946	30 504
EUR	252 426	193 977
NOK	146 187	145 149
SEK	95 832	81 757
USD	497 714	361 605
HKD	16	16
CHF	357	1 054
GBP	6 085	4 664
JPY	3 358	11 527
PLN	5 581	36
DKK	334	172
Total trade and other payables	1 048 836	830 461

## Note 21 - Borrowings

NOK 1000	2021	2020
<b>Long-term loans</b>		
Leasing	150 950	171 340
Other 1)	55 280	96 554
<b>Total</b>	<b>206 230</b>	<b>267 894</b>
<b>Current loans</b>		
Debt to credit institutions 2) (Note 17)	205 621	233 611
Factoring debt 3)	358 928	271 267
Leasing	46 544	55 391
Other 1)	182 154	82 454
<b>Total</b>	<b>793 247</b>	<b>642 723</b>
<b>Total loans</b>	<b>999 477</b>	<b>910 617</b>

1) Other long-term and current loans consist of bank loans from the group's principle banks. Interest is payable at a rate of IBOR and a margin, dependent on Kitron's NIBD/EBITDA ratio.

2) Kitron has established a group account agreement with the group's main bank. This embraces the Norwegian, Swedish, German, Polish and US companies. The group's short term bank financing is a revolving facility. There was a draft at the group account agreement at 31 December 2021 of NOK 131.4 million (2020: NOK 174.7 million). Interest is payable at a rate of IBOR and a margin.

3) Kitron has per 31 December 2021 factoring arrangements for the Norwegian, Swedish and Polish entities. The factoring facility is a rolling facility and is subject to yearly renewal. Interest is payable at a rate of IBOR and a margin.

The loan facilities with the company's main bank, described in 1) and 2), include covenants relating to factors as the company's gearing ratio, earnings and loan-to-value ratio. The company complies with these covenants at 31 December 2021.

Unrestricted bank deposits and unused credit lines amounted to NOK 512.5 million for the group at 31 December 2021 (NOK 218.2 million at 31 December 2020).

### Periods to maturity of long-term loans:

NOK 1000	2021	2020
Between one and two years	104 806	90 428
Between two and five years	81 109	153 608
Over 5 years	20 315	23 858
<b>Total</b>	<b>206 230</b>	<b>267 894</b>



### Carrying amount and fair value of long-term loans:

NOK 1000	Carrying amount		Fair value	
	2021	2020	2021	2020
Leasing	150 950	171 340	146 086	164 750
Other	55 280	96 554	51 257	92 840
<b>Total</b>	<b>206 230</b>	<b>267 894</b>	<b>197 343</b>	<b>257 590</b>

Fair value is based on discounted cash flow with a discount rate of 4.0 per cent (2020: 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:

NOK 1000	2021	2020
NOK	544 511	512 325
SEK	82 302	25 234
EUR	192 117	213 445
USD	159 697	88 012
CNY	20 850	71 602
<b>Total</b>	<b>999 477</b>	<b>910 617</b>

Loans include NOK 802.0 million (2020: 683.9 million) in secured commitments (bank loans and other secured loans).

### Mortgages

NOK 1000	2021	2020
Debt secured by mortgages	878 327	787 768

### Carrying amount of the group's assets provided as security:

NOK 1000	2021	2020
Buildings and land	38 059	42 262
Machinery and equipment	108 879	116 532
Cash	10 014	21 567
Receivables	455 284	364 443
Inventory and contract assets	833 148	705 253
<b>Total</b>	<b>1 445 384</b>	<b>1 250 057</b>

For the Swedish entity there are company mortgages of SEK 46.5 million at 31 December 2021 (2020: SEK 46.5 million).

Debt secured by mortgages includes leasing liabilities for machinery and equipment. The carrying amount of these fixed assets is included in the carrying amount of assets provided as security. Of the mortgage debt in the consolidated accounts, the commitment related to leasing recognised in the balance sheet amounted to NOK 76.3 million at 31 December 2021 (2020: NOK 103.5 million).

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

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

The group's guarantee provider had provided guarantees at 31 December for leasing obligations and tax due but not paid. These totalled NOK 3.4 million (2020: NOK 3.5 million) and NOK 15.0 million (2020: NOK 15.0 million) respectively for the group.

Per 31 December Kitron ASA has granted parent company guarantees of 25.6 million EUR related to lease obligations and factoring agreement for the polish subsidiary Kitron sp. z o.o (2020: EUR 25.6 million), and 350 million NOK related to bank financing for Kitron AS and Kitron AB (2020: NOK 350 million)

## 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.

### Deferred tax asset:

NOK 1000	2021	2020
Deferred tax asset to be recovered after more than 12 months	73 989	72 384

### Deferred tax liability:

NOK 1000	2021	2020
Deferred tax liability to be recovered after more than 12 months	4 223	4 728

Deferred tax asset (net)	69 766	67 656
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### Change in carrying amount of deferred tax asset:

NOK 1000	2021	2020
Opening balance	67 656	70 638
Currency translation differences	2 114	(2 216)
Profit and loss account	(3 175)	(1 622)
Other comprehensive income	793	856
Equity for the period	2 379	-
Closing balance	69 766	67 656

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

## Deferred tax liabilities:

NOK 1000	Fixed assets	Contract assets	Deferred capital gain	Total
At 1 January 2020	8 167	11 768	50	19 985
Profit/(loss) for the period	(1 922)	(575)	(5)	(2 502)
Other comprehensive income	-	-	-	-
Currency translation differences	196	58	0	254
At 31 December 2020	6 441	11 251	45	17 737
At 1 January 2021	6 441	11 251	45	17 737
Profit/(loss) for the period	1 172	(1 386)	(13)	(227)
Other comprehensive income	-	-	-	-
Currency translation differences	(178)	(19)	-	(197)
At 31 December 2021	7 435	9 846	32	17 313

## Deferred tax asset:

NOK 1000	Provision and current assets	Loss carried forward	Pension	Total
At 1 January 2020	733	88 590	1 298	90 621
Profit/(loss) for the period	914	(4 934)	(102)	(4 122)
Other comprehensive income	-	806	50	856
Currency translation differences	9	(1 971)	-	(1 962)
At 31 December 2020	1 656	82 491	1 246	85 393
At 1 January 2021	1 656	82 491	1 246	85 393
Profit/(loss) for the period	1 873	(5 167)	(108)	(3 402)
Other comprehensive income	-	709	84	793
Equity for the period	-	2 379	-	2 379
Currency translation differences	135	1 782	-	1 917
At 31 December 2021	3 664	82 194	1 222	87 079

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. Tax losses carried forward are related to the operations in Norway and USA.

Deferred tax assets related to losses carried forward in Norway of TNOK 26 840 (2020: TNOK 32 456) and in the USA of TNOK 54 204 (2020: TNOK 50 035).

The business improvements made and the expected development on future sales and profitability warrant deferred tax assets in the balance sheet of Kitron Technologies Inc. Utilization time for State tax losses carried forward is 20 years and infinite for Federal tax losses carried forward.

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

## 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 AFP-scheme 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.

	Unfunded	
NOK 1000	2021	2020
<b>Carrying amount of the obligation</b>		
Pension commitments	5 557	5 666
<b>Costs recognised in the profit and loss account (incl in note 8)</b>		
Pension costs (gain) defined benefit plans	81	101
<b>Cost recognised in other comprehensive income</b>		
Actuarial losses (gains) pensions	383	229
<b>Defined pension benefit plans</b>		
Carrying amount of the obligation is determined as follows		
Present value of pension obligation	(5 557)	(5 666)
Fair value of plan asset	-	-
Net commitments in unfunded defined benefit plans	(5 557)	(5 666)
Hereof payroll tax on the pension obligations	(687)	(700)
<b>Net pension obligation in the balance sheet</b>	<b>(5 557)</b>	<b>(5 666)</b>
<b>Net pension costs comprise</b>		
Interest cost	(81)	(101)
<b>Total, included in payroll costs</b>	<b>(81)</b>	<b>(101)</b>
<b>Change in carrying amount of pension commitments</b>		
Opening balance	(5 666)	(5 896)
Cost recognised in the profit and loss account for the year	(81)	(101)
Cost recognised in other comprehensive income	(383)	(229)
Benefits paid	573	560
<b>Closing balance</b>	<b>(5 557)</b>	<b>(5 666)</b>



NOK 1000	Unfunded	
	2021	2020
The following assumptions have been applied in calculating pension commitments:		
Discount rate	1.50 %	1.50 %
Annual pension adjustment	2.25%	1.75 %
Social security tax rate	14.10 %	14.10 %
Assumptions on mortality rates are based on published statistics in Norway	K2013	K2013
Number of employees in defined benefit plans	1	1

## Note 24 - Dividends per share

For 2020 a dividend of NOK 0.70 per share was paid. The Kitron Board of Directors will propose a dividend of NOK 0.25 per share for the financial year 2021 to the Annual General Meeting in April 2022. The dividend will be payable to shareholders registered in Kitron's shareholder register with the Norwegian Central Securities Depository (Euronext Securities Oslo – formerly named Euronext VPS) as of expiry of 29 April 2022 (being shareholders as of the date of the Annual General Meeting's resolution). The total proposed dividend is NOK 49.3 million.

## Note 25 - Cash flow from operations

NOK 1000	2021	2020
Profit/(loss) before tax	204 165	274 087
Depreciation and impairment	101 048	101 828
Change in inventory	(335 320)	(99 378)
Change in contract assets	(13 926)	(72 941)
Change in accounts receivable and other short term receivables	(30 105)	(139 515)
Change in factoring debt	87 661	22 683
Change in accounts payable and other short term payables	215 411	164 021
Change in pension funds/obligations	(299)	(409)
Effect from option costs	5 243	2 885
Change in other items	(44 844)	23 546
Other adjustments booked to equity	(12 377)	-
Forward contract	(7 474)	-
Interest cost - net	16 225	23 852
Foreign exchange losses / (gains) on operating activities	(2 053)	7 790
<b>Cash flow from continuing operations</b>	<b>183 357</b>	<b>308 448</b>

## Loans presented as financing activities in the cash flow statement:

NOK 1000	2021	2020
Leasing - long-term	150 950	171 340
Leasing - short-term	46 544	55 391
<b>Total lease liabilities</b>	<b>197 494</b>	<b>226 731</b>
Long-term bank loans	55 280	96 554
Short-term bank loans	182 154	82 454
<b>Total borrowings</b>	<b>237 434</b>	<b>179 008</b>

NOK 1000	Finance leases	Borrowings	Total
Loans as at 31 December 2020	(226 731)	(179 008)	(405 739)
Cash flows	29 185	(41 165)	(46 587)
Lease liabilities recognised	(191)		17 208
Foreign exchange adjustments	243	(53)	190
Other non-cash movements	-	(17 208)	-
<b>Loans as at 31 December 2021</b>	<b>(197 494)</b>	<b>(237 434)</b>	<b>(434 928)</b>

NOK 1000	Finance leases	Borrowings	Total
Loans as at 31 December 2019	(231 154)	(185 121)	(416 275)
Cash flows	29 653	22 790	52 443
Lease liabilities recognised	(21 359)		(21 359)
Foreign exchange adjustments	(3 871)	(7 264)	(11 135)
Other non-cash movements	-	(9 413)	(9 413)
<b>Loans as at 31 December 2020</b>	<b>(226 731)</b>	<b>(179 008)</b>	<b>(405 739)</b>

## Notes 26 - Leases

### Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

NOK 1000	31.12.2021	31.12.2020
<b>Right to use assets</b>		
Buildings and land	112 742	117 262
Machinery and equipment	126 761	139 630
<b>Total</b>	<b>239 503</b>	<b>256 892</b>
 <b>Lease liabilities**</b>		
Current	46 544	55 391
Non-Current	150 950	171 340
<b>Total</b>	<b>197 494</b>	<b>226 731</b>

\*\*included in the line items "Loans" in the balance sheet.

Additions to the right-of-use assets in 2021 were NOK 30.6 million (2020: NOK 37.8 million) (note 12).

### Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

NOK 1000	31.12.2021	31.12.2020
<b>Depreciation charge of right-of-use assets</b>		
Buildings and land	19 469	17 730
Machinery and equipment	30 477	32 617
<b>Total</b>	<b>49 946</b>	<b>50 347</b>
 Interest expense	 8 935	 9 456
Expenses relating to short-term leases	1 419	4 674
Expenses relating to leases of low-value	870	955
Expenses relating to variable lease payments not included in lease liabilities	-	-
Income from subleasing right of use assets	-	-
Gains or losses arising from sale and leaseback transactions	-	-

The total cash outflow for leases in 2021 was NOK 31.5 million (2020: NOK 29.7 million).

## Notes 27 - Related parties

NOK 1000	2021	2020
Remuneration of senior executives		
Pay and other benefits (1)	21 200	31 758
Balance items at 31 December resulting from purchase/sale of goods and services		
Payable to related parties:		
Senior executives (1)	-	11 352
<b>Total</b>	<b>-</b>	<b>11 352</b>

(1) Senior executives comprise the corporate management team at Kitron ASA. See table in 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

NOK 1000	2021	2020
Directors' fee:	2 834	2 590
- chairman	550	523
- board members	2 284	2 067
Auditors fee	3 068	3 082
- statutory audit	2 699	2 735
- audit related services		
- tax related services	164	176
- other services	205	171



## Remuneration of senior executives:

Name	Year	Fixed remuneration		Variable remun.			Total remuneration	Proportion of fixed/variable
		Base salary	Other benefits <sup>1</sup>	Bonus earned <sup>2</sup>	Multi-year variable	Pension expense <sup>3</sup>		
<b>Peter Nilsson</b> CEO (01.01.2021 - 31.12.2021)	2021	3 030	294			1 502	4 826	100%/0%
	2020	3 019	281	2 134		1 371	6 804	69%/31%
<b>Cathrin Nylander</b> CFO (01.01.2021 - 31.12.2021)	2021	2 153	282			294	2 729	100%/0%
	2020	2 172	241	1 516		305	4 235	64%/36%
<b>Kristoffer Asklöv</b> COO (01.09.2021 - 31.12.2021)	2021	764				269	1 033	100%/0%
	2020							
<b>Israel L. Salvador</b> COO (01.01.2021 - 30.09.2021)	2021	1 726	121			204	2 051	100%/0%
	2020	2 173	191	1 536		263	4 163	63%/37%
<b>Stian Haugen</b> CTO (01.01.2021 - 31.12.2021)	2021	1 217	172			73	1 461	100%/0%
	2020	1 086	173	857		75	2 191	61%/39%
<b>Zygimantas Dirse</b> Managing Director, Kitron Electronics Manufacturing (Ningbo) CO Ltd., China (01.01.2021 - 31.12.2021)	2021	1 738	327				2 066	100%/0%
	2020	1 765	335	1 285			3 385	62%/38%
<b>Stefan H Mutas</b> Managing Director, Kitron AB, Sweden (01.01.2021 - 31.12.2021)	2021	1 695	107			782	2 584	100%/0%
	2020	1 729	121	1 235		594	3 679	66%/34%
<b>Mindaugas Sestokas</b> Managing Director, UAB Kitron, Lithuania & VP Central Eastern Europe (01.01.2021 - 31.12.2021)	2021	1 981	126				2 107	100%/0%
	2020	2 092	133	1 494			3 719	60%/40%
<b>Hans Petter Thomassen</b> Managing Director, Kitron AS, Norway & VP North America (01.01.2021 - 31.12.2021)	2021	1 840	198				2 265	100%/0%
	2020	1 822	226	1 296		239	3 583	64%/36%

[1] Other benefits include the value of any benefits or prerequisites, such as non-business or non-assignment related travel, medical, car, education and training, residence or housing, credit cards, and other benefits in kind or prerequisites.

