

# Annual report 2022

Connectivity	Norway
	Sweden
Electrification	Denmark
	Lithuania
Industry	Germany
	Poland
Medical Devices	Czech Republic
	India
Defence/Aerospace	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, India, China and the US and has about 2800 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 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


**2800+**  
Employees


**300+**  
Engineers


**10**  
Locations


**60+**  
Years of history


**35+**  
SMT lines


**100 000+**  
Sq. m. of manufacturing area

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, Denmark and the US.

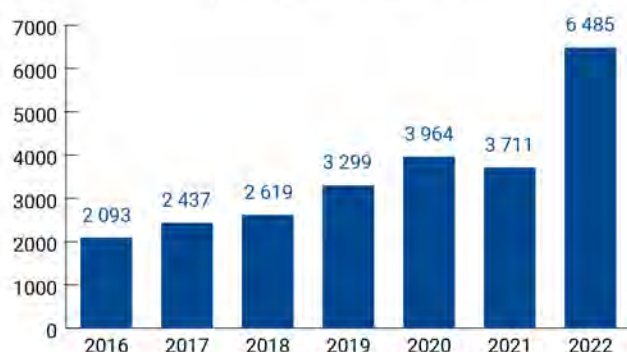
Based on this history, Kitron has developed into a leading Scandinavian electronics manufacturing services company with production facilities on three continents.



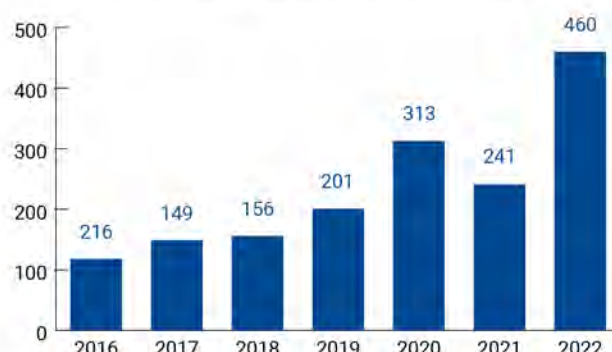
# Board of Directors' report

## Record revenue, profits and order backlog

Revenue in NOK million



Operating profit in NOK million



Kitron's revenue for the year was NOK 6 486.7 million (NOK 3 711.4 million), which represented a 75 per cent increase compared with 2021. The revenue growth reflects underlying growth for all business units and the acquisition of Danish EMS provider BB Electronics AS. EBIT for the group was NOK 459.6 million compared to NOK 240.8 million in 2021. Net profit for the year amounted to NOK 287.1 million (NOK 152.8 million), corresponding to NOK 1.46 per share (NOK 0.85). According to Kitron dividend policy, 20 to 60% of net profit should be paid back to the shareholders as dividend. Taking the company's current financial position and investment plans into consideration, the Board of Directors will, propose to the Annual General Meeting a dividend of NOK 0.50 per share for the financial year 2022, equal to 34% of EPS and up from NOK 0.25 last year.

In the Annual Report 2021, Kitron indicated an expected revenue range of between NOK 5 200 and 5 800 million and an operating profit (EBIT) between NOK 330 and 430 million. Both figures ended significantly higher than the indicated ranges, reflecting increasing demand and easing of supply constraints.

### The business

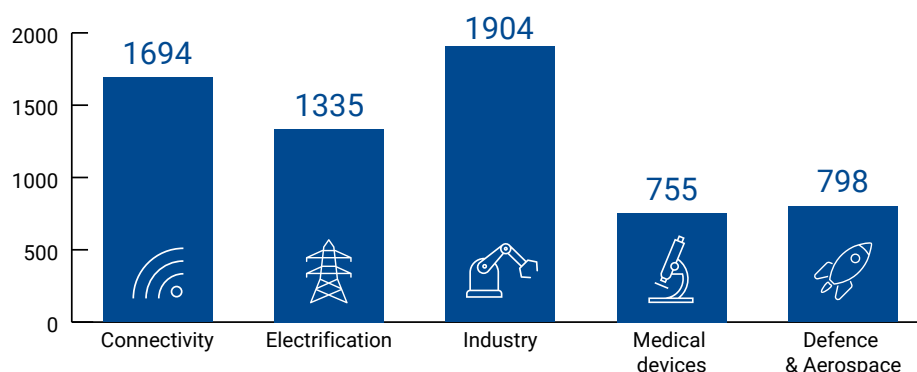
Kitron's business model is to provide manufacturing and assembly services for products containing electronics. The business model covers the whole value chain from development, industrialization, purchasing, logistics and maintenance/repair to redesign. For customers having Kitron as their professional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

Hence, many OEMs choose to focus on their own core competencies 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, India, China and the United States. All employees have been certified in accordance with international quality standards for the applicable manufacturing.



Revenue per market sector 2022, NOK million



## 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 6 097.8 million, an increase of 116 per cent compared to last year, reflecting very strong demand and the acquisition of BB Electronics. Compared to last year, the order backlog grew within every market sector.

### Connectivity

Revenue in the Connectivity sector increased by 269 per cent and ended at NOK 1 694.0 million in 2022. The strong growth is partly reflecting BB Electronics' strong position in this sector. The sector accounted for 26 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 36 per cent and ended at NOK 1 335.5 million in 2022. The sector accounted for 21 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 118 per cent and ended at NOK 1 904.4 million in 2022. The strong growth is partly reflecting BB Electronics' strong position in this sector. The sector accounted for 29 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 increased by 19 per cent and ended at NOK 754.5 million in 2022. The sector accounted for 12 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 increased by 5 per cent and ended at NOK 798.3 million in 2022. The sector accounted for 12 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. The Defence/Aerospace sector is in general characterized by project deliveries.