[2] Bonus earned includes the total monetary value of annual bonuses from the short term incentive program for the financial year.

[3] Pension expense includes contributions that effectively took place during the reported financial year to finance a fund or other pension scheme for future pension payout for the senior executive.

Name of Board member	Position	Type of remuneration	2020	2021
<b>Tuomo Juhani Lähdesmäki</b> (01.01.2021-31.12.2021)	Chair	Total regular board remuneration	510	524
		Amount of board remuneration paid in cash	304	313
		Amount of board remuneration used for share acquisition	206	211
		Remuneration for chair of the remuneration committee	13	26
<b>Gro Merete Brækken</b> (01.01.2021-31.12.2021)	Deputy chairperson	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for member of the remuneration committee	13	26
<b>Espen Gundersen</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for chair of the audit committee	29	37
<b>Maalfred Brath</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for member of the remuneration committee	5	26
<b>Christian Jebsen</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for member of the audit committee	29	32
<b>Bjørn Martin Gottschlich</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
<b>Tanja Rørheim</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for member of the audit committee	31	32
<b>Jarle Larsen</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	237	262
		Amount of board remuneration paid in cash	173	196
		Amount of board remuneration used for share acquisition	64	66
<b>Petra Grandinson</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	193	262
		Amount of board remuneration paid in cash	90	157
		Amount of board remuneration used for share acquisition	103	105
		Remuneration for member of the remuneration committee		35
<b>Elisabeth Jacobsen</b>	Deputy member	Regular board remuneration		
		Remuneration for member of the audit committee	12	

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 2021.

For more information about remuneration of senior executives, see separate Remuneration Report available at [kitron.com](http://kitron.com).

## Note 28 - Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2021. 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 Holding USA Inc	Delaware, USA	100%	100%	Shareholding
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	Property
UAB Kitron	Kaunas, Lithuania	100%	100%	EMS manufacturing
Kitron sp. z o.o	Grudziadz, Poland	100%	100%	EMS Manufacturing

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

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

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

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

## Note 29 - Government grants

The group has received grants in 2021 of TNOK 930 (2020: 2 594). TNOK 797 was for employee training and NOK 133 was a business reward.

The amount has reduced payroll expenses and other operating expenses correspondingly.

### Note 30 - Derivatives

In December 2021, Kitron announced an agreement to acquire the Danish EMS company BB Electronics A/S. The purchase price to be paid, after certain post signing adjustments, is DKK 663.9 million, subject to post-closing adjustments, if any. The acquisition was completed early in January 2022.

As a result of the agreement, and with the purpose of securing cash flow in connection with purchase price payment, Kitron ASA entered a foreign currency forward contract, see details in table below:

Maturity	7 January 2022
Trade date	23 December 2021
Currency pair	DKKNOK
Buy	650 million DKK
Rate	1.3549
Market value at 31 December 2021	-7 474 TNOK
Spot rate	1.3434

Unrealized loss at 31 December 2021 of 7 474 TNOK is included in other short-term debt and other comprehensive income.

## Note 31 – Subsequent events

In December 2021, Kitron announced an agreement to acquire the Danish EMS company BB Electronics A/S, which has production facilities in Denmark, China and the Czech Republic.

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

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

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

The preliminary fair value assessment of the assets and liabilities recognized as a result of the acquisition is as follows:

### Fair value

NOK 1000	01.01.2022
Goodwill	27 454
Other intangible assets	25 400
Other intangible assets, customer contracts	509 263
Property, plant and equipment	115 395
Right-of-use assets	38 084
Deferred tax assets	15 936
Inventory	464 073
Accounts receivable	218 270
Contract assets	74 896
Other receivables	34 888
Cash and cash equivalents	26 565
Deferred tax	(114 302)
Loans	(124 796)
Accounts payable	(434 937)
Other payables	(182 882)
Tax payable	(6 174)
Loans	(15 934)
Net identifiable assets acquired	671 198
Add: goodwill	224 819
<b>Net assets acquired</b>	<b>896 017</b>

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



## ANNUAL ACCOUNTS KITRON ASA

### Income statement, Kitron ASA

NOK 1000	Note	2021	2020
<b>Revenues</b>			
Sales revenues	2.7	118 029	113 322
<b>Total revenues</b>		<b>118 029</b>	<b>113 322</b>
<b>Operating costs</b>			
Payroll expenses	3,4,7,11,13	71 706	70 377
Depreciation and impairments	5.6	5 760	6 286
Other operating expenses	13	70 714	59 793
<b>Total operating costs</b>		<b>148 180</b>	<b>136 456</b>
<b>Operating profit / (loss)</b>		<b>(30 151)</b>	<b>(23 134)</b>
<b>Financial income and expenses</b>			
Intra group interest income	7	5 370	7 592
Other interest income		3 326	3 925
Other financial income	7.18	160 266	96 693
Interest expenses		7 182	9 402
Other financial expenses	18	1 993	1 729
<b>Net financial items</b>		<b>159 787</b>	<b>97 079</b>
<b>Profit before tax</b>		<b>129 636</b>	<b>73 945</b>
Tax	8	(4 187)	(3 788)
<b>Net profit / (loss)</b>		<b>133 823</b>	<b>77 733</b>

## Balance sheet at 31 December, Kitron ASA

NOK 1000	Note	31.12.2021	31.12.2020
<b>Assets</b>			
<b>Fixed Assets</b>			
Intangible fixed assets			
Deferred tax	8	31 505	35 717
Other intangible assets	6	39 229	38 343
<b>Total intangible fixed assets</b>		<b>70 734</b>	<b>74 060</b>
Tangible fixed assets			
Machinery, equipment etc.	5.16	566	620
Financial fixed assets			
Investment in subsidiaries	9.16	421 254	421 254
Intra-group loans	7,14,16	141 669	138 521
<b>Total financial fixed assets</b>		<b>562 923</b>	<b>559 775</b>
<b>Total fixed assets</b>		<b>634 223</b>	<b>634 455</b>
<b>Current Assets</b>			
Receivables			
Accounts receivables	7.16	69 733	53 091
Other receivables	7.16	185 793	159 391
Total receivables		255 526	212 482
Bank deposits, cash in hand etc.	17	348 790	11 716
<b>Total current assets</b>		<b>604 316</b>	<b>224 198</b>
<b>Total assets</b>		<b>1 238 539</b>	<b>858 653</b>

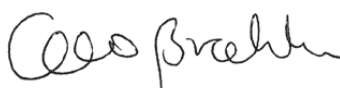
## Balance sheet at 31 December, Kitron ASA (continued)

NOK 1000	Note	31.12.2021	31.12.2020
<b>Liabilities and equity</b>			
<b>Equity</b>			
<b>Paid-in equity</b>			
Share capital (197 014 389 shares at NOK 0,10)	10.12	19 701	17 910
Share premium reserve	10	579 392	242 827
<b>Total paid-in equity</b>		<b>599 093</b>	<b>260 737</b>
Other Equity	10.11	217 090	130 958
<b>Total equity</b>		<b>816 183</b>	<b>391 695</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Pension commitments	4	5 557	5 666
<b>Loans</b>	15	<b>54 000</b>	<b>90 000</b>
<b>Total long-term liabilities</b>		<b>59 557</b>	<b>95 666</b>
<b>Current liabilities</b>			
Loans	15,16,17	277 433	219 508
Accounts payable	7	13 395	7 296
Dividend		49 254	125 373
Other current liabilities		22 717	19 115
<b>Total current liabilities</b>		<b>362 799</b>	<b>371 292</b>
<b>Total liabilities</b>		<b>422 356</b>	<b>466 958</b>
<b>Total liabilities and equity</b>		<b>1 238 539</b>	<b>858 653</b>

Oslo, 22 March 2022



Tuomo Lähdesmäki  
Chairman



Gro Brækken  
Deputy Chairman



Christian Jebsen  
Board Member



Espen Gundersen  
Board Member



Petra Grandinson  
Board Member



Maalfrid Brath  
Board Member



Bjørn Gottschlich  
Employee Elected Board Member



Tanja Rørheim  
Employee Elected Board Member



Jarle Larsen  
Employee Elected Board Member



Lars Peter Nilsson  
CEO of Kitron ASA

## Cash flow statement, Kitron ASA

NOK 1000	Note	2021	2020
<b>Cash flows from operational activities</b>			
Profit before tax		129 636	73 945
Ordinary depreciation		5 760	6 286
Change in accounts receivables		-16 642	-27 671
Change in accounts payables		6 099	300
Change in pension funds/ obligations		-408	-409
Option costs without cash effect		5 243	2 885
Change in other accrual items		-21 350	409
<b>Net cash flow from operational activities</b>		<b>108 338</b>	<b>55 745</b>
<b>Cash flows from investment activities</b>			
Acquisition of fixed assets		-6 591	-22 337
<b>Net cash flow from investment activities</b>		<b>-6 591</b>	<b>-22 337</b>
<b>Cash flows from financing activities</b>			
Net change in overdraft facilities		-42 075	57 573
Payment from new borrowings		100 000	80 000
Repayment of borrowings		-36 000	-81 250
Issue of ordinary shares		338 775	
Payment of dividend		-125 373	-89 552
<b>Net cash flow from financing activities</b>		<b>235 327</b>	<b>-33 229</b>
<b>Net change in cash and cash equivalents</b>		<b>337 074</b>	<b>190</b>
Cash and cash equivalents at 1 January		11 716	11 526
<b>Cash and cash equivalents at 31 December</b>		<b>348 790</b>	<b>11 716</b>

## NOTES TO THE ANNUAL ACCOUNTS KITRON ASA

### Accounting principles

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

### Revenue recognition

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

### Classification and recognition of assets and liabilities

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

### Intangible fixed assets

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

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

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

### Tangible fixed assets

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

### Subsidiaries

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



**Accounts receivables**

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

**Foreign currencies**

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

**Pensions**

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

**Tax**

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

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

**Cash flow statement**

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

## Note 1 - Financial risk

### Interest rate risk

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

### Currency risk

Exchange rate developments represent a risk for the company both directly and indirectly. At 31 December 2021 the company had one forward contract regarding DKK that reduced risk (note 19).

### 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

NOK 1000	2021	2020
Norway	32 353	32 050
Sweden	21 390	20 295
Lithuania	42 768	43 013
Other	21 518	17 964
<b>Total</b>	<b>118 029</b>	<b>113 322</b>

## Note 3 - Payroll expenses

### Payroll costs

NOK 1000	2021	2020
Pay	58 440	61 550
Payroll taxes	3 647	3 093
Pension costs	1 692	1 819
Other remuneration	7 927	3 915
<b>Total</b>	<b>71 706</b>	<b>70 377</b>
Average number of FTEs	70	67

## 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

NOK 1000	2021	2020
Carrying amount of the obligation is determined as follows:		
Present value of accrued pension commitments in unfunded benefit plans	5 557	5 666
+/- unrecognised actuarial gains and losses	-	-
<b>Net commitments in unfunded defined benefit plans</b>	<b>5 557</b>	<b>5 666</b>
Hereof payroll tax on the pension obligation	687	700
Pension costs comprise:		
Interest costs	81	101
<b>Net pension cost for unfunded plans</b>	<b>81</b>	<b>101</b>
<b>Net pension cost for contribution based pension plans</b>	<b>1 611</b>	<b>1 718</b>
<b>Net pension costs included in note 3</b>	<b>1 692</b>	<b>1 819</b>
Cost recognised in equity		
Actuarial losses pensions	383	229

### The following assumptions have been applied in calculating pension commitments

Discount rate	1.5 %	1.5 %
Annual pension adjustment	2.25 %	1.75 %
Social security tax rate	14.1 %	14.1 %

## Note 5 - Tangible fixed assets and depreciation

NOK 1000	Machinery and equipment
Acquisition cost at 1 January	18 830
Additions during the year	-
Disposal during the year	-
Acquisition cost at 31 December	18 830
Accumulated depreciation 1 January	18 210
Depreciation during the year	54
Disposal during the year	-
Accumulated depreciation at 31 December	18 264
Book value 31 December	566
Useful lifetime	3 - 5 years
Depreciation plan	Linear

## Annual lease of fixed assets unrecognised in the balance sheet

NOK 1000	Length of lease	Annual rent
Premises	>2022	870
Company cars	2022	661

## Note 6 - Other intangible assets

NOK 1000	System software
Acquisition cost at 1 January	92 225
Additions during the year	6 591
Acquisition cost at 31 December	98 816
Accumulated depreciation at 1 January	53 882
Depreciation during the year	5 705
Accumulated depreciations at 31 December	59 587
Book value 31 December	39 229
Depreciation plan	Linear
Useful lifetime	5-7 years

## Note 7 - Related parties

NOK 1000	2021	2020
<b>Sales revenues</b>		
From subsidiaries (1)	118 029	113 322
<b>Purchase of goods and services</b>		
From subsidiaries (1)	47 967	41 835
<b>Remuneration of senior executives</b>		
Pay and other short-term benefits (2)	12 100	17 393
<b>Financial income</b>		
Interest income from subsidiaries (1)	5 370	7 592
Dividend and group contribution from subsidiaries	160 266	95 160
<b>Total</b>	<b>165 636</b>	<b>102 752</b>
<b>Balance items at 31 December resulting from transactions with related parties</b>		
<b>Receivables and loans</b>		
Subsidiaries (1)	366 930	338 610
<b>Total</b>	<b>366 930</b>	<b>338 610</b>
<b>Payables</b>		
Subsidiaries (1)	5 459	3 843
<b>Total</b>	<b>5 459</b>	<b>3 843</b>

(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

NOK 1000	2021	2020
<b>Tax cost for the year breaks down into:</b>		
Tax payable	-	-
Change in deferred tax	(8 294)	(3 837)
<b>Deferred tax charged to equity</b>	<b>4107</b>	<b>50</b>
<b>Total tax cost</b>	<b>(4 187)</b>	<b>(3 787)</b>
<b>Calculation of tax base for the year:</b>		
Profit before tax	129 636	73 930
Permanent differences *)	(167 947)	(91 377)
Change in temporary differences	10 077	4 301
Group contribution received	57 225	60 849
Change in tax loss carried forward	(28 991)	(47 703)
Tax base for the year	-	-
<b>Overview of temporary differences</b>		
Fixed assets	(606)	(876)
Pensions	(5 557)	(5 666)
Other temporary differences	(15 123)	(4 685)
Gain and loss account	77	97
<b>Total</b>	<b>(21 209)</b>	<b>(11 130)</b>
Loss carried forward	(121 999)	(151 220)
<b>Total</b>	<b>(143 208)</b>	<b>(162 350)</b>
Deferred tax asset (22%)	31 505	35 717
<b>Explanation of why tax cost for the year does not equal 22% of pre-tax result</b>		
22% of loss before tax	28 520	16 265
Permanent differences 22%	(36 948)	(20 103)
Tax effect of actuarial gains and losses charged to equity	84	50
Tax effect of gains and losses on derivatives booked against equity	1644	-
Tax effect of transaction costs booked against equity	2378	-
Prior Year adjustments	135	-
<b>Calculated tax cost</b>	<b>(4 187)</b>	<b>(3 787)</b>
Effective tax rate **)	(3.2 %)	(5.1%)

\*) 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

NOK 1000	Country of incorporation	Share-holding	Voting share	Book value
Kitron AS	Arendal, Norway	100%	100%	243 737
Kitron AB	Jönköping, Sweden	100%	100%	13 463
Kitron Hong Kong Ltd	Hong Kong	100%	100%	1
Kitron GmbH	Metzingen, Germany	100%	100%	30 194
Kitron Holding USA Inc	Delaware, USA	100%	100%	69 433
UAB Kitron Real Estate	Kaunas, Lithuania	100%	100%	12 422
UAB Kitron	Kaunas, Lithuania	100%	100%	29 201
Kitron sp. z o.o	Grudziadz, Poland	100%	100%	22 804
Total investment in subsidiaries				421 254

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

NOK 1000	Country of incorporation	Share-holding	Voting share	Book value
Kitron Electronics Manufacturing (Ningbo) Co., Ltd.	Ningbo China	100%	100%	38 231
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	2 042

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

NOK 1000	Country of incorporation	Share-holding	Voting share	Book value
Kitron Technologies Inc	Delaware, US	100%	100%	-
Kitron Systems Inc	Delaware, US	100%	100%	-

## Note 10 - Equity

NOK 1000	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2020	17 910	242 827	130 958	391 695
Net profit	-	-	133 823	133 823
Effect from option costs	-	-	5 243	5 243
Actuarial gains and losses pensions	-	-	(299)	(299)
Issue of ordinary shares	1 791	336 565		338 356
Gain/(losses) on derivatives			(5 831)	(5 831)
Tax effect from costs charged to equity			2 450	2 450
Accrued dividend	-	-	(49 254)	(49 254)
At 31 December 2021	19 701	579 392	217 090	816 183

## Note 11 - Share-based payments

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

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

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

During the period ended 31 December 2021, the Company has had share-based payment arrangements for employees, as described below.

Granted	2019	2020	2021
Type of arrangement	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	23.10.2019	10.07.2020	20.10.2021
Options granted as of 31.12.2021	1 250 000	1 250 000	1 190 000
Options not granted as of 31.12.2021	80 000	-	250 000
Contractual life	2.94 years	3.12 years	2.73 years
	"100% of the options will vest three years after the start of the second calendar quarter of 2019.	"100% of the options will vest three years after the start of the second calendar quarter of 2020.	"100% of the options will vest three years after the start of the second calendar quarter of 2021.
	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.
Vesting conditions	The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause."	The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause."	The market cap of the Company must have increased according to specific criterias during the vesting period. The number of options that are vested is inter alia linked linearly to the development of the share quote of the Kitron shares at the Oslo Stock Exchange, adjusted for dividend and share buy-backs. The program has a clawback clause."
Expiry date	30.09.2022	30.09.2023	30.09.2024

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 2021 are listed below (calculated at grant):

Granted	2019	2020	2021
Exercise price	0.10	0.10	0.10
Share price at grant date	9.14	13.90	20.15
Expected life from grant date	2.77 years	2.95 years	2.94 years
Volatility	29 %	36 %	35 %
Interest rate	1.19%	0.168%	1.12 %
Fair value per option	2.57	6.65	7.48

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 2021 arising from the option plans are NOK 5 243 thousand, not including social security (2020: NOK 2 885 thousand).

The total carrying amount per 31 December 2021 is NOK 11 485 thousand, not including social security (2020: NOK 9 003 thousand). Accrued social security at 31 December 2021 is NOK 6 851 thousand (2020: NOK 2 374 thousand).

Quantity and weighted average prices		
Activity	Number of instruments	Weighted Average Strike Price
Outstanding OB (01.01.2020)	1 250 000	0.10
Granted	1 400 000	0.10
Exercised	-	-
Forfeited	-150 000	0.10
Expired	-	-
Outstanding CB (31.12.2020)	2 500 000	0.10
Vested CB	0	
Outstanding OB (01.01.2021)	2 500 000	0.10
Granted	1 190 000	0.10
Exercised	-	-
Forfeited	- 270 000	0.10
Expired	0	-
Outstanding CB (31.12.2021)	3 420 000	0.10
Vested CB	0	-
Options not granted CB (31.12.2021)	330 000	

Outstanding instruments			Vested instruments		
Strike price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2021	Weighted Average Strike Price
0.10	3 420 000	1.70	0.10	0	-

Board	Number of shares		Number of options	
	2021	2020	2021	2020
Tuomo Lähdesmäki, chairman	277 796	215 864	-	-
Gro Brækken, board member	46 380	43 147	-	-
Espen Gundersen, board member	52 380	49 147	-	-
Maalfrid Brath, board member	22 677	19 147	-	-
Christian Jebsen, board member	22 380	19 147	-	-
Petra Grandinson, board member	14 254	9 081	-	-
Jarle Larsen, employee elected board member	15 724	12 491	-	-
Tanja Rørheim, employee elected board member	22 380	19 147	-	-
Bjørn M. Gottschlich, employee elected board member	22 580	19 347	-	-

Management	Number of shares		Number of options	
	2021	2020	2021	2020
Peter Nilsson, CEO	2 287 182	2 079 182	1 030 000	760 000
Cathrin Nylander, CFO	955 627	868 752	370 000	270 000
Israel Losada Salvador, COO (left Kitron 30.09.2021)	-	743 831	-	270 000
Kristoffer Asklöv, COO (joined Kitron 01.09.2021)	51 561		250 000	
Stian Haugen, CTO	51 561	-	220 000	120 000
Mindaugas Sestokas, Vice President and Managing Director	316 978	316 978	370 000	270 000
Hans Petter Thomassen, Vice President and Managing Director	387 460	387 460	370 000	270 000
Stefan Hansson Mutas, Managing Director	219 261	219 261	370 000	270 000
Zygimantas Dirse, Managing Director	452 622	452 622	370 000	270 000

## Note 12 - Shares and shareholders information

The company's share capital at 31 December 2021 comprised 197 014 389 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 9 010 shareholders at 31 December 2021.

Shareholder	Number	Percentage
FOLKETRYGDFONDET	18 610 708	9.45 %
VEVLEN GÅRD AS	14 850 000	7.54 %
MP PENSJON PK	10 424 520	5.29 %
The Northern Trust Comp, London Br	9 430 009	4.79 %
Danske Invest Norge Vekst	7 165 164	3.64 %
AAT INVEST AS	7 052 772	3.58 %
J.P. MORGAN BANK LUXEMBOURG S.A.	6 191 985	3.14 %
VJ INVEST AS	4 514 760	2.29 %
Avanza Bank AB <sup>1</sup>	3 936 973	2.00 %
The Bank of New York Mellon SA/NV	3 757 000	1.91 %
The Bank of New York Mellon SA/NV	3 750 000	1.90 %
VERDIPAPIRFONDET HOLBERG NORGE	3 200 000	1.62 %
J.P. MORGAN BANK LUXEMBOURG S.A.	2 734 320	1.39 %
VARNER EQUITIES AS	2 711 724	1.38 %
VERDIPAPIRFONDET DNB SMB	2 677 623	1.36 %
VERDIPAPIRFOND ODIN NORGE	2 325 000	1.18 %
HAUSTA INVESTOR AS	1 984 000	1.01 %
EQUINOR PENSJON	1 846 166	0.94 %
The Bank of New York Mellon SA/NV	1 769 574	0.90 %
VERDIPAPIRFONDET KLP AKSJENORGE IN	1 721 433	0.87 %
<b>Total 20 largest shareholders</b>	<b>110 653 731</b>	<b>56.17 %</b>
Total other shareholders	86 360 658	43.83 %
<b>Total outstanding shares</b>	<b>197 014 389</b>	<b>100.00 %</b>

[1] Beneficial owner: CEO Peter Nilsson 2 287 182 shares (1.16 per cent)

## **Authorized share capital**

### **Authorization to the board to issue shares**

The ordinary general meeting of 21 April 2021 authorized the board of directors of Kitron ASA to increase the share capital in accordance with the Norwegian Public Limited Liability Companies Act section 10-14 on the following conditions:

- The share capital may, in one or more rounds, in total be increased with up to NOK 1 791 039.90.
- The authorization shall be valid until the Annual General Meeting in 2022, but no later than 30 June 2022.
- The shareholders' pre-emptive rights according to the Norwegian Public Limited Liability Companies Act section 10-4 may be set aside.
- The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company.
- The authorization encompasses share capital increase by contribution in any kind and the right to incur Kitron ASA with special obligations according to the Norwegian Public Limited Liability Companies Act section 10-2.
- The authorization encompasses resolutions on merger according to the Norwegian Public Limited Liability Companies Act section 13-5.
- 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, for remuneration to the members of the board of directors of Kitron ASA, for incentive schemes, and acquisition of property and business within Kitron ASA's purpose.
- The board of directors decides on the other terms and conditions and is authorized to amend the articles of association as implied by the use of this authorization.
- This authorization replaces any previously granted authorizations for the board of directors to increase the share capital.
- The authority was exercised on 22 December 2021. The company carried out a private placement by issuing 17 910 399 new shares. The company's new registered share capital is 19 701 438.90, divided into 197 014 389 shares, each with a par value of NOK 0.10 per share.



### Authorization to the board to buy own shares

The ordinary general meeting on 21 April 2021 authorized the board of directors of Kitron ASA to acquire Kitron ASA's own shares, for the purpose of ownership or charge, in accordance with the Norwegian Public Limited Liability Companies Act sections 9-4 and 9-5 on the following conditions:

- The Board of Directors may acquire shares in Kitron ASA, on one or several occasions, provided that the total combined nominal value of the acquired shares after the acquisition must not exceed ten per cent of the share capital, i.e. up to a total nominal value of NOK 1,791,039.90. The authorization also includes contract liens in the shares of Kitron ASA.
- The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company.
- Under this authorization the board of directors may 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 50 per share.
- Any and all previous authorizations given to the board of directors to acquire own shares shall be, and hereby are, withdrawn with effect from the date this authorization is registered with the Norwegian Register of Business Enterprises.
- Shares acquired according to the authorization shall either be cancelled, used as remuneration to the members of the board of directors of Kitron ASA, used in incentive schemes or be used as consideration in connection with acquisition of other companies or businesses, joint ventures or joint business operations, and acquisition of property and business within Kitron ASA's purpose.
- This authorization shall be valid until the 2022 annual general meeting, but not longer than 30 June 2022. The authority had not been exercised at 31 December 2021.

### Note 13 - Remuneration of senior executives, directors and auditors

#### Remuneration of senior executives, directors and auditor

NOK 1000	2021	2020
Directors' fee:	2 834	2 407
- chairman	550	523
- board members	2 284	2 067
Auditors fee	1 455	1 454
- statutory audit	1 252	1 251
- audit related services		-
- tax related services	70	78
- other services	133	125

## Remuneration of senior executives:

Name	Year	Fixed remuneration		Variable remun.			Total remuneration	Proportion of fixed/variable
		Base salary	Other benefits <sup>1</sup>	Bonus earned <sup>2</sup>	Multi-year variable	Pension expense <sup>3</sup>		
<b>Peter Nilsson</b> CEO (01.01.2021 - 31.12.2021)	2021	3 030	294			1 502	4 826	100%/0%
	2020	3 019	281	2 134		1 371	6 804	69%/31%
<b>Cathrin Nylander</b> CFO (01.01.2021 - 31.12.2021)	2021	2 153	282			294	2 729	100%/0%
	2020	2 172	241	1 516		305	4 235	64%/36%
<b>Kristoffer Asklöv</b> COO (01.09.2021 - 31.12.2021)	2021	764				269	1 033	100%/0%
	2020							
<b>Israel L. Salvador</b> COO (01.01.2021 - 30.09.2021)	2021	1 726	121			204	2 051	100%/0%
	2020	2 173	191	1 536		263	4 163	63%/37%
<b>Stian Haugen</b> CTO (01.01.2021 - 31.12.2021)	2021	1 217	172			73	1 461	100%/0%
	2020	1 086	173	857		75	2 191	61%/39%
<b>Zygimantas Dirse</b> Managing Director, Kitron Electronics Manufacturing (Ningbo) CO Ltd., China (01.01.2021 - 31.12.2021)	2021	1 738	327				2 066	100%/0%
	2020	1 765	335	1 285			3 385	62%/38%
<b>Stefan H Mutas</b> Managing Director, Kitron AB, Sweden (01.01.2021 - 31.12.2021)	2021	1 695	107			782	2 584	100%/0%
	2020	1 729	121	1 235		594	3 679	66%/34%
<b>Mindaugas Sestokas</b> Managing Director, UAB Kitron, Lithuania & VP Central Eastern Europe (01.01.2021 - 31.12.2021)	2021	1 981	126				2 107	100%/0%
	2020	2 092	133	1 494			3 719	60%/40%
<b>Hans Petter Thomassen</b> Managing Director, Kitron AS, Norway & VP North America (01.01.2021 - 31.12.2021)	2021	1 840	198				2 265	100%/0%
	2020	1 822	226	1 296		239	3 583	64%/36%

[1] Other benefits include the value of any benefits or prerequisites, such as non-business or non-assignment related travel, medical, car, education and training, residence or housing, credit cards, and other benefits in kind or prerequisites.

[2] Bonus earned includes the total monetary value of annual bonuses from the short term incentive program for the financial year.

[3] Pension expense includes contributions that effectively took place during the reported financial year to finance a fund or other pension scheme for future pension payout for the senior executive.