## Important events in 2022

### Supply chain constraints easing

The component supply situation was difficult in 2021 and at the beginning of 2022. However, there was a clear improvement throughout the year, especially in the second half, substantially increasing Kitron's ability to turn demand into revenues and improving operational efficiency.

### 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. The acquisition was completed early in January 2022, and the BB Electronics business has performed above expectations throughout the year.

## 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.

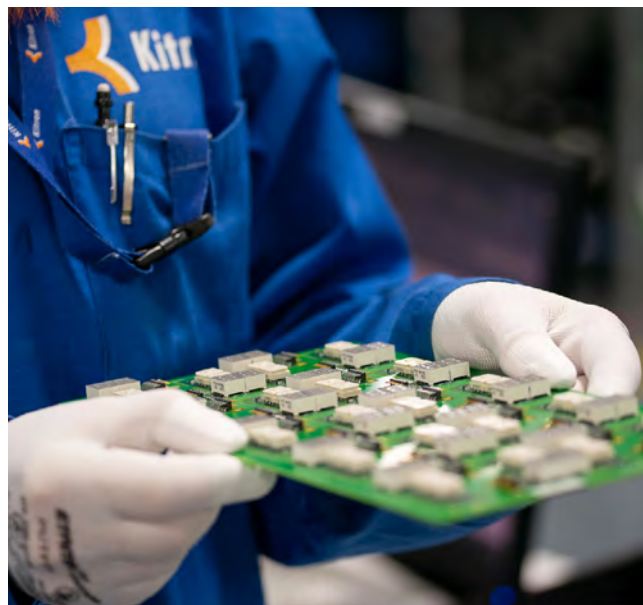
### Profit and loss

Operating revenue for 2022 amounted to NOK 6 486.7 million (NOK 3 711.3 million), which represented a 75 per cent increase compared with 2021. The revenue growth reflects underlying growth for all business units and the acquisition of BB Electronics.

The order backlog at the end of 2022 amounted to NOK 6 097.8 million, compared to NOK 2 827.1 million at the end of 2021. Compared to last year, the order backlog grew within every market sector. Kitron recognizes firm orders and four-month customer forecasts in the order backlog, while frame agreements and similar are not included (beyond the four-month forecast).

The number of full-time equivalents (FTE) increased from 1 749 at the end of 2021 to 2 848 at the end of 2022. Of the increase, 934 FTEs are related to BB Electronics. The group's payroll expenses increased and amounted to NOK 1 092.5 million in 2022 compared with 719.1 million in 2021. The payroll expenses as a percentage of revenue decreased to 16.8 per cent (19.4 per cent in 2021). The decrease is partly explained by improved efficiency due to the easing of supply chain constraints.

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 67.4 million. The corresponding figure for 2021 was a net cost of NOK 36.6 million. Kitron's pre-tax profit for 2022 amounted to NOK 392.2 million (NOK 204.2 million). All tax losses carried forward in the businesses in Norway are capitalised by December. For the US operation deferred tax assets of NOK 23.2 million related to tax losses carried forward are not capitalized by the end of December.

The group's net profit for the year amounted to NOK 287.1 million (NOK 152.8 million). This corresponds to earnings per share of NOK 1.46 (NOK 0.85). Diluted earnings per share were NOK 1.43 (NOK 0.84).

The Board of Directors will, on this basis, propose to the Annual General Meeting an ordinary dividend of NOK 0.50 per share for the financial year 2022. Last year, the ordinary dividend was NOK 0.25.

### Cash flow

In 2022, Kitron's cash flow from operating activities was NOK 160.3 million (NOK 126.3 million). The difference between cash flow from operating activities and operating profit is mainly due to depreciation, net interest paid, income taxes paid and changes in working capital items. Net cash flow from investing activities in 2022 ended at negative NOK 960.5 million (negative NOK 46.0 million). Cash flow from investing: The change is mainly related to the acquisition of BB Electronics of NOK 863.9 million. Net cash flow from financing activities was positive NOK 642.7 million (NOK 197.4 million). The change is mainly related to financing of the acquisition of BB Electronics. 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 2022 amounted to NOK 5 874.7 (NOK 3 309.4 million). Total assets and other balance sheet items are substantially affected by the acquisition of BB Electronics.

Equity amounted to NOK 1 506.5 million (1.228.0 million), and the equity ratio was 25.8 per cent (37.1 per cent).

Inventories ended at NOK 1 815.5 million at the end of the year (NOK 880.3 million). Contract assets ended at NOK 624.6 million, compared to NOK 400.6 million last year. Controlling inventory is a major focus area for the company's ongoing improvement program. Over the past years, inventory levels were unusually high due to the supply constraints, which are now easing.

Accounts receivable ended at NOK 1 508.2 million (NOK 864.6 million). Overdue receivables are low, and credit losses were negligible during 2022.

Accounts payable ended at NOK 2 018.6 million (NOK 917.8 million).

On 31 December 2022, the group's interest-bearing debt was NOK 1 899.3 million (NOK 999.4 million). The debt consists mainly of long-term bank debt, short-term bank debt, factoring and leasing.

Cash and cash equivalents amounted to NOK 272.7 million at the balance sheet date (NOK 428.0 million). NOK 0.6 million was restricted deposits (NOK 10.5 million).

## 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. A strengthening of the NOK currency would have 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.

Kitron consider the financial climate risk as being very limited based firstly on our low climate impact and secondly the climate related external negative impact is evaluated as low. On the contrary, the Electrification shift drives substantial growth.

## 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 advise in ethical dilemmas, conduct risk analysis and implement relevant actions and make periodical reviews.

Kitron's Sustainability report for 2022 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.

The report on due diligence according to the Norwegian Transparency Act will be available on Kitron.com.



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

At the end of 2022, the group employed a total of 2 848 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 2022.

Sick leave was 4.4 per cent (3.3 per cent in 2021). The Board considers the working environment to be good, and Kitron participates in the Great Place to Work survey in order to develop an even better working environment.

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

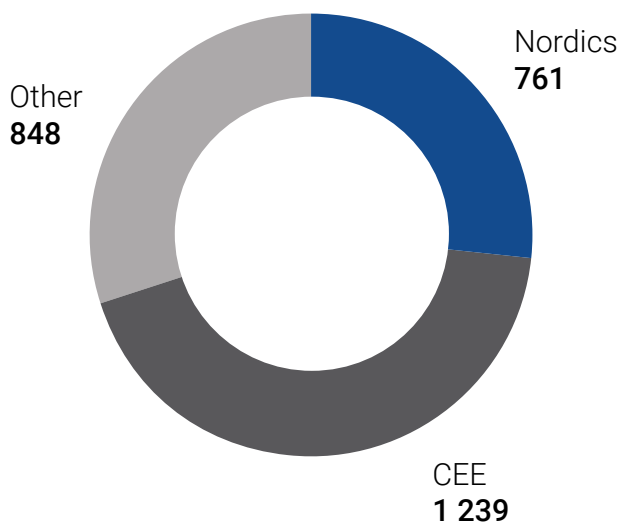


Figure 1: Full time employees 2022,  
Geographical description

## 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 2022, 69 877 hours were registered as spent on training, compared to 51 470 in 2021.

## 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 53 per cent of the Kitron workforce in 2022. Out of 172 managers (managers having direct reports) 31 per cent are female and 69 per cent are male.

Kitron takes its social responsibility seriously. In addition to ensuring that 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 varies 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 members and 1 female member.

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

The report on compensation based on the requirements of the Norwegian Equality and Anti-Discrimination Act is available in the Sustainability Report.

## 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. The report on due diligence according to the Norwegian Transparency Act will be made available on the Kitron web site. 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 on the company's website.

## Net profit (loss) of the parent company

The Parent Company Kitron ASA recorded a profit of NOK 62.4 million for 2022 (NOK 133.8 million). The Board of Directors proposes the following allocations for Kitron ASA:

Dividend NOK 98.8 million

Transferred from other equity NOK 36.4 million

Total allocations NOK 62.4 million

There have been no events to date in 2023 that significantly affect the result for 2022 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 2022 have been prepared on the basis of this assumption.

## Outlook

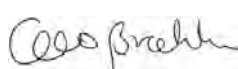
Demand continues to be strong, and EBIT margin and capital efficiency are improving. For 2023, Kitron expects revenues between NOK 6 700 and 7 300 million. Operating profit (EBIT) is expected to be between NOK 450 and 550 million. Revenue and EBIT are now expected to be in the higher end of the ranges.

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

Oslo, 22 March 2023



**Tuomo Lähdesmäki**  
Chairman



**Gro Brækken**  
Deputy Chairman



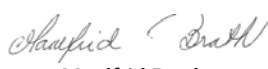
**Michael Lundgaard Thomsen**  
Board Member



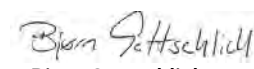
**Espen Gundersen**  
Board Member



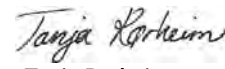
**Petra Grandinson**  
Board Member



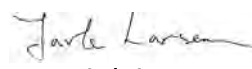
**Maalfrid Brath**  
Board Member



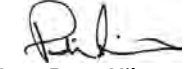
**Bjørn Gottschlich**  
Employee Elected Board Member



**Tanja Rørheim**  
Employee Elected Board Member



**Jarle Larsen**  
Employee Elected Board Member



**Lars Peter Nilsson**  
CEO of Kitron ASA



# Consolidated annual accounts

## Consolidated income statement

NOK 1000	Note	2022	2021
<b>Revenue</b>			
Revenues	5,6	6 486 734	3 711 373
<b>Operating costs</b>			
Cost of materials		4 445 306	2 449 714
Payroll expenses	8,19,23,29	1 092 517	719 144
Depreciation and impairments	12,13,14	161 411	101 048
Other operating expenses	27,29	330 949	197 050
<b>Total operating costs</b>		<b>6 030 183</b>	<b>3 466 956</b>
Other gains/(losses)	7	3 038	(3 604)
<b>Operating profit/(loss)</b>		<b>459 589</b>	<b>240 813</b>
<b>Financial income and expenses</b>			
Finance income	9	17 406	3 878
Finance expenses	9	(84 760)	(40 525)
<b>Net financial items</b>		<b>(67 355)</b>	<b>(36 648)</b>
Profit/(loss) before tax		392 234	204 165
Tax	10	105 087	51 323
<b>Net profit/(loss)</b>		<b>287 147</b>	<b>152 843</b>
<b>Allocation</b>			
Shareholders		287 147	152 843
<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	1.46	0.85
Diluted earnings per share	11	1.43	0.84

The notes on pages 18 to 61 are an integral part of the consolidated financial statement.