Name of board member	Position	Type of remuneration	2020	2021
<b>Tuomo Juhani Lähdesmäki</b> (01.01.2021-31.12.2021)	Chair	Total regular board remuneration	510	524
		Amount of board remuneration paid in cash	304	313
		Amount of board remuneration used for share acquisition	206	211
		Remuneration for chair of the remuneration committee	13	26
<b>Gro Merete Brækken</b> (01.01.2021-31.12.2021)	Deputy chairperson	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for member of the remuneration committee	13	26
<b>Espen Gundersen</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for chair of the audit committee	29	37
<b>Maalfriid Brath</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for member of the remuneration committee	5	26
<b>Christian Jebsen</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for member of the audit committee	29	32
<b>Bjørn Martin Gottschlich</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
<b>Tanja Rørheim</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	255	262
		Amount of board remuneration paid in cash	191	196
		Amount of board remuneration used for share acquisition	64	66
		Remuneration for member of the audit committee	31	32
<b>Jarle Larsen</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	237	262
		Amount of board remuneration paid in cash	173	196
		Amount of board remuneration used for share acquisition	64	66
<b>Petra Grandinson</b> (01.01.2021-31.12.2021)	Board member	Total regular board remuneration	193	262
		Amount of board remuneration paid in cash	90	157
		Amount of board remuneration used for share acquisition	103	105
		Remuneration for member of the remuneration committee		35
<b>Elisabeth Jacobsen</b>	Deputy member	Regular board remuneration		
		Remuneration for member of the audit committee	12	

No payroll tax is included in the tables above.

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 2021.

For more information about remuneration of senior executives, see separate Remunerataion Report available at [kitron.com](http://kitron.com).

## Note 14 - Receivables

NOK 141.7 million of the NOK 141.7 million in intra-group loans at 31 December 2021 falls due later than one year after the end of the fiscal year.

NOK 1000	2021	2020
Kitron Technologies Inc	123 039	118 994
UAB Kitron Real Estate	18 630	19 527
<b>Total</b>	<b>141 669</b>	<b>138 521</b>

## Note 15 - Information on long-term liabilities to financial institutions

The company has long-term bank loans of NOK 90.0 million at 31 December 2021 (NOK 126.0 million at 31 December 2020). Of this is NOK 36.0 million short-term part and is due within one year. The group's long-term and short-term bank financing includes covenants relating to factors such as the company's balance sheet values and earnings. The company complies with these covenants at 31 December 2021.

## Note 16 - Mortgages

NOK 1000	2021	2020
Debt secured by mortgages:	331 433	309 508
Carrying amount of assets provided as security:		
Machinery and equipment	566	620
Receivables	397 195	350 981

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.

The group's guarantee provider had provided guarantees at 31 December for leasing obligations and tax due but not paid. These totalled NOK 0.5 million (2020: NOK 0.5 million) and NOK 5.0 million (2020: NOK 4.0 million) respectively.

Per 31 December 2021 Kitron ASA has granted the following parent company guarantees:

- 14.3 million EUR related to lease obligations for the Polish subsidiary Kitron sp. z.o.o (2020: 14.3 million EUR)
- 11.3 million EUR related to factoring agreement for the Polish subsidiary Kitron sp. z o.o (2020: 11.3 million EUR)
- 350 million NOK related to bank financing for Kitron AS and Kitron AB (2020: 350 million NOK)

## Note 17 - Liquid assets

Kitron ASA has established a group account agreement with the company's main bank. This embraces Kitron ASA and its Norwegian, Swedish, German, US and Polish subsidiaries. Unused credit lines amounted to NOK 90.2 million at the end of 2021.

## Note 18 - Items consolidated in the accounts

### Other financial income

NOK 1000	2021	2020
Dividend and group contribution	160 266	95 160
Currency gain		1 533
<b>Total other financial income</b>	<b>160 266</b>	<b>96 693</b>
<b>Other financial expenses</b>		
Currency loss	1 467	-
Other financial expenses	526	1 729
<b>Total other financial expenses</b>	<b>1 993</b>	<b>1 729</b>

## Note 19 - Derivatives

In December 2021, Kitron announced an agreement to acquire the Danish EMS company BB Electronics A/S. The purchase price to be paid, after certain post signing adjustments, is DKK 663.9 million, subject to post-closing adjustments, if any. The acquisition was completed early in January 2022.

As a result of the agreement, and with the purpose of securing cash flow in connection with purchase price payment, Kitron ASA entered a foreign currency forward contract, see details in table below:

Maturity	7 January 2022
Trade date	23 December 2021
Currency pair	DKKNOK
Buy	650 million DKK
Rate	1.3549
Market value at 31 December 2021	-7 474 TNOK
Spot rate	1.3434

Unrealized loss at 31 December 2021 of 7 474 TNOK is included in other short-term debt and charged to equity.



To the General Meeting of Kitron ASA

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

#### *Opinion*

We have audited the financial statements of Kitron ASA, which comprise:

- The financial statements of the parent company Kitron ASA (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Kitron ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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.

Our opinion is consistent with our additional report to the Audit Committee.

#### *Basis for Opinion*

We conducted our audit in accordance with 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap





## Independent Auditor's Report - Kitron ASA

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 17 years from the election by the general meeting of the shareholders on 29 April 2005 for the accounting year 2005.

### Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Operating costs and percentage of completion method</i></p> <p>Based on the guidance for IFRS 15, a significant portion of the revenues is recognized over the contract period based on estimated percentage of completion for the relevant contracts.</p> <p>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.</p> <p>See also note 2 and 6 to the financial statements where management explain how they account for revenue from contracts with customers,</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>No significant exception was noted from our work.</p> <p>We assessed the appropriateness of the related disclosures in notes and found them to appropriately explain accounting for revenue and to be in accordance with IFRS requirements.</p>

(2)

## Independent Auditor's Report - Kitron ASA

*Other Information*

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view 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.





## Independent Auditor's Report - Kitron ASA

*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 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

(4)

## Independent Auditor's Report - Kitron ASA



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

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

### *Report on Other Legal and Regulatory Requirements*

#### *Report on compliance with Regulation on European Single Electronic Format (ESEF)*

##### *Opinion*

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 5967007LIEEXZXIG6009-2021-12-31-en have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

##### *Management's Responsibilities*

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

##### *Auditor's Responsibilities*

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 22 March 2022

**PricewaterhouseCoopers AS**



Herman Skibrek  
State Authorised Public Accountant

(5)

## RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

- the consolidated financial statements for 2021 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 2021 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway

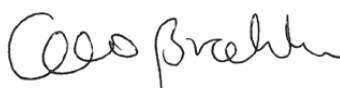
and that

- 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, 22 March 2022



Tuomo Lähdesmäki  
Chairman



Gro Brækken  
Deputy Chairman



Christian Jebsen  
Board Member



Espen Gundersen  
Board Member



Petra Grandinson  
Board Member



Maalfrid Brath  
Board Member



Bjørn Gottschlich  
Employee Elected Board Member



Tanja Rørheim  
Employee Elected Board Member



Jarle Larsen  
Employee Elected Board Member



Lars Peter Nilsson  
CEO of Kitron ASA

## DEFINITION OF APMs

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

Our definitions and explanations of these terms follow below:

### Order backlog

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

### Foreign exchange effects

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

### EBITDA

Operating profit (EBIT) + Depreciation and Impairments

### EBIT

Operating profit

### EBIT margin (%)

Operating profit (EBIT) / Revenue

### Net working capital

Inventory + Contract assets + Accounts Receivables – Accounts Payable

### Operating capital

Other intangible assets + Tangible fixed assets + Net working capital

### Return on operating capital (ROOC) %

Annualised Operating profit (EBIT) / Operating Capital

### Return on operating capital (ROOC) R3 %

(Last 3 months Operating profit (EBIT))\*4 / (Last 3 months Operating Capital /3)

### Direct Cost

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

### Days of Inventory Outstanding

360/ (Annualised Direct Costs/(Inventory + Contract assets))

### Days of Inventory Outstanding R3

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

### Days of Receivables Outstanding

360/ (Annualised Revenue/Trade Receivables)

### Days of Receivables Outstanding R3

360/ ((Last 3 months Revenue\*4)/(Last 3 months Trade Receivables/3))

### Days of Payables outstanding

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

### Days of Payables Outstanding (R3)

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

### Cash conversion cycle (CCC)

Days of inventory outstanding + Days of receivables outstanding – Days of payables outstanding

### Cash conversion cycle (CCC) R3

Days of inventory outstanding (R3) + Days of receivables outstanding (R3) – Days of payables outstanding (R3)

### Net Interest-bearing debt

- Cash and cash equivalents + Loans (Noncurrent liabilities) + Loans (Current liabilities)

### Interest-bearing debt

Loans (non-current liabilities) + Loans (current liabilities)

### Inventory turns

Annualised direct costs / (Inventory + Contract assets)

### Variable contribution

Revenue - Direct cost

### Net gearing

Net interest bearing debt / Equity

### Equity Ratio

The ratio of Equity to Total Assets



## CORPORATE GOVERNANCE

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

It is Kitron's intent to practice good corporate governance in accordance with laws and regulations and the recommendations of Oslo Børs under the 'comply or explain' concept. This review has been prepared by the board of Kitron based on Norwegian Code of Practice for Corporate Governance dated 14 October 2021 ("the Code"). The code is available at [www.nues.no](http://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 22 March 2022.

### 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 objectives, strategies and risk profiles should be evaluated at least annually to create value for shareholders.

The company's main goals, strategies and risk profiles are presented in the annual report, ESG report and on the company's website. 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 in a sustainable manner. The board of directors has considered financial, social and environmental factors when defining the company's strategies, primary objectives and risk profile.

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 commitment, innovation and engagement.

The group's current Ethical Code (Ethical Guidelines, Supplier Guidelines and Anti-Bribery policy) was approved by the Board in 2018. 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 on 31 December 2021 amounted to NOK 19 701 438.90.

Total equity for the group on 31 December 2021 was NOK 1228.0 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 20 to 60 per cent of the company's consolidated net profit before non-recurring items. When deciding on the annual dividend the company will consider the 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 by the company.

### 5. Shares and negotiability

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

### 6. General meetings

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

board, Chairman of the Nomination Committee, the nomination committee, and the auditor are present.

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

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

The general meetings are opened by the chair of the board. Normally, the board proposes that the chair of the board shall also chair the general meetings. The board will propose an independent chair for the general meeting if any of the matters to be considered calls for such arrangement. The notices and minutes of the general meetings are published in Oslo Børs' information system ([www.newsweb.oslobors.no](http://www.newsweb.oslobors.no), ticker: KIT) and on Kitron's website.

### 7. Nomination committee

Kitron's nomination committee is stated in the articles of association. The committee shall have two or 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 up to two years.

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 considered, as well as the members' independence of the board and of the executive management.

The nomination committee members

After the Annual General Meeting 21 April 2021, the nomination committee had the following members:

- Ola Wessel-Aas, chairperson elected until the Annual General Meeting in 2022
- Ole Petter Kjerkreit, elected until the Annual General Meeting in 2022
- 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 six 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 21 April 2021, the board of directors consists of nine members and currently has the following composition:

- Tuomo Lähdesmäki (Chairman), re-elected until the Annual General Meeting in 2022
- Gro Brækken (Vice chairman), re-elected until the Annual General Meeting in 2022
- Espen Gundersen, re-elected until the Annual General Meeting in 2022
- Maalfrid Brath, re-elected until the Annual General Meeting in 2022
- Christian Jebsen, re-elected until the Annual General Meeting in 2022
- Petra Grandinson, elected until the Annual General Meeting in 2022
- Bjørn M. Gottschlich, elected by and among employees
- Jarle Larsen, elected by and among employees
- Tanja Rørheim, elected by and among employees

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

Board members who own shares in Kitron by 31 December 2021:

- Tuomo Lähdesmäki - 277 796 shares
- Gro Brækken - 46 380 shares
- Espen Gundersen - 52 380 shares
- Maalfrid Brath - 22 677 shares
- Christian Jebsen - 22 380 shares
- Petra Grandinson - 14 254 shares
- Tanja Rørheim - 22 380 shares
- Bjørn M. Gottschlich - 22 580 shares
- Jarle Larsen 15 724 shares in Kitron.

See presentation of board members for details.

## 9. The work of the board of directors

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

The rules of procedures for the board of directors also includes a statement on how the board of directors and the senior management shall handle agreements with related parties, including whether an independent valuation shall be obtained. The board of directors shall include a report on such agreements in the annual report.

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

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

The board had 11 meetings during 2021 with 100 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 mandate was revised and updated in 2020 in accordance with new regulations. 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 2021 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 2022
- Christian Jebesen, re-elected until the Annual General Meeting in 2022
- Tanja Rørheim, re-elected by and among the employees

### The board's HR & remuneration committee

The HR & 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 HR & Remuneration committee will on behalf of the board supervise remuneration and incentive schemes, mainly related to the CEO and the Corporate Management Team (CMT). The committee will oversee the company's management succession plan as well as the company's talent management. During 2021 there were 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 2022
- Gro Brækken, re-elected until the Annual General Meeting in 2022
- Maalfrid Brath, re-elected until the Annual General Meeting in 2022
- Petra Grandinson, elected until the Annual General Meeting in 2022

## 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 can maintain a viable,

leading and adaptive business. Kitron is organised in distinct manufacturing sites, each fully accountable for its own revenues, profitability and level of capital employed. The structure facilitates closeness between management and the operation, which in turn provides good overview and adequate internal business control.

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

Management prepares monthly financial reports that are sent to the Board of Directors. When the group's quarterly financial reports are to be presented, the Audit Committee reviews the reports prior to the board meeting. The auditor participates in the Audit Committee meetings, and 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, 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 are 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 Norwegian Public Limited Liability Companies Act established guidelines for the remuneration of the CEO and other senior executives of the company. The remuneration guidelines have been approved by the general meeting. The remuneration guidelines shall be clear and understandable, and shall contribute to Kitron's business strategy, long-term interests and financial sustainability. The arrangements for salary and other remuneration shall be simple and shall ensure convergence of the financial interests of the senior executives and shareholders.

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 85 per cent of annual basic salary. The STI system is based on performance of Revenue growth, EBIT and Return on Operating capital (ROOC).

### Long-term incentive scheme

The LTI system was established in 2013 as an option-based program with a three-year validity (2013-2016), and in 2015 the Board continued the share option program for executive management for another three-year period (2016-2019).

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



The total program corresponds to approximately 3 per cent of the market capitalization

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

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

Kitron reports all forms of remuneration received by the chief executive and each of the other members of the executive management.

Details about remuneration of the executive management are provided in a separate Remuneration Report available at [kitron.com](http://kitron.com) and in note 27 in the Consolidated Financial statements.

### 13. Information and communication

Kitron wants to maintain good communication with its shareholders and other stakeholders. The information practice is based on openness and will help to ensure that Kitron's shareholders and other stakeholders are able to make a realistic assessment of the company and its prospects. Guidelines have been established to ensure a flow of relevant and reliable financial and other information. The group endeavour to ensure that all shareholders have equal access to the same information. Kitron complies with Oslo Børs' Code of Practice for IR, dated 1 July 2019.