## Consolidated statement of comprehensive income

NOK 1000	Note	2022	2021
<b>Net profit/(loss)</b>		287 147	152 843
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Actuarial gain / losses pensions		(162)	(299)
		(162)	(299)
<b>Items that may be subsequently reclassified to profit and loss</b>			
Gain / losses forward contract		5 829	(5 831)
Gains of hedging		798	-
Exchange differences on translation		33 607	(10 588)
		40 234	(16 419)
<b>Total other comprehensive income</b>		40 072	(16 718)
<b>Total comprehensive income</b>		327 219	136 125
Items in the statement above are disclosed net of tax. See note 10.			
<b>Allocation</b>			
Shareholders		327 219	136 125

The notes on pages 18 to 61 are an integral part of the consolidated financial statement.

## Consolidated balance sheet

NOK 1000	Note	31.12.2022	31.12.2021
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	13	472 857	36 933
Intangible assets	14	318 491	44 917
Property, plant and equipment	12	359 910	212 940
Right of use assets	12	254 611	239 503
Deferred tax assets	22	91 659	73 989
Other receivables	15	10 410	10 316
<b>Total non-current assets</b>		<b>1 507 939</b>	618 598
<b>Current assets</b>			
Inventory	16	1 815 489	880 297
Accounts receivable	15, 27	1 508 212	864 598
Contract assets	15	624 561	400 586
Other receivables	15, 27	145 770	117 302
Cash and cash equivalents	17	272 698	428 035
<b>Total current assets</b>		<b>4 366 731</b>	2 690 818
<b>Total assets</b>		<b>5 874 670</b>	3 309 417

The notes on pages 18 to 61 are an integral part of the consolidated financial statement.



## Consolidated balance sheet (continued)

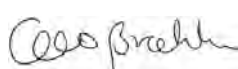
NOK 1000	Note	31.12.2022	31.12.2021
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to owner of the parent			
Share capital	18	19 769	19 701
Share premium reserve	18	792 623	792 623
Equity unrecognised in the profit and loss		24 176	(16 308)
Retained earnings		669 923	432 030
<b>Total equity</b>		<b>1 506 491</b>	<b>1 228 046</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	22	66 366	4 223
Interest bearing debt	21	1 255 230	206 230
Pension commitments	23	5 243	5 557
Other liabilities		12 193	4 227
<b>Total non-current liabilities</b>		<b>1 339 032</b>	<b>220 237</b>
<b>Current liabilities</b>			
Accounts payable	20, 27	2 018 591	917 779
Other payables	20, 27	301 055	131 057
Tax payable		65 399	19 050
Interest bearing debt	21	644 103	793 247
<b>Total current liabilities</b>		<b>3 029 147</b>	<b>1 861 133</b>
<b>Total liabilities</b>		<b>4 368 179</b>	<b>2 081 370</b>
<b>Total liabilities and equity</b>		<b>5 874 670</b>	<b>3 309 417</b>

The notes on pages 18 to 61 are an integral part of the consolidated financial statement.

Oslo, 22 March 2023



**Tuomo Lähdesmäki**  
Chairman



**Gro Brækken**  
Deputy Chairman



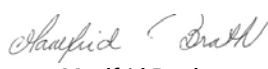
**Michael Lundgaard Thomsen**  
Board Member



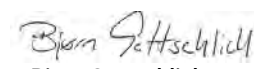
**Espen Gundersen**  
Board Member



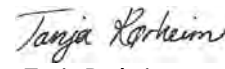
**Petra Grandinson**  
Board Member



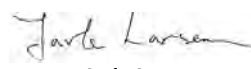
**Maalfrid Brath**  
Board Member




**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

## 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	
<b>Equity at 1 January 2021</b>	<b>17 910</b>	<b>456 058</b>	<b>(10 040)</b>	<b>15 829</b>	<b>1 336</b>	<b>404 560</b>	<b>885 654</b>
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)
<b>Equity at 31 December 2021</b>	<b>19 701</b>	<b>792 623</b>	<b>(10 339)</b>	<b>(590)</b>	<b>(5 379)</b>	<b>432 030</b>	<b>1 228 046</b>
<b>Equity at 1 January 2022</b>	<b>19 701</b>	<b>792 623</b>	<b>(10 339)</b>	<b>(590)</b>	<b>(5 379)</b>	<b>432 030</b>	<b>1 228 046</b>
Net profit						287 147	287 147
Paid dividends						(49 254)	(49 254)
Issue of ordinary shares	68	-			-		68
Termination of options against cash consideration					(7 652)		(7 652)
Effect from option costs					8 064		8 064
Other comprehensive income			(162)	40 265	(31)		40 072
<b>Equity at 31 December 2022</b>	<b>19 769</b>	<b>792 623</b>	<b>(10 501)</b>	<b>39 675</b>	<b>(4 998)</b>	<b>669 923</b>	<b>1 506 491</b>

The notes on pages 18 to 61 are an integral part of the consolidated financial statement.

## Consolidated statement of cash flow

NOK 1000	Note	2022	2021
<b>Cash flows from operating activities</b>			
Cash flow from operations	25	279 193	183 357
Interest received		12 482	3 786
Interest paid		(69 998)	(20 011)
Income taxes paid		(61 363)	(40 818)
<b>Net cash (outflow) from operating activities</b>		<b>160 314</b>	<b>126 314</b>
<b>Cash flows from investing activities</b>			
Aquisition of subsidiaries	30	(863 916)	-
Paid for tangible fixed assets	12	(93 861)	(39 309)
Paid for intangible assets	14	(2 690)	(6 665)
<b>Net cash (outflow) from investing activities</b>		<b>(960 467)</b>	<b>(45 974)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuing ordinary shares		68	338 775
Proceeds from new loans		1 200 000	100 564
Bank overdraft		(61 395)	(27 991)
Repayment of loans		(389 467)	(59 399)
Repayment lease debt		(57 230)	(29 185)
Dividends paid		(49 254)	(125 374)
<b>Net cash (outflow) from financing activities</b>		<b>642 722</b>	<b>197 390</b>
<b>Change in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	17	428 035	152 573
Exchange gains (losses) on cash and cash equivalents		2 095	(2 269)
<b>Cash and cash equivalents at 31 December</b>		<b>272 698</b>	<b>428 035</b>

The notes on pages 18 to 61 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, Denmark, Lithuania, Germany, Poland, Czech Republic, India, 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 2023.