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

information section in the annual report.

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

#### Revenue, EBIT margin;

The aim is to communicate the targets for the financial year in connection with either the Q4, the annual report, or later as soon as they are approved by the board of directors.

Kitron emphasises that the target 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 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.

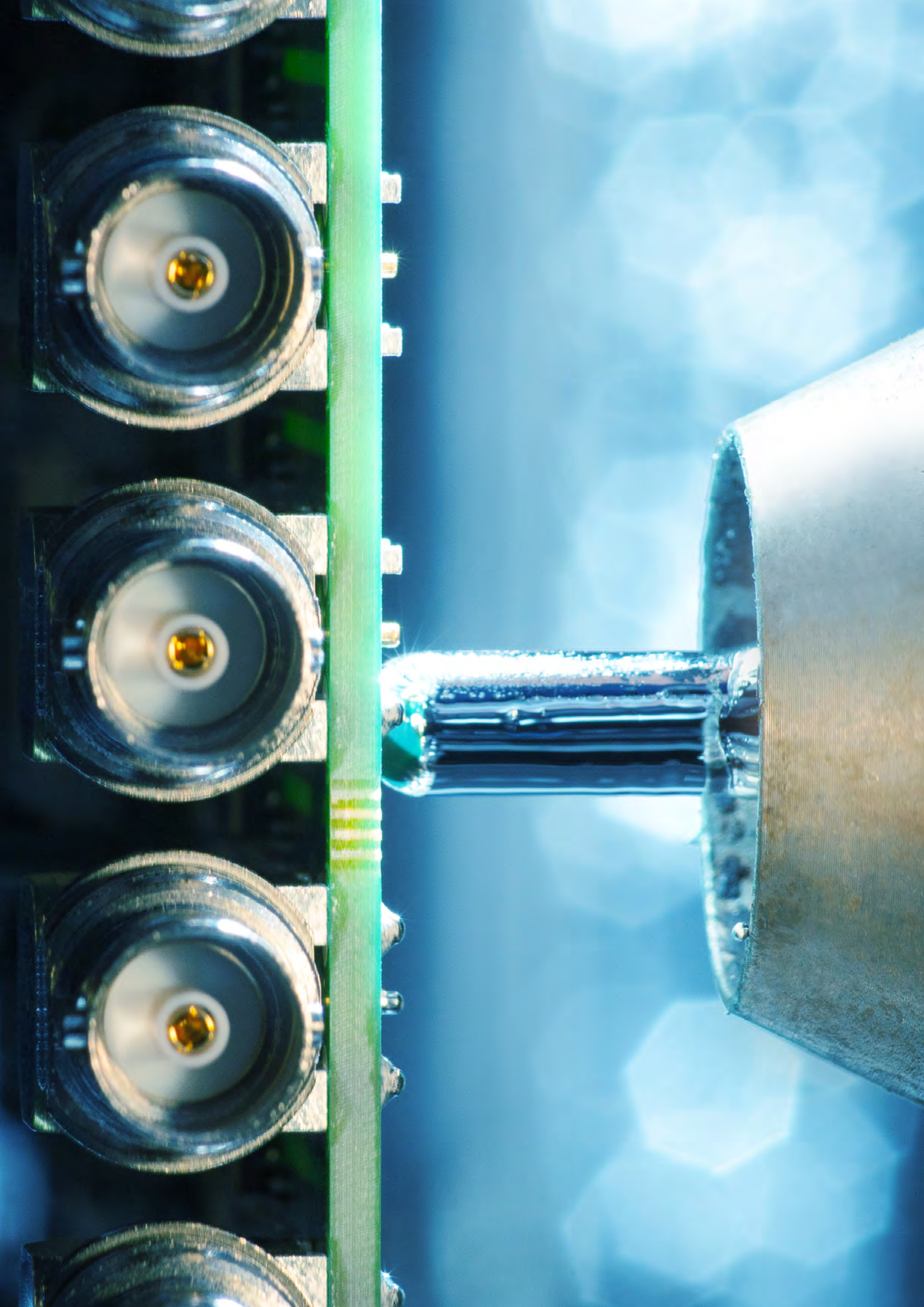
The auditor issues a written confirmation to the Board on compliance with the Statutory Audit Independence and Objectivity Requirements.

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.









**Kitron**

# SUSTAINABILITY REPORT 2021





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## MESSAGE FROM OUR CEO



**Lars Peter Nilsson**  
CEO of Kitron ASA





wbcasd



As a leading electronics manufacturing services company with operations in nine countries, Kitron is mindful of our direct and indirect economic, social and environmental impact on our surroundings and stakeholders.

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

In this report, which is also our annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

We are committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our company and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly these Sustainable Development Goals:

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

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

The company has set long-term goals and ambitions for its sustainability work, with clearly defined milestones for the short, medium and long-term work on environmental, social and governance topics.

In 2021, we started a TCFD climate risk process and created a roadmap for how the company will work on climate risk going forward.

Improving data quality and implementing digitalized reporting on KPIs for our internal work is also of continued importance. Kitron has established an internal scorecard for all our locations, reporting quarterly on KPI progress.

Kitron has been monitoring the latest developments in the EU Taxonomy and analysed the group's activities in light of the Taxonomy criteria.

At Kitron, we believe that running a sustainable business is key to long-term success, and we hope this report illustrates our efforts and commitments in this area.



Lars Peter Nilsson

## ABOUT THIS REPORT

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

This report is prepared for Kitron ASA in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting and Euronext Guidelines to issuers for ESG reporting from 2020.

The Sustainability report 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 a leading Scandinavian Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Denmark, Lithuania, Germany, Poland, the Czech Republic, China and the United States. Kitron manufactures and delivers anything from fully assembled electronic circuit boards to complete end products for customers globally.

Related technical services like prototyping, industrialization, material analysing, and test development are also key competencies offered by Kitron. In addition, Kitron is currently developing expertise in Automotive Electronics with a special focus on Autonomous Technologies.

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

### Economic impact and tax information

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

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

### Payroll and social security expenses 2021

In 2021, labour costs amounted to 719.1 million (NOK 671.4 million) Payroll and social security expenses accounted for 19.4 (16.9) per cent of sales revenue.

### Procurement of goods and services

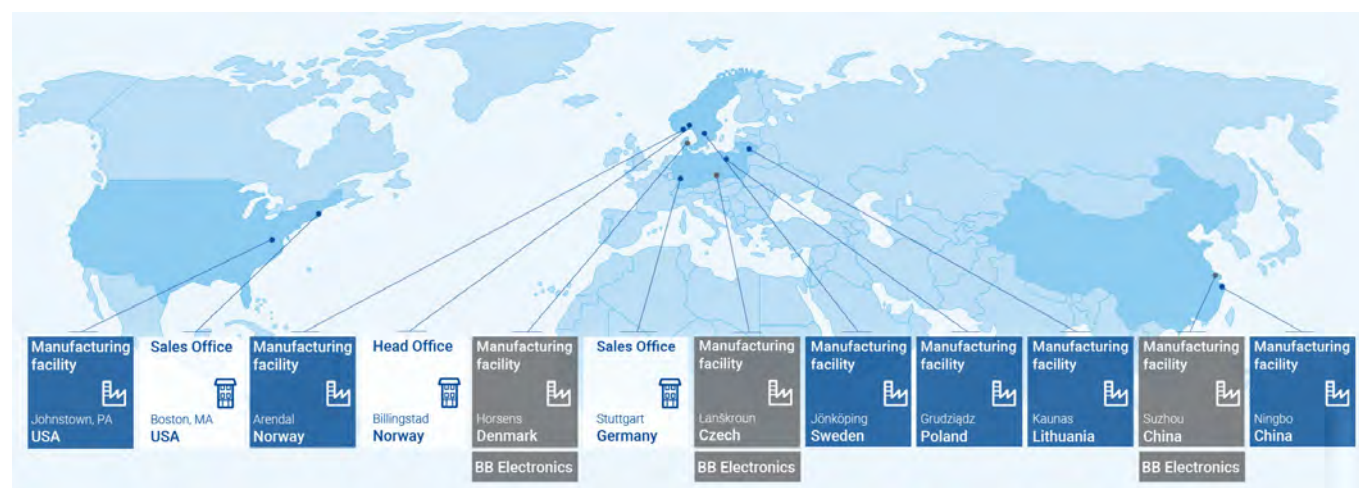
Kitron purchased goods and services valued at roughly NOK 2654.0 million (2871.1 million) in 2021.

### Tax

The Group's tax expenses for 2021 came to NOK 51.3 million (NOK 61.0) million.

NOK million	2019	2020	2021
Norway	3.0	10.1	10.6
Sweden	8.3	9.6	11.6
Lithuania	11.3	12.0	12.0
Other	14.5	29.3	17.1
Total	37.1	61.0	51.3

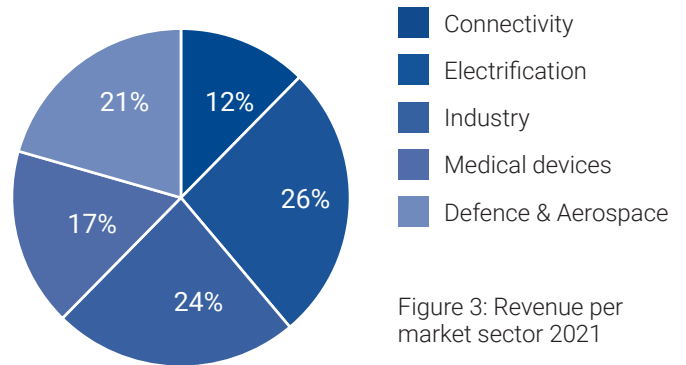
Table 1: Tax expense by country



## Sectors served

Kitron's core areas of expertise have over the past years been divided into in the sectors Connectivity, Electrification, Industry, Medical devices, Defence/ Aerospace.

From 2021 these sectors are adjusted to better reflect market changes and growth outlook. Medical Devices and Defence/ Aerospace are unchanged, and the other sectors are re-arranged into Connectivity and Electrification and Industry.





## OUR SUSTAINABILITY AMBITION

We believe responsible and sustainable business is the future and provides added value for our customers. The foundation of our work for sustainability and corporate responsibility is enshrined in our Ethical Code of Conduct. It obliges us to not only look after the well-being of our employees, stakeholders, suppliers, and business partners but also reduce the impact of our business on the environment and the societies around us. Our focus areas are based on stakeholder dialogue and materiality assessment, to ensure we put our effort where it makes a difference for our stakeholders and our business impact. Therefore, we are proud to be a UN Global Compact Signatory and support the UN Sustainable Development Goals.

This report covers topics related to corporate responsibility and sustainability that are of importance to Kitron and Kitron stakeholders. Our approach to sustainability reporting is based on the materiality assessment undertaken in 2017 according to the Oslo Stock Exchange Guidelines on Sustainability Reporting. It is the cornerstone of our sustainability efforts, allowing us to create an impactful climate action. Kitron shall comply with applicable laws and regulations, respect human rights and act in a socially responsible manner. Our 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.

### Quality standards

Thanks to our long history of 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 systems, documented improvement programs and risk management tools. Since the early 60's Kitron has lived by a simple philosophy: If our customers succeed, we succeed.

That is why our sites are certified according to the following internationally agreed 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



Figure 4: Kitron's supply chain

## KITRON SUPPORTS THE UN'S SUSTAINABLE DEVELOPMENT GOALS

Sustainability is anchored in the core of our business. That is why Kitron supports the UN Sustainable Development Goals - an urgent call for action by all countries, businesses and communities to unite and end poverty and inequality. The UN has defined 17 Sustainable Development Goals the world should resolve by 2030. Several of these goals can only be achieved by acting on responsible supply chain practices and ethical business initiatives.

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

For us, it shows how our complex global value chain is affected by and affects these global challenges. We have identified which of the 17 goals are most relevant to Kitron, where we can make a difference towards achieving the goal and how they are linked to our material topics. By supporting the UN SDGs, we hope we can contribute to improving the societies we all live in.

Our main contributions are focused on the following goals.

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



### EU's Taxonomy for sustainable activities

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. It could play an important

role help the EU scale up sustainable investment and implement the European green deal. The EU taxonomy would provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable.

A sustainable activity is defined as one that substantially contributes to at least one of a defined set of six environmental objectives, does not significantly harm any of the other objectives, while at the same time complies with social safeguards.

Kitron has been monitoring the process and analysed the group's activities in light of the Taxonomy criteria.

As Kitron manufactures products for customers within several industries, there will be a mix of some revenue being aligned with the Taxonomy criteria and some not being aligned.

Therefore, the % aligned might vary based on the mix of products sold.

A preliminary estimate indicates that about 23 percent of revenues in 2021 were aligned. This percentage is slightly up from 2020, when it was 20 percent.

### Corporate Governance

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

### Management approach

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

### Annual General Meeting (AGM)

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



## The Board of Directors

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

## Corporate Executive Management

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

## The Sites

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

## Ethics Committee

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

## Kitron's Stakeholders

### Owners

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

### Employees

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

### Suppliers

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

### Customers

Kitron's customers directly affect the company economically, and customer expectations influence Kitron's sustainability 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.

See appendix 1 for complete list of stakeholders and arenas for dialogue.



Figure 5: Kitron's stakeholders

## Stakeholder Dialogue

To ensure a strategic approach to sustainability reporting and to adhere to the intent of the Euronext Guidelines to issuers for ESG reporting, Kitron has undertaken systematic stakeholder dialogue in 2017 and keeps an ongoing dialogue with key stakeholder groups.

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

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

The stakeholder dialogue is both a means and an end, as ongoing systematic stakeholder dialogue is a key objective in the Euronext Guidelines to issuers for ESG reporting and GRI Standards.

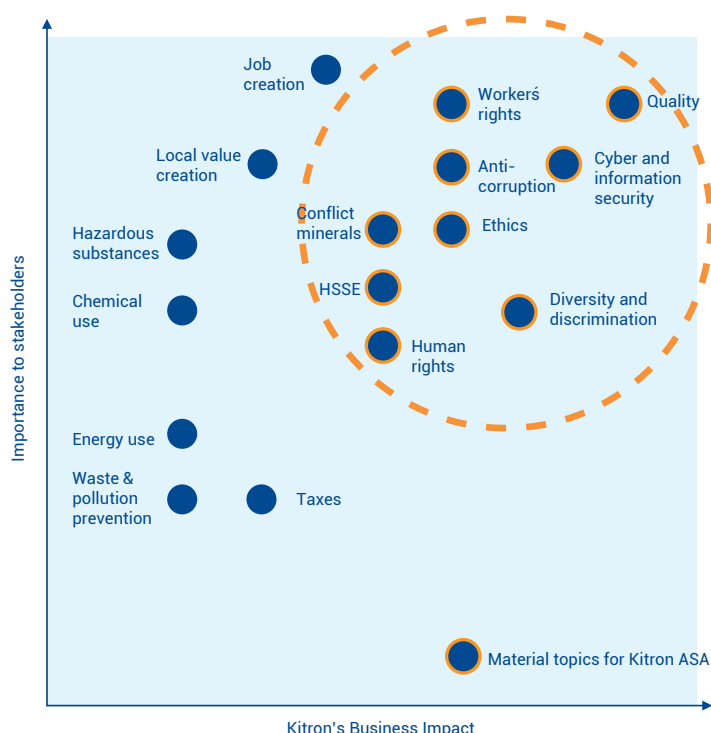


Figure 6: Materiality assesment, Kitron's business impact

The findings from the stakeholder dialogue will be continuously incorporated into the sustainability strategy and will guide Kitron's priorities in the materiality assessment.