## 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 amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3. The group also elected to adopt the following amendments early:
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

### Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses). Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

### 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.

### **Customer contracts**

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

### **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.

For part of the accounts receivable the group has recourse factoring, and the credit risk remains with the group.

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 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.

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 DKK, 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 1.2 million (2021: NOK 1.0 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits, trade receivables and debt.

At 31 December, if the (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 2.5 million (2021: NOK 0.3 million) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of EUR denominated bank deposits, trade receivables and debt.

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 0.1 million (2021: NOK 0.6 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation 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 (undiscounted numbers):

NOK 1000	Less than one year	Between one and two years	Between two and five years	More than five years
<b>At 31 December 2022</b>				
Bank overdraft	149 408	-	-	-
Leasing	65 963	103 154	89 624	4 422
Factoring debt	346 595	-	-	-
Other financial loans	105 000	95 973	287 922	735 000
Trade and other payables	2 018 591	-	-	-
<b>Total</b>	<b>2 685 557</b>	<b>199 128</b>	<b>377 546</b>	<b>739 422</b>
<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>

### 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 or Libor 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 2022, if interest rate on NOK borrowings had been 1 percentage points higher/lower during the year with all other variables held constant, post-tax profit for the year would have been NOK 7.2 million (2021: NOK 5.4 million) lower/higher during the year, mainly as a result of higher/lower interest expense on floating rate borrowings. At 31 December 2022, 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 7.6 million (2021: NOK 4.5 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 2022 and 2021 were as follows:

NOK 1000	2022	2021
Total borrowings (note 21)	1 899 333	999 477
Cash and cash equivalents (note 17)	(272 698)	(428 035)
<b>Net debt</b>	<b>1 626 635</b>	<b>571 442</b>
Total equity	1 506 491	1 228 046
<b>Total capital</b>	<b>3 133 126</b>	<b>1 799 488</b>
Gearing ratio	52 %	32 %



#### **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. See note 22 for details.

##### **Estimated value of goodwill**

The group performs annual tests to assess the fall in value of goodwill. The recoverable amount from cash generating units is determined based on present-value calculations of expected annual cash flows. These calculations require the use of estimates for cash flows and the choice of discount rate before tax for discounting the cash flows. Additional information is disclosed in note 13.

## 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	2022	2021
Connectivity	1 693 956	458 932
Electrification	798 311	763 093
Industry	1 335 490	983 214
Medical devices	1 904 435	872 670
Defence & Aerospace	754 542	633 464
<b>Total sales</b>	<b>6 486 734</b>	<b>3 711 373</b>

### Geographical breakdown revenues

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

NOK 1000	2022	2021
Norway	777 639	599 767
Sweden	1 982 131	1 740 232
Rest of Europe	2 834 237	709 280
USA	697 941	612 591
Other	194 786	49 503
<b>Total sales</b>	<b>6 486 734</b>	<b>3 711 373</b>

The largest customer counts for 6.8 % (9.9 %) of sales, the next counts for 5.5 % (8.8 %), the third counts for 4.6 % (5.5 %) and the others are below 4.1 % (5.5 %) each.

### Geographical breakdown of assets

NOK 1000	Norway		Sweden		Denmark		Lithuania		Poland	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets	111 953	110 636	52 677	61 934	319 275	-	94 191	101 737	130 181	120 589

NOK 1000	Germany		Czech Republic		China		USA		India	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets	189	287	74 051	-	93 428	45 499	56 957	54 148	111	-

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

## Note 6 - Revenues

### Revenues consist of

NOK 1000	2022	2021
Revenues from contracts with customers	6 486 734	3 711 373
<b>Total revenues</b>	<b>6 486 734</b>	<b>3 711 373</b>

### Timing of revenue recognition

NOK 1000	2022	2021
Revenues from contracts with customers, over time	6 486 734	3 711 373

## Note - 7 Other gains / (losses)

NOK 1000	2022	2021
Currency gains	134 467	53 161
Currency losses	(131 429)	(56 765)
<b>Other gains/(losses)</b>	<b>3 038</b>	<b>(3 604)</b>

## Note 8 - Employee benefits

NOK 1000	2022	2021
Payroll	868 572	574 715
Payroll tax	118 302	82 101
Net pension costs defined benefit plans (note 23)	79	81
Pension costs defined contribution plans	51 832	30 701
Option costs	8 063	5 243
Other remuneration	45 669	26 303
<b>Total</b>	<b>1 092 517</b>	<b>719 144</b>
Average number of man-years (including hired-ins)	2 809	1 786
Average number of employees	2 459	1 759

## Note 9 - Financial income and expenses

NOK 1000	2022	2021
Interest income	12 482	3 786
Other financial income	1 540	6
Foreign currency gains related to borrowings, cash and cash equivalents	3 384	86
<b>Finance income</b>	<b>17 406</b>	<b>3 878</b>

NOK 1000	2022	2021
Interest expenses	(69 998)	(25 573)
Other financial expenses	(14 762)	(2 449)
Foreign currency losses related to borrowings, cash and cash equivalents	-	(12 503)
<b>Finance expenses</b>	<b>(84 760)</b>	<b>(40 525)</b>
<b>Net financial items</b>	<b>(67 355)</b>	<b>(36 648)</b>

## Note 10 - Income tax expense

NOK 1000	2022	2021
Tax payable	111 898	48 148
Deferred tax (Note 22)	(6 811)	3 175
<b>Income tax expense</b>	<b>105 087</b>	<b>51 323</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	2022	2021
Ordinary profit before tax	392 234	204 165
Tax calculated at the domestic rate (22%)	86 291	44 916
Expenses not deductible for tax purposes	7 193	(3 179)
Tax loss for which no deferred income tax asset was recognised	18 158	(265)
Other adjustments	509	6 911
Effect on different tax rates in countries in which the group operates	(7 064)	2 940
<b>Tax cost</b>	<b>105 087</b>	<b>51 323</b>

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

The tax rate is 22,0 % in Norway, 20,6 % in Sweden, 22% in Denmark, 15,0 % in Lithuania, 25,0 % in China, 19% in Czech Republic, 16,5 % in Hong Kong, 30,9 % in USA, 19 % in Poland and 15,0 % in Germany.

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

NOK 1000	2022			2021		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Actuarial gain / (losses) pensions	(208)	46	(162)	(383)	84	(299)
Exchange differences on translation of foreign operations	798	-	798	4 251	(935)	3 316
Currency translation differences	33 607	-	33 607	(13 905)	-	(13 905)
Gain/(loss) forward contracts	7 474	(1 644)	5 829	(7 474)	1 644	(5 831)
<b>Other comprehensive income</b>	<b>41 671</b>	<b>(1 598)</b>	<b>40 072</b>	<b>(17 511)</b>	<b>793</b>	<b>(16 718)</b>
Current tax		-			-	
Deferred tax		1 598			(793)	



## 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).

<b>NOK 1000</b>	<b>2022</b>	<b>2021</b>
Profit attributable to equity holders of the company	<b>287 147</b>	152 843
<b>Profit used to determine basic and diluted earnings per share</b>	<b>287 147</b>	152 843
<b>Weighted average number of ordinary shares in issue (thousands)</b>	<b>197 244</b>	179 202
Adjusted for share options (thousands)	<b>2 158</b>	2 177
<b>Weighted average number of ordinary shares for diluted earnings per share (thousands)</b>	<b>200 136</b>	181 391
<b>Basic earnings per share</b>	<b>1.46</b>	0.85
<b>Diluted earnings per share</b>	<b>1.43</b>	0.84

## Note 12 - Property, plant and equipment

NOK 1000	Machinery and equipment	Buildings and land	Right-of-use assets	Total
<b>At 1 January 2021</b>				
Acquisition cost	1 072 254	215 380	293 073	<b>1 580 706</b>
Accumulated depreciation/impairment	(940 887)	(108 787)	(36 181)	<b>(1 085 854)</b>
<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	<b>494 852</b>
Currency translation adjustment	(18 709)	(15 968)	8 858	<b>(25 819)</b>
Additions	34 728	4 581	30 642	<b>69 951</b>
Reclassification 1)	13 230	7 629	(13 230)	<b>7 629</b>
Depreciation	(39 662)	(10 849)	(43 659)	<b>(94 170)</b>
<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	<b>1 632 468</b>
Accumulated depreciation/impairment	(980 549)	(119 636)	(79 840)	<b>(1 180 024)</b>
<b>Accounting carrying amount</b>	<b>120 955</b>	<b>91 986</b>	<b>239 503</b>	<b>452 443</b>
<b>Fiscal 2022</b>				
Opening balance	120 955	91 986	239 503	<b>452 443</b>
BB Electronic acquisition	55 702	59 693	31 353	146 748
Currency translation adjustment	7 235	12 759	8 484	28 478
Additions	91 976	1 885	26 215	<b>120 076</b>
Depreciation	(66 060)	(16 220)	(50 944)	<b>(133 224)</b>
<b>Closing balance</b>	<b>209 808</b>	<b>150 103</b>	<b>254 611</b>	<b>614 521</b>
<b>At 31 December 2022</b>				
Acquisition cost	1 256 416	285 959	385 394	<b>1 927 769</b>
Accumulated depreciation/impairment	(1 046 608)	(135 856)	(130 783)	<b>(1 313 248)</b>
<b>Accounting carrying amount</b>	<b>209 808</b>	<b>150 103</b>	<b>254 611</b>	<b>614 521</b>

1) 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 127.1 million and NOK 41.6 million (2021: NOK 108.9 million and NOK 38.1 million), see note 21.

Building and land instalations 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 2021</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>
<b>Fiscal 2022</b>	
Opening balance	36 933
Conversion differences	20 096
Additions	415 829
<b>Closing balance</b>	<b>472 857</b>
<b>At 31 December 2022</b>	
Acquisition cost	476 689
Accumulated impairment charge	(3 832)
<b>Accounting carrying amount</b>	<b>472 857</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	2022	2021
Norway	715	715
Sweden	3 555	3 555
Denmark (BB)	435 924	0
Lithuania	22 516	22 516
USA	10 147	10 147
<b>Total</b>	<b>472 857</b>	<b>36 933</b>

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

The following table sets out the key assumptions for those cash-generating units that have significant goodwill allocated to them:

2022	Denmark
Growth rate in the forecast period	2.0 %
Long-term growth rate	2.0 %

## 2022

## Denmark

Budgeted EBIT-margin	8.0 %
Growth in other expenses in the forecast period	2.0 %
Discount rate	22.4 %

### Assumption

### Approach used to determining values

<b>Growth rate in the forecast period</b>	Average annual growth rate over the five-year forecast period is 2% and is based on expected inflation on a long term basis.
<b>Long-term growth rate</b>	The growth rate does not exceed the long-term growth rates of the market in which the business operates and is determined to be 2% per year.
<b>Budgeted gross margin</b>	Based on past performance and management's expectations for the future.
<b>Growth in other expenses in the forecast period</b>	Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost-saving measures.
<b>Discount rate</b>	Discount rate is based on the WACC model and converted to pre-tax numbers. The discount rate is in accordance with the discount rate that followed from the purchase price in the transaction and divided into the asset categories based on a judgement of riskiness of each asset.