## The materiality assessment

Sustainability begins in the everyday work we do, adding value to the impact we have on our surroundings. This impact comes with great responsibility and requires that Kitron is in ongoing dialogue with our stakeholders and constantly strives to deliver quality products while adhering to the highest possible ethical standard.

As a result, The materiality assessment was established in 2017 by the internal task force on sustainability based on the stakeholder dialogue and information gathering about where we have the most impact on the environment and the societies in which we operate. 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 4 core areas and 6 materials topics for Kitron to report on:

- Business ethics
  - Ethics and anti-corruption
- Labour and human rights
  - Workers' rights, diversity and non-discrimination
  - HSE, safety and security
- Environment and climate
- Responsible value chain
  - Supply chain and quality
  - Human rights and conflict minerals

## REPORTING ON MATERIAL TOPICS

### Our priorities and progress

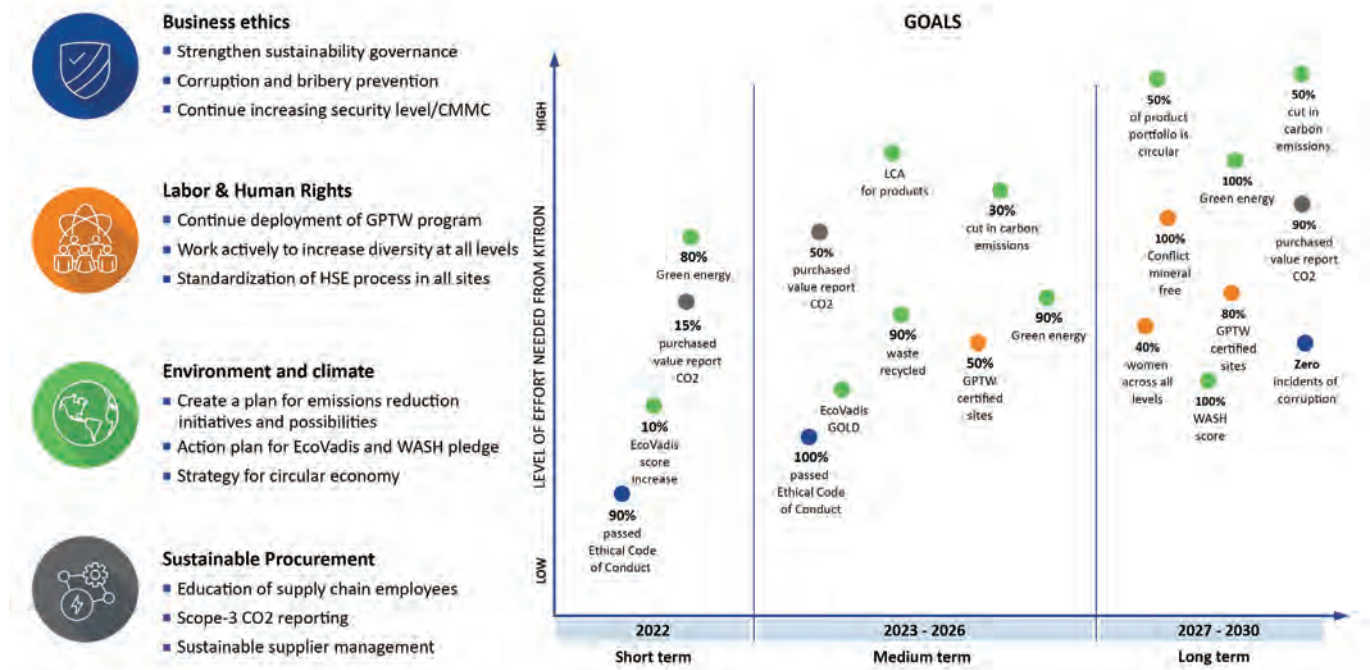


Figure 7: Summary table of topics, goals and targets

### Business ethics

We continuously strive to be an ethical and responsible company. Our Ethical Code of Conduct presents Kitron's obligation and commitment to ethical business practices and describes the standards and requirements which Kitron employees must adhere to in their work.

The Ethical Code of Conduct provides a framework to ensure that Kitron complies with relevant local and international legislation, acts in accordance with internal policies and the company's values and supports the UN's initiatives on human rights, children rights and labour conventions.

The challenge + relevant SDG	Ambition	Long-term targets (2030)	Key KPIs monitored	Results 2021	Targets 2022
		Zero incidents of corruption	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Corruption and bribery prevention</li> <li>Information security</li> </ul>	<ul style="list-style-type: none"> <li>Annual Ethics and corruption awareness trainings was assigned to 1696 of 1940 active employees in 2021.</li> <li>79,5% of employees that was assigned the training, has completed and passed.</li> </ul>	<ul style="list-style-type: none"> <li>100% of employees shall be assigned the training.</li> <li>90% shall complete and pass.</li> </ul>

The Ethical Code of Conduct is complemented by the Kitron Anti-Corruption Policy, which details and explains Kitron's requirements for proper business conduct in relation to anti-corruption. Kitron has also developed a separate Supplier Code of Conduct that applies to Kitron's suppliers.

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### 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

Ethical Code of Conduct is essential for a sustainable business, and we treat ethics as an integral part of our activities. The Kitron Ethical Code of Conduct presents Kitron's obligation and commitment to ethical business practices and describes the standards and requirements that Kitron employees must adhere to in their work. The current version of the 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.

### Our 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 regarding our sustainability, and that it can subject us to substantial financial risk. To deal with our sustainability and minimize our financial risk, we work systematically on Ethics and Anti-corruption. Kitron Ethical Code of Conduct describes several areas of importance for preventing corruption. Kitron's Anti-Corruption 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 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. All of this must be recognized as a basic requirement for doing business with Kitron.

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 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. All of this must be recognized as a basic requirement for doing business with Kitron.

Share of suppliers per risk category	2019	2020	2021
Very low risk	28.5%	32.2%	34.00%
Low risk	26.5%	23.3%	24.42%
Moderate risk	44.9%	44.4%	41.56%
Increased risk	0.1%	0.1%	0.02%

Table 6: Supplier risk assessment results per risk category

## 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.

Every year, Kitron conducts a Corruption and Risk of Bribery assessment on its existing suppliers. Active inventory suppliers and non-inventory suppliers are screened for corruption and bribery risk. Moreover, since 2019 all new suppliers are screened for corruption and bribery risk as part of the onboarding process.

## Ethics training

We aim to ensure that our employees develop along with the development of our business. 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 Kitron, the Ethical Code of Conduct is available as an online training in 6 different languages.

## Ethics Committee

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

Firstly, the Committee oversees 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 but at least three times a year. Head of the Ethics Committee reports to CEO who in turn reports

to the board of Kitron ASA. The Chairman of the Ethics Committee has a direct reporting line to the Audit Committee of the Board.

## Reporting irregularities

Kitron's goal is that illegal, unethical, or other misconduct and breach of EU law as described in Directive (EU) 2019/1937, known as the "Whistleblower Directive", should not occur. If they do, they must be handled properly in accordance with the directive, supplemented by local law.

Examples of concerns related to Kitron's business practices that may be reported include allegations such as:

- Violations of Kitron's Ethical Code of Conduct
- Violation of corruption laws
- Insider trading
- Conflict of interest
- Sexual harassment or other forms of harassment or discrimination
- Threats against life and health, e.g., safety deficiencies at the workplace, violence and exposure or interaction with dangerous materials etc.

Kitron staff have the right and duty to report any criminal acts, harassment, discrimination or circumstances where life or health might be in danger. As a main rule, a report shall be made to the immediate superior. Environmental/workplace safety related matters can be reported to HSE Manager or the Company Health Service, Financial matters can be reported to the Finance Manager.

Kitron also has its own contact persons for internal reports which for all Kitron sites are the Managing Director, the HR Manager and the (main) employee representative (if applicable) for the site (jointly referred to as the "Local Reporting Contacts").

If the worker 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 worker can choose

Number of cases	2019	2020	2021
Reported	0	2	0
Sanctioned	0	1	0

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



to report directly to the Chairman of the Ethics Committee. Should the worker not be comfortable reporting to anyone in Kitron management, the worker may report to the Chairman of the Audit Committee for Kitron ASA.

Kitron has a safe system, IntegrityLog, for reporting in a manner that ensures the confidentiality of the reporting person and any other party mentioned in the report. Reports can be made anonymous, or workers can safely use their own identity.

Employees that report in good faith shall be protected against any adverse treatment (retaliation).

In 2021 the Ethics Committee received 0 reports of potential misconduct. Kitron is not in and has not been in any legal proceedings related to business ethics in 2021.

## Information and cyber security

### Information security

Kitron employees have a duty of confidentiality in respect to all business matters and situations

that could give unauthorized people access to confidential information. All information not made public is to be considered confidential.

Kitron has set up an organizational structure to handle the tasks required by the GDPR. The structure is described in the Personal Data Protection Policy for Kitron and consist of a Personal Data Protection Committee, a Corporate Data Protection Representative in addition to local Data Protection Representatives in all European countries.


### Cyber security

Kitron has clear requirements for cyber security commitments. The company is NIST 800-171 compliant and is preparing to be CyberSecurity Maturity Model Certification (CMMC) certified.

The standards require several cyber security controls, procedures and processes as well as physical protection. Procedures includes intrusion tests, cyber security attack simulation exercises, IT risk analysis to name a few. The company has an IT charter and IT risks are presented annually to the management.

## Labour and human rights

At Kitron, we want the working environment to be characterized by openness, communication and respect for the individual.

The challenge + relevant SDG	Ambition	Long-term targets (2030)	Key KPIs monitored	Results 2021	Targets 2022
	The working environment in Kitron is 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.	<ul style="list-style-type: none"> <li>Zero accidents.</li> <li>40% women across all levels of the Kitron organization</li> <li>&gt;90% of employees saying Kitron is a great workplace</li> </ul>	<ul style="list-style-type: none"> <li>Gender equality</li> <li>Worker's rights, diversity and non-discrimination</li> <li>HSE, safety and security</li> </ul>	Decreased number of lost time injuries	74% of employees saying Kitron is a great workplace
				<ul style="list-style-type: none"> <li>Maintained or decreased employee turnover by site for sites with turnover over 10%</li> <li>Increased availability of trainings in Kitron academy</li> </ul>	

## Workers' rights, diversity and non-discrimination

Diversity and a balanced work force in terms of gender, is recognized as a strength and an advantage. Fair employment practices following local norms, laws and collective bargaining agreements is the basic standard in all Kitron entities.

Health and safety in the working environment are very important to Kitron and is to be ensured to provide

for each employee. 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. We are here to offer a working environment where it is possible to combine work, career, family life and spare time.

	2020		2021	
	Average pay direct women % of men	Average pay indirect women % of men	Average pay direct women % of men	Average pay indirect women % of men
Norway	87 %	89 %	86 %	84 %
Sweden	100 %	93 %	98 %	101 %
Lithuania	74 %	83 %	78 %	81 %
Poland	100 %	71 %	101 %	78 %
China	100 %	46 %	100 %	49 %
US	86 %	82 %	82 %	50 %
Average pay. total	58,9 %		62,5 %	

Table 8: Women's percentage of men's pay

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

The Ethics Committee has received one concern regarding working environment. Investigations have been conducted and resulted in actions; the case is considered closed.

Kitron participates in the Great Place to Work survey. Annually, results are analysed, and action plans developed and implemented. We have made several improvements based on the previous surveys. It shows that our company's culture is moving forward.

The Great Place to Work® survey will continue to be the foundation for the continuous improvement of our working environment.

Based on the Norwegian Activity Duty for employers (Aktivitets- og redegjørelsesplikten, ARP), the company is reporting the following employee data:

Location	No. of employees 2020	Payroll (NOK million) 2020	No. of employees 2021	Payroll (NOK million) 2021
Norway	347	263	368	285
Women	42 %		42 %	
Men	58 %		58 %	

Table 9: Permanent employees by gender, and payroll

Organisation	2020 (as per 31.12)			2021 (as per 31.12)		
	Men	Women	Total	Men	Women	Total
Number of permanent employees	192	141	333	207	151	358
Temporarily hired	4	1	5	6	1	7
Part time employees	1	17	18	1	15	16
Newly hired						
Total number of newly hired employees in 2020	16	8	24	21	16	37
Employee turnover						
Number of employees who have left the company	5	4	9	6	1	7
Parental leave						
Number of employees on parental leave	6	0	6	9	2	11

Table 10: Part-time employees, turnover, and parental leave

	2020		2021	
	Men	Women	Men	Women
Organisation total	201	146	214	154
Board of Directors	5	4	5	4
Executive level management	4	1	3	1
Non-executive level management	16	2	17	3

Table 11: Breakdown of employees and board members by gender

	2020			2021		
	Under 30	30-49	50+	Under 30	30-49	50+
Organisation total	42	125	156	60	137	171
Board of Directors	0	2	7	0	2	7
Executive level management	0	2	3	0	1	3
Non-executive level management	0	6	12	0	7	13

Table 12: Breakdown of employees and board members by age

## 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 are parts of the current performance management process.

Kitron has implemented a digital learning management system, LMS, to further strengthen individual development and competence. In 2018, the new digital learning platform, Kitron Academy, was launched and work since continued to supplement Kitron Academy with learning and development activities. The work continues to increase the number of available trainings and track trainings within the digital platform.

In 2021, the number of training hours were 51 583 compared to 42 797 hours in 2020. The current Covid situation have caused certain trainings to be cancelled or shortened.

## HSE, safety and security

Health and safety in the working environment are very important to Kitron - we believe that prevention is the key to a truly safe 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 3.7 per cent for the group in 2021. This is a slight increase 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 to be able to work on prevention and ensure a healthy and safe workplace. Reporting incidents and accidents will be further streamlined across the sites and handled through a digital tool. By improving reporting routines, it is expected that the number of incidents reported might increase temporary.

The Kitron work environment 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 2021, there was no serious work-related accidents at Kitron sites. Kitron will continue to monitor the working environment regarding employee health and safety.