## Impairment charge

The present value of goodwill is estimated well above the carrying amount. There is substantial buffer before goodwill is in a impairment scenario.

## Impact of possible changes in key assumptions

The directors and management have considered and assessed reasonably possible changes for the key assumptions and have not identified any instances that could cause the carrying amount of the Danish cash-generating unit to exceed its recoverable amount.

For the other cash-generating units 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.

## Note 14 - Intangible assets

NOK 1000	System Software	Other intangible assets	Customer contracts 2)	Total
<b>At 1 January 2021</b>				
Acquisition cost	113 014	6 926	-	<b>119 939</b>
Accumulated depreciation	(66 165)	(1 014)	-	<b>(67 179)</b>
<b>Accounting carrying amount</b>	<b>46 849</b>	<b>5 911</b>	<b>-</b>	<b>52 760</b>
<b>Fiscal 2021</b>				
Opening balance	46 849	5 911	-	<b>52 760</b>
Currency translation adjustment	0	(0)	-	<b>(0)</b>
Additions	6 623	42	-	<b>6 665</b>
Reclassification 1)	(7 629)	-	-	<b>(7 629)</b>
Depreciation	(6 089)	(789)	-	<b>(6 878)</b>
Closing balance	39 753	5 164	-	<b>44 917</b>
<b>At 31 December 2021</b>				
Acquisition cost	112 007	6 967	-	<b>118 975</b>
Accumulated depreciation	(72 254)	(1 803)	-	<b>(74 057)</b>
<b>Accounting carrying amount</b>	<b>39 753</b>	<b>5 164</b>	<b>-</b>	<b>44 917</b>
<b>Fiscal 2022</b>				
Opening balance	39 753	5 164	-	<b>44 917</b>
Acquisition BB Electronics	-	24 009	265 072	<b>289 081</b>
Currency translation adjustment	30	(1 910)	11 869	<b>9 989</b>
Additions	2 165	524	-	<b>2 690</b>
Disposals	-	-	-	<b>-</b>
Depreciation	(6 283)	(3 572)	(18 332)	<b>(28 187)</b>
Impairment charge	-	-	-	<b>-</b>
<b>Closing balance</b>	<b>35 666</b>	<b>24 216</b>	<b>258 609</b>	<b>318 491</b>
<b>At 31 December 2022</b>				
Acquisition cost	114 203	29 591	276 941	<b>420 735</b>
Accumulated depreciation	(78 537)	(5 375)	(18 332)	<b>(102 244)</b>
Accumulated Impairment charge	-	-	-	<b>-</b>
<b>Accounting carrying amount</b>	<b>35 666</b>	<b>24 216</b>	<b>258 609</b>	<b>318 491</b>

- 1) For 2021 the value of TNOK 7629 for "Assets under construction" is reclassified from Intangible asset to Tangible assets/ Building and land.
- 2) In 2022, Kitron acquired the BB Electronics group. As a part of the valuation of the group the customers were valued more than book value. The valuation of customer contracts are based on a "multi-period excess earnings"-method. This approach calculates a cash flow of excess values generated by existing customers, taking into account the cost of using other assets in the company. The value is assumed to be equal to the sum of the discounted cash flows over the remaining lifetime, which is set to 15 years. Additions to System Software in 2022 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 2 years.



## Note 15 - Accounts receivable and other receivables

NOK 1000	2022	2021
Accounts receivable	1 508 212	864 598
Provision for bad debts	-	-
<b>Accounts receivable - net</b>	<b>1 508 212</b>	<b>864 598</b>

NOK 1000	2022	2021
Earned non-invoiced income	2 126	10 586
Prepaid costs	33 039	57 070
Other	110 604	49 647
<b>Other receivables</b>	<b>145 770</b>	<b>117 302</b>

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

NOK 1000	2022	2021
Accounts receivable - net	1 508 212	864 598
<b>Accounts receivable - net</b>	<b>1 508 212</b>	<b>864 598</b>

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

As of 31 December 2022 accounts receivables of NOK 188.3 million (2021: NOK 86.1 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	2022	2021
Not past due	1 319 889	778 532
Past due 1-30 days	146 794	73 582
Past due 31-60 days	25 314	4 219
Past due 61-90 days	6 167	6 446
Past due > 90 days	10 048	1 819
<b>Total</b>	<b>1 508 212</b>	<b>864 598</b>

As of 31 December 2022 no trade receivables were impaired and provided for (2021: NOK 0.0 million).

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

NOK 1000	2022	2021
CNY	91 193	35 610
EUR	535 072	298 528
NOK	343 205	277 961
SEK	120 510	112 250
USD	321 789	257 198
GBP	794	326
CZK	10 947	-
DKK	234 160	-
INR	1 408	-
PLN	29	28
<b>Total</b>	<b>1 653 981</b>	<b>981 900</b>

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

NOK 1000	2022	2021
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. (2021: 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 2022 provided security for NOK 549.1 million (2021: 455.3 million), see note 21.

### Contract assets

The group has recognised assets related to contract with customers. No increase in loss allowance in 2022 (2021 NOK 0.0 thousands).