Absence and work-related injuries	2019	2020	2021
Absence due to illness	3.6	3.3	3.7
Number of fatal occupational injuries	0	0	0
Number of occupational injuries causing permanent incapacity for work	0	0	0
Lost time injuries	15	13	14


Table 13: Absence and work-related injuries sanctioned cases

Turnover by site	2019	2020	2021
Norway	2.0%	2.7%	4.9%
Sweden	9.0%	6.1%	20.2%
Lithuania	16.7%	14.6%	22.5%
Poland	6.0%	18.6%	29.2%
China	36.0%	29.5%	29.1%
USA	1.6%	3.3%	46.3%

Table 14: Employee turnover by site

## Environment and climate

Focusing on a world without waste. We are committed to actively work on pursuing sustainability and protecting the environment.

The challenge + relevant SDG	Ambition	Long-term targets (2030)	Key KPIs monitored	Results 2021	Targets 2022
	Kitron supports a precautionary approach to environmental challenges and works systematically to promote greater environmental responsibility. Kitron encourages the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> <li>50% cut in carbon emissions / net zero by 2050</li> <li>50% of product portfolio is circular/ designed for recycling</li> <li>100% Green energy</li> <li>Zero waste in operations</li> </ul>	<ul style="list-style-type: none"> <li>Carbon emissions reduction</li> <li>Effective energy consumption</li> <li>Water security</li> <li>Circular economy</li> </ul>	<ul style="list-style-type: none"> <li>Reduced CO2 emissions expressed as energy efficiency factor with 10%</li> <li>Started reporting to CDP</li> <li>Green energy scope increased by 23%</li> <li>Water consumption reduced by 23%</li> </ul>	<ul style="list-style-type: none"> <li>Increase Eco Vadis score by 10%</li> <li>Reach 80% green energy from total use</li> <li>Start report Scope 3 CO2</li> </ul>



## Environmental management

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.

As a manufacturing supplier, the Kitron internal value chain does not pollute the external environment to any material extent. The impact mainly comes from purchasing materials, goods and services. 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.

To further strengthen sustainability management Kitron started to use Eco Vadis as a widely used Business Sustainability Rating provider. In 2021 Kitron received a "Silver" sustainability rating medal that puts us under the TOP 25 per cent of the companies rated by Eco Vadis.

## Climate emissions and climate risk

We will work systematically to reduce energy consumption and GHG emissions, with special focus on material consumption, energy consumption, effective communication and transportation. We have set targets for the reduction of CO2 emissions for our in-house operations in accordance with the obligations in the Paris Agreement.

### Climate Risk and Opportunities

In 2021 Kitron has initiated activities to work towards climate-related financial disclosures in accordance with the TCFD recommendations. The aim is to enhance our understanding and transparency about the exposure and the strategies to stay ahead of any negative impact caused by climate change and adaptation measures.

### TCFD Roadmap

In order to enhance our understanding and transparency Kitron has developed the below roadmap.

Several of the Kitron group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards created to help reduce industrial waste and environmental damage.

	2021	Planned 2022	Planned 2023
Governance and strategy	<p>Responsibility assigned to executive level.</p> <p>Initiated discussions on executive level</p> <p>Created quarterly climate emission oversight and tracking</p>	<p>Board level involvement</p> <p>Increase emissions scope to include Scope 3 emissions for improved oversight and risk mapping</p>	<p>Ongoing board and management oversight</p> <p>Submitting full TCFD reporting</p>
Risk management	<p>Risk assessment for physical climate risk per site completed and measures implemented</p>	<p>Ongoing climate risk monitoring as part of company risk management</p>	
Metrics and targets	<p>GHG reporting: Baseline measurement scope 1,2</p> <p>Emission reduction targets set</p>	<p>GHG reporting scope 1,2 and partial 3</p> <p>Risk management for identified medium to high risk</p>	<p>GHG reporting scope 1,2 and 3</p> <p>Risk mitigating activities implemented for identified medium to high risk</p>

Table 15: Kitron TCFD roadmap

Kitron's CO<sub>2</sub>-emissions have been calculated in accordance with the "Greenhouse Gas Protocol" published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI).

The statistical data on greenhouse gas emissions includes the following sources of CO<sub>2</sub> emissions:

- Scope 1 direct emissions: emissions from fuel combustion on-site, transportation using company owned vehicles and on-site generation of electricity, heat or steam.
- Scope 2 indirect emissions from electricity purchased: emissions from the consumption of electricity purchased. CO<sub>2</sub> emission factors used for electricity are market based and calculated using IEA emission factors.

Energy use	2021	Units
Gas (heating)	481 142	Liter
Petrol (company cars)	49 812	Liter
Electricity	15 500 000	kWh
Electricity from renewable sources	11 265 000	kWh
Share of electricity from renewable sources	72%	% of total electricity use

Table 16: Energy use

kWh	2021	Units
Arendal	3 981 000	kWh
Lithuania	4 380 000*	kWh
Poland	2 152 000	kWh
Sweden	1 258 000	kWh
China	2 481 000	kWh
US	1 247 000	kWh
Group total	15 500 000	kWh

Table 17: Electricity use per location in kWh

\* Lithuania 2021 162 000 kWh is own solar power

CO <sub>2</sub> emissions	2021	Units
Scope 1	663	t CO <sub>2</sub>
Scope 2 market based	2 091	t CO <sub>2</sub>
Group total (1+2)	2 754	t CO <sub>2</sub>

Table 18: Group CO<sub>2</sub> emissions

As a part of TCFD process, Kitron expand emissions Metrics using Carbon Efficiency Index, calculated CO<sub>2</sub> t divided by sales revenue in a year.

Carbon Efficiency Index allows to see results from improvements implemented related to reduction of CO<sub>2</sub> emissions comparing with changes in the scope of operations.

Carbon efficiency	2019	2020	2021
Revenue MNOK	3 299	3 964	3 711
Carbon efficiency (tCO <sub>2</sub> /Revenue MNOK)	0.87	0.83	0.74

Table 19: Carbon efficiency

## Water use

Water consumption cubic metres	2019	2020	2021
Norway	3 201	3 360	3 812
Sweden	1 700	1 910	1 808
Lithuania	8 180	5 941	7 515
Poland	1 097	3 291	3 955
China	3 685	5 185	2 503
US	1 544	998	518
Total	19 407	20 685	20 111

Table 20: Water consumption cubic meters

Kitron has signed the WBCSD Pledge (WASH) for Access to Safe Water, Sanitation and Hygiene. We recognize that by signing this Pledge Kitron commits to implementing access to safe water, sanitation and hygiene at an appropriate level of

standard for all employees in all premises under our direct control and supporting partners across our value chains and communities that surround our workplaces, within three years.


## Waste and recycling

Tons of waste	2019	2020	2021
Total waste	680	827	777
Recycled waste	436	525	549
Hazardous waste	84	42	63
Amount recycled waste	64%	63%	70%

Table 21: Tons of waste

## Responsible value chain

Kitron's success is based on close cooperation with our trusted supply partners. Kitron's customers are found within demanding markets sectors, and in order to deliver on their expectations, we depend on high-quality suppliers. Across all areas of sustainability, we have a focus on transparency to identify risks and opportunities within our entire value chain.

The challenge + relevant SDG	Ambition	Long-term targets (2030)	Key KPIs monitored	Results 2021	Targets 2022
	All suppliers should adhere to Kitron's supplier code of conduct, and support the UN Declaration on Universal Human Rights	<ul style="list-style-type: none"> <li>90% purchased value report</li> <li>CO2</li> <li>100% of suppliers in line with Kitron Supplier Code</li> <li>All critical suppliers committed to become climate neutral (scope 1 and 2)</li> </ul>	<ul style="list-style-type: none"> <li>Ethics and anti-corruption</li> <li>Human rights and conflict minerals</li> <li>Environment in the supply chain</li> <li>Supplier performance and risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>Remained conflict mineral free.</li> <li>Continued the work to on-board non-inventory suppliers using the RFI form. Introduced risk-based requirements for registration and registered higher risk non-inventory suppliers</li> <li>Made sure all sites used the new standardised RFI and digital quality management system for gathering and storing RFI data. Reached over 90% in 2021.</li> </ul>	<ul style="list-style-type: none"> <li>15% purchased value report</li> <li>CO2 (Scope 1 and Scope2)</li> </ul>

## Supply chain and quality management

In Kitron we use the highest standards in selection of supply partners. Our main promise to any customer is that we want to be their long term, sustainable partner.

While the products and services we deliver are required to meet the highest quality requirements, we are fully committed to sustainable development; and we expect the same from our supply partners. Kitron's goal is to minimize negative environmental and social impacts from its supply chain. We expect our 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

**Electronic components:** For this category, Kitron primarily deals with distributors rather than with manufacturers, however during 2021 we started cooperation with direct manufacturers too in order to serve better our customers and ensure availability of production parts. On an annual basis Kitron purchases components from close to 1200 manufacturers through approximately a 1000 supply partners. Kitron has established a Preferred Partner Program. In 2021 around 62 per cent of all electronic components (in value) were procured from 9 Preferred Partners.

**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 and we continue to build mechanical parts supply chain around our factories in different regions.

**Printed Circuit Boards (PCB):** Kitron buys most of the PCBs from China (up to 70 per cent of the world's PCBs are produced in China), either directly from manufacturers or through distributors, as with electronic components. In 2021 Kitron purchased 66 per cent of the PCBs from Preferred Partners. In the case of PCBs, these Preferred Partners include both distributors and manufacturers.

### Supplier selection and onboarding

Kitron's sourcing experts are located in Norway, Sweden, Lithuania, Poland, China and United States, enabling us to manage our global network of suppliers and ensure an optimal flow of components and materials to our manufacturing centres. Sourcing 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 are handled by the global sourcing team while local teams handle RFIs for existing suppliers, manage supplier dialogue and supplier coordination with local suppliers.

To ensure that the same supplier data is collected regardless of category and country, Kitron has developed and implemented a web based RFI (Request for information). This data is then automatically uploaded into Kitron's Supplier Evaluation Model (SEM) and in 2021 we already expanded this automated functionality to make even broader suppliers assessment including additional suppliers' sustainability rating. Implementation started in 2021 and will be finalized in Q1 2022.

To minimize supply chain risk, Kitron seeks to ensure that Kitron's spend with any specific supplier does not exceed 20 per cent of the total revenue of any single supplier and seeks to diversify its sourcing strategy. Moreover, Kitron diligently works at supplier consolidation, making sure that we work only with the best possible supply partners. In 2021, Kitron had 2032 active suppliers, up from 1973 the year before. The number of active suppliers is affected by the number of new customers and the general supply situation. Active supplier means Kitron have placed a purchase order in the last 12 months.

## Unique active suppliers

Unique active suppliers (12 month) – 2032

Share of active suppliers who have signed Code of Conduct – 90.3%

Unique active suppliers	2019	2020	2021
Unique active suppliers (12 months)	1 396	1 973	2032
Share of active suppliers who has signed Code of Conduct	80.0%	90.1%	90.3%

Table 22: Unique active suppliers

## 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 the Kitron Code of Conduct and the Supplier Code of Conduct. Since 2018, Kitron has

been 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).

Conflict minerals	2019	2020	2021
Conflict free 3TG+ NO 3TG by value	83.6%	79.1%	80.47 %
Conflict free 3TG+NO 3TG by number of parts	37 787	43 209	48 606

Table 23: Conflict minerals by value and number of parts



## 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 2021 was NOK 19 701 438,90 divided between 197 014 389 shares with a nominal value of NOK 0.10 each.

In December 2021, the Board used its authorisation from the General Meeting 21 April 2021 to increase the share capital with 1 791 039.90 NOK with purpose to partly finance the acquisition of BB Electronics A/S. 17,910,399 New Shares were allocated in a Private Placement at a subscription price of NOK 19.50 per share, raising gross proceeds of approx. NOK 350 million. The increased share capital was registered 30. December 2021.

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

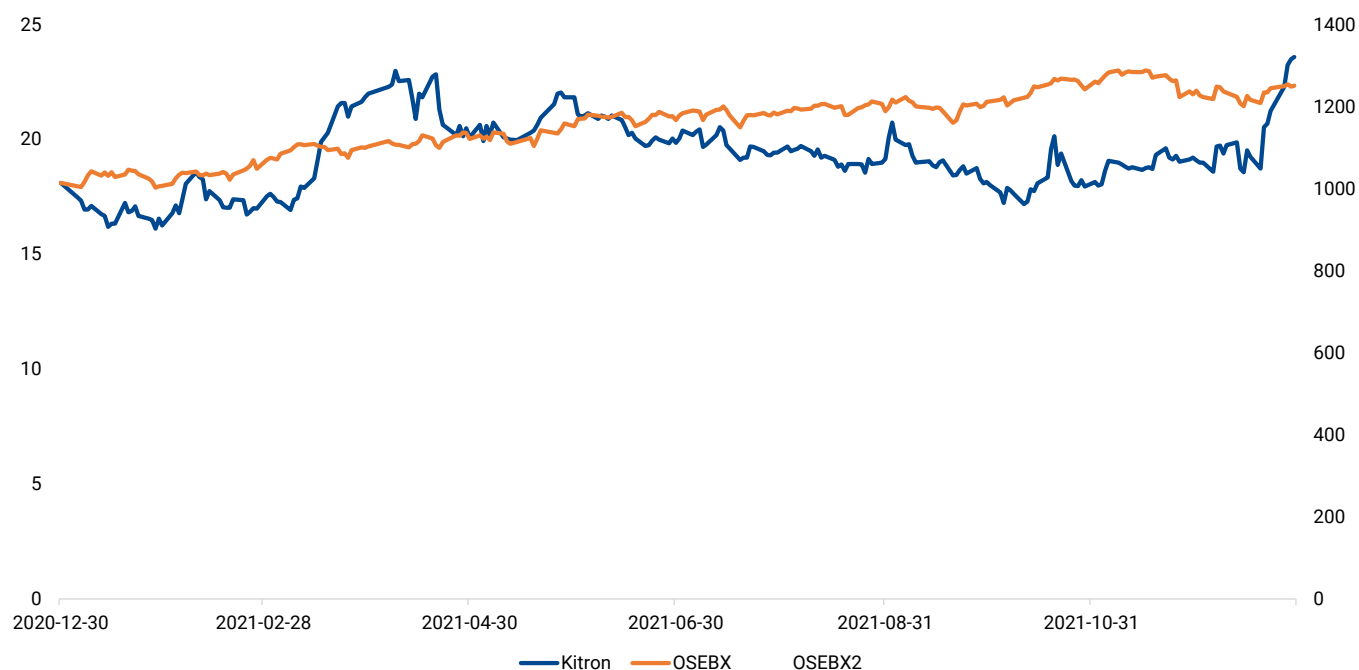
The share option program entails that executive management, on certain terms, may be granted a right to subscribe for shares in Kitron at NOK 0.10 per share after a vesting period of three years. The number of options that are vested for each subprogram are linked to the development of the market capitalization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

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

Per 31 December 2021, 3 420 000 options have been allocated to the executive management and 1 580 000 options remain un-allocated.

### Stock market listing

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



During 2021, the share price moved from NOK 18.12 to NOK 23.60, an increase of 30.2 per cent. In addition, in 2021, the company paid an ordinary dividend NOK 0.70 per share in two tranches, NOK 0.35 per share in May and NOK 0.35 per share in October. The Oslo Børs Main Index increased by 23.3 per cent during the same period. The share price has varied between NOK 15.76 and NOK 23.95. At the end of 2021, the company's market capitalisation was NOK 4 649.5 million. A total of 147.5 million shares were traded during the year, corresponding to a turnover rate of 78.4 per cent.

### Shareholder structure

At the end of 2021, Kitron had 9 010 shareholders, compared with 7 5703 shareholders at the end of 2020. At the end of the year, the foreign shareholding amounted to 27.9 percent.

At the balance sheet date, Folketrygdfondet was the largest shareholder holding 9.45 per cent of the Kitron shares, followed by Vevlen Gård AS with 7.54 per cent and MP Pensjon with 5.29 per cent. Liquidity of the share was 100 per cent. The 20 largest shareholders held a total of 56.17 per cent of the company's shares at the end of the year.

### Mandates

#### Authorization to the board to issue shares

The ordinary general meeting of 21 April 2021 authorized the board of directors of Kitron ASA to increase the share capital in accordance with the Norwegian Public Limited Liability Companies Act section 10-14 on the following conditions:

The share capital may, in one or more rounds, in total be increased with up to NOK 1 791 039.90. The authorization shall be valid until the Annual General Meeting in 2022, but no later than 30 June 2022. The shareholders' pre-emptive rights according to the Norwegian Public Limited Liability Companies Act section 10-4 may be set aside. The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company. The authorization encompasses share capital increase by contribution in any kind and the right to incur Kitron ASA with special obligations according to the Norwegian Public Limited Liability Companies Act section 10-2. The authorization encompasses resolutions on merger according to the Norwegian Public Limited Liability Companies Act section 13-5. 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, for remuneration to the members of the board of directors of Kitron ASA, for incentive schemes, and acquisition of property and business within Kitron ASA's purpose. The board of directors decides on the other terms and conditions and is authorized to amend the articles of association as implied by the use of this authorization. This authorization replaces any previously granted authorizations for the board of directors to increase the share capital. The authority was exercised during December 2021. The Board used the authorization to increase the share capital with 1 791 039.90 NOK with purpose to partly finance the acquisition of BB Electronics A/S. 17,910,399 New Shares were allocated in a Private Placement at a subscription price of NOK 19.50 per share, raising gross proceeds of approx. NOK 350 million. The new share capital was registered 30. December 2021. The authorized share capital of the Company is therefore NOK 17 910 399.00.

#### Authorization to the board to buy own shares

The ordinary general meeting on 21 April 2021 authorized the board of directors of Kitron ASA to acquire Kitron ASA's own shares, for the purpose of ownership or charge, in accordance with the Norwegian Public Limited Liability Companies Act sections 9-4 and 9-5 on the following conditions:

The Board of Directors may acquire shares in Kitron ASA, on one or several occasions, provided that the total combined nominal value of the acquired shares after the acquisition must not exceed ten per cent of the share capital, i.e. up to a total nominal value of NOK 1,791,039.90. The authorization also includes contract liens in the shares of Kitron ASA. The authorization is not intended for use to facilitate or obstruct the success of a take-over bid where Kitron is the target company. Under this authorization the board of directors may 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. Any and all previous authorizations given to the board of directors to acquire own shares shall be, and hereby are, withdrawn with effect from the date this authorization is registered with the Norwegian Register of Business Enterprises. Shares

acquired according to the authorization shall either be cancelled, used as remuneration to the members of the board of directors of Kitron ASA, used in incentive schemes or be used as consideration in connection with acquisition of other companies or businesses, joint ventures or joint business operations, and acquisition of property and business within Kitron ASA's purpose. This authorization shall be valid until the 2022 annual general meeting, but not longer than 30 June 2022. The authority had not been exercised at 31 December 2021.

### **Dividend policy**

Kitron's dividend policy is to pay out an annual dividend of 20 percent to 60 percent of the company's consolidated net profit before non-recurring items. When deciding on the annual dividend the company will take into account company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.

### **Information and investor relations**

Kitron wishes to maintain open communications with its shareholders and other stakeholders. Shareholders and stakeholders are kept informed by announcements to the Oslo Børs and press releases. Kitron's website [www.kitron.com](http://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](http://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.

## BOARD AND MANAGEMENT

### Board



#### **Tuomo Lähdesmäki**

Chairman of the board

*Elected for the period 2021-2022*

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 Oy and Leiras Oy, General Manager at Swatch Group and Vice President at Nokia Mobile Phones. Mr Lähdesmäki serves as Vice Chairman of the boards of Fondia Oy and Meconet Oy and as a Member of the Board of Turku University Foundation sr.

Mr Lähdesmäki was elected to the Kitron Board as Chairman in 2014 and is also Chairman of Kitron's remuneration committee. On December 31st, 2021, Mr Lähdesmäki owned 277 796 shares in Kitron.



#### **Maalfrid Brath**

Board member

*Elected for the period 2021-2022*

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 and since 2019 she has also been Regional Managing Director of Nordic & Baltics. 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 including The Confederation of Norwegian Enterprise.

Ms Brath was elected to the Kitron board in 2018. On December 31st, 2021, Ms Brath owned 22 677 shares in Kitron.



#### **Gro Brækken**

Deputy chairman of the board

*Elected for the period 2021-2022*

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, shipbuilding, banking and the Confederation of Norwegian Enterprise. Her previous position was as CEO of the Industry organization Norsk olje & gass (the Norwegian Oil and Gas Association) and she 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 society in general. Gro Brækken also has solid board experience as a 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. On December 31st, 2021, Ms Brækken owned 46 380 shares in Kitron.


**Espen Gundersen**

Board member

*Elected for the period 2021-2022*

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

Mr Gundersen was elected to the Kitron Board in 2017 and is board member in Hexagon Purus ASA. On December 31st, 2021, Mr Gundersen owned 52 380 shares in Kitron.


**Christian Jebesen**

Board member

*Elected for the period 2021-2022*

Christian Jebesen was born in 1967 and is a Danish citizen. He holds a B.S. degree in economics and a B.A. from Copenhagen Business School. Mr Jebesen is a partner at Verdane Capital. Prior to Verdane, Jebesen 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. Jebesen's professional background also includes seven years within investment banking with Nomura International in London and Enskilda Securities (SEB) in Stockholm and Oslo.

Mr Jebesen was elected to the Kitron board in 2018. On December 31st, 2021, Mr Jebesen owned 22 380 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. Bjørn is chair of Fellesforbundet's local union branch in Arendal and is a board member of Industriaksjonen. He is also elected representative on Fellesforbundet's National Delegates' Meeting and a member of LO's General Council.

Mr Gottschlich has been on the Kitron board since 2012. On December 31st, 2021, Mr Gottschlich owned 22 580 shares in Kitron.



**Petra Grandinson**

Board member

*Elected for the period 2021-2022*

Petra was born in 1968 and is a Swedish citizen. She holds a Master of Science in Vehicle engineering, System technologies from the Swedish Royal Institute of Technology (KTH) in Stockholm. Ms Grandinson is currently a Vice President Supply Chain at Epiroc Rockdrills AB and has a combination of operations and commercial experience, having worked with advanced electrical hand tools, larger capital equipment and technology infrastructure products and solutions. This includes first-hand knowledge as a customer of Electronic Manufacturing Services. She also brings international experience, having lived in China for five years and the UK for four years. She has had significant exposure to R&D organisations.

Ms Grandinson was elected to the Kitron board in 2020. On December 31st, 2021, Ms Grandinson owned 14 254 shares in Kitron.

**Tanja Rørheim**

Board member

*Elected by and among the employees*

Tanja Rørheim was born in 1972 and is a Norwegian citizen. She holds a certificate in electronics and is working as a production worker at Kitron AS in Arendal since 1993.

Ms Rørheim has been on the Kitron board since August 2015. On December 31st, 2021, Ms Rørheim owned 22 380 shares in Kitron.

**Jarle Larsen**

Board member

*Elected by and among the employees*

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

Mr Larsen was elected to the Kitron board in 2019. On December 31st, 2021, Mr Larsen owned 15 724 shares in Kitron.

## Management



**Peter Nilsson**  
President & CEO

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



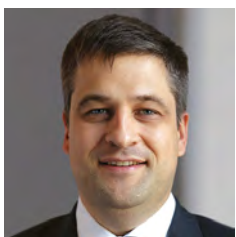
**Cathrin Nylander**  
CFO

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



**Kristoffer Asklöv**  
COO & Sales Director

Born in 1977. Joined Kitron in 2021. Mr Asklöv has more than 20 years of experience in electronics production and has an Executive MBA in Leadership & Management and also an M.Sc in Product Development / Industrial design from the University of Linköping. Kristoffer Asklöv is a Swedish citizen.



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

Born in 1980. With Kitron since 2003. Mr Dirse has a broad experience from different international positions in the company and holds a Master of Science in Informatics Technology. Zygmantas Dirse is a Lithuanian citizen.



**Stian Haugen**  
CTO

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

**Mindaugas Sestokas**

Managing Director UAB Kitron, Lithuania & VP Central Eastern Europe

Born in 1971. He has been with Kitron since 2008 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.

**Stefan Hansson Mutas**

Managing Director, Kitron AB, Sweden

Born in 1966. With Kitron since 2017. Mr Hansson Mutas has a background from management positions at several electronics and EMS companies. Stefan Hansson Mutas is a Swedish citizen.

**Hans Petter Thomassen**

Managing Director, Kitron AS, Norway & VP North America

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

**Carsten Christensen**

CEO of BB Electronics

Born in 1966. CEO of BB Electronics since 2013 and part of the Kitron management teams since January 2022. Several senior leadership positions for German and US companies and over 20 years of experience within the EMS Industry. Carsten Christensen is a Danish citizen and owns 51 561 shares in Kitron.

## ARTICLES OF ASSOCIATION

Latest updated 22 December 2021

### § 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 19,701,438.90 divided into 197,014,389 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.

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(Office translation)



## ADDRESSES

### OFFICES

#### HEAD OFFICE

**Kitron ASA**

PO Box 97, NO-1375 Billingstad, Norway

**Visiting address:**

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#### GERMANY - SALES AND CUSTOMER SUPPORT OFFICE

**Kitron GmbH**

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### MANUFACTURING SITES

#### NORWAY

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#### LITHUANIA

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Lithuania

#### LITHUANIA

**UAB Kitron, Administration**

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### BB ELECTRONICS

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Fax: +45 7625 1010

#### CHINA

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Street, Suzhou Industrial Park,

215024 Suzhou, China

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#### CZECH REPUBLIC

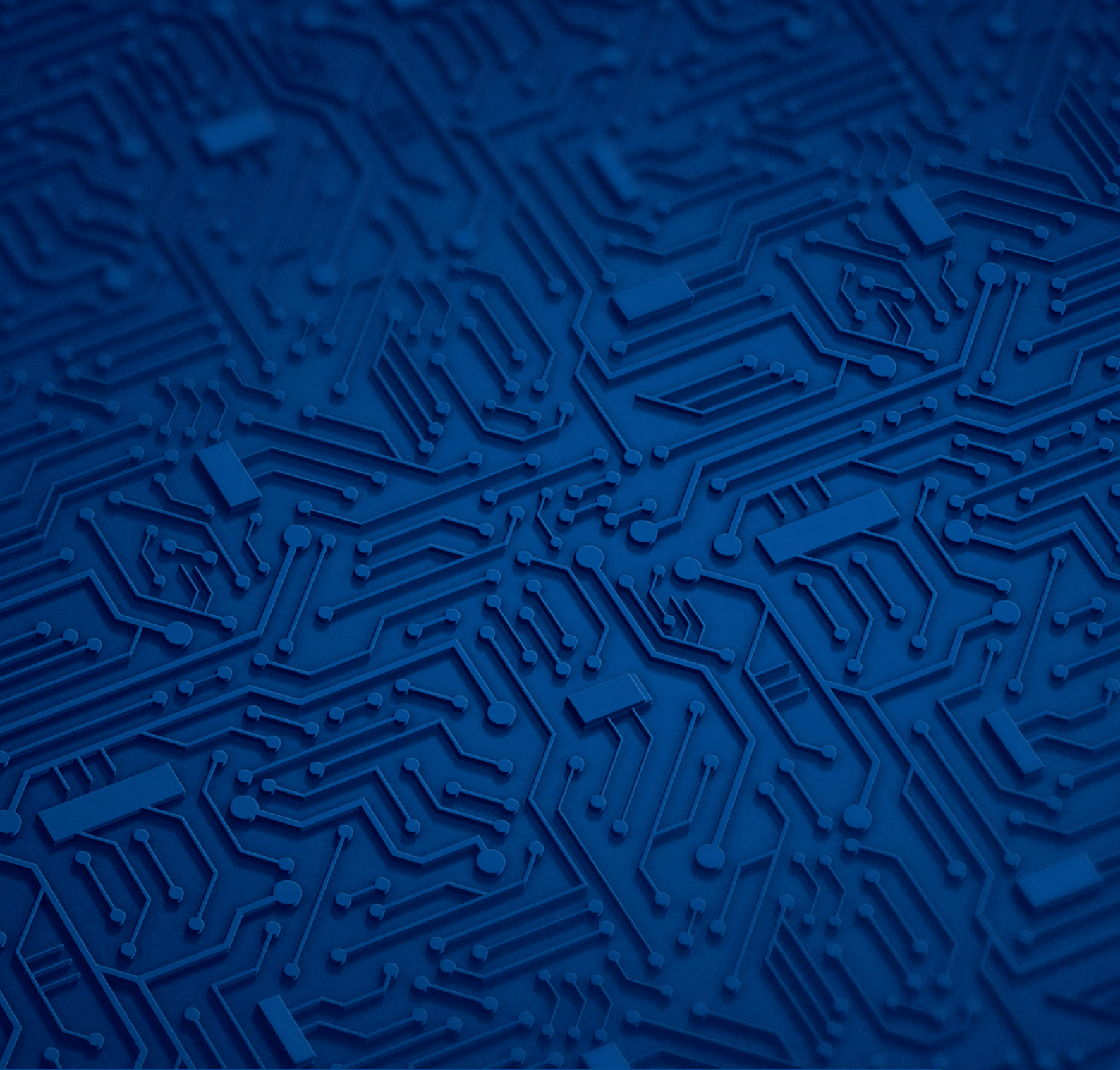
**BB Electronics - Czech Republic**

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563 01 Lanskrout

Czech Republic

Tel: +420 465 670 038



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

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

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