NOK 1000	2022	2021
Contract assets	624 561	400 586
Loss allowance	-	-
<b>Contract assets - net</b>	<b>624 561</b>	<b>400 586</b>

## Note 16 - Inventories

NOK 1000	2022	2021
Raw materials and purchased semi-manufactures	1 815 489	880 297
<b>Total inventory</b>	<b>1 815 489</b>	<b>880 297</b>

For obsolete goods in year 2022 there was recognised a change of NOK (2.4) million. In 2021 NOK 0.0 million. Impairment charge recorded in the balance sheet as per 31 December 2022 was NOK 38.5 million, per 31 December 2021 NOK 17.1 million.

## Note 17 - Cash and Cash Equivalents

NOK 1000	2022	2021
Cash and cash equivalents	272 698	428 035

### Cash, cash equivalents and bank overdraft comprise:

NOK 1000	2022	2021
Cash and cash equivalents	272 698	428 035
Overdraft drawn down (Note 21)	(144 226)	(205 621)
<b>Total</b>	<b>128 472</b>	<b>222 414</b>

NOK 1000	2022	2021
Bank overdraft facilities 31 December	401 933	301 465
Net drawn on overdraft facilities 31 December	(144 226)	(205 621)

### Locked-in bank deposits 31 December

Security for factoring receivables	-	10 014
Security for leasing contracts	644	460
<b>Total</b>	<b>644</b>	<b>10 474</b>

Kitron ASA has established a group account agreement with the company's main bank. This encompass Kitron ASA and Norwegian, Swedish, Danish, 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 2021	179 104	17 910	456 058	473 968
Issue of new shares	17 910	1 791	336 565	338 356
At 31 December 2021	197 014	19 701	792 623	812 324
At 1 January 2022	197 014	19 701	792 623	812 324
Issue of new shares	677	68		68
<b>At 31 December 2022</b>	<b>197 691</b>	<b>19 769</b>	<b>792 623</b>	<b>812 392</b>

### Shares and shareholder information

The company's share capital at 31 December 2022 comprised 197 691 053 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 9 026 shareholders at 31 December 2022 (31 December 2021: 9 010 shareholders).

The 20 largest shareholders in Kitron ASA at 31 December 2022:

Shareholder	Number	Percentage
FOLKETRYGDFONDET	17 375 340	8.79%
VERDIPAPIRFOND ODIN NORGE	13 287 652	6.72%
VEVLEN GÅRD AS	12 500 000	6.32%
MP PENSJON PK	9 704 520	4.91%
The Northern Trust Comp, London Br	7 199 237	3.64%
AAT INVEST AS	7 000 000	3.54%
Danske Invest Norge Vekst	6 518 186	3.30%
J.P. Morgan SE	5 531 043	2.80%
VJ INVEST AS	5 182 686	2.62%
The Bank of New York Mellon SA/NV	5 000 000	2.53%
VERDIPAPIRFONDET HOLBERG NORGE	4 275 000	2.16%
The Bank of New York Mellon SA/NV	3 757 000	1.90%
Avanza Bank AB 1)	3 412 612	1.73%
VARNER EQUITIES AS	3 039 674	1.54%
VERDIPAPIRFONDET EQUINOR AKSJER NO	2 849 448	1.44%
VPF FONDSFINANS NORDEN	2 500 000	1.26%
J.P. Morgan SE	2 470 540	1.25%
VERDIPAPIRFONDET DNB SMB	2 023 385	1.02%
HAUSTA INVESTOR AS	1 994 499	1.01%
VERDIPAPIRFONDET KLP AKSJENORGE IN	1 870 891	0.95%
<b>Total 20 largest shareholders</b>	<b>117 491 713</b>	<b>59.43%</b>
Total other shareholders	80 199 340	40.57%
<b>Total outstanding shares</b>	<b>197 691 053</b>	<b>100.00%</b>

1) Beneficial owner: CEO Peter Nilsson 2 471 102 shares (1,25 per cent)

## Authorized share capital

### Authorization to the board to issue shares

The ordinary general meeting of 27 April 2022 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 1,970,143.90.
- The Board of Directors may not use the authorization if the total increase of the share capital approved by the Board of Directors in accordance with this authorization together with the use of other authorizations to issue shares, in the period for the authorization in item 3, exceeds NOK 3,940,287.80.
- The authorization shall be valid until the Annual General Meeting in 2023, but no later than 30 June 2023.
- 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, joint ventures or joint business operations, remuneration to members of the Board of Directors of Kitron ASA, incentive schemes, and acquisition of property and business within Kitron ASA's purpose.
- The Board of Directors is authorized to decide other terms and conditions of the subscription 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.

### Strategic authorization

The ordinary general meeting of 27 April 2022 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 ordinary general meeting of 27 April 2022 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 3,940,287.80.
- The Board of Directors may not use the authorization if the total increase of the share capital approved by the Board of Directors in accordance with this authorization together with the use of other authorizations to issue shares, in the period for the authorization in item 3, exceeds NOK 3,940,287.80.
- The authorization shall be valid until the Annual General Meeting in 2023, but no later than 30 June 2023.
- 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 include strengthening of Kitron ASA's equity and issuing of consideration shares in connection with acquisition of other companies or enterprises within Kitron ASA's purpose.
- The Board of Directors is authorized to decide other terms and conditions of the subscription and is authorized to amend the articles of association as implied by the use of this authorization.

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

The ordinary general meeting on 27 April 2022 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 1,970,143.90. 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 2023 annual general meeting, but not longer than 30 June 2023.

## 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 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 2022, the Company has had share-based payment arrangements for employees, as described below.

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 2022 are listed below (calculated at grant):

Granted	2019	2020	2021	2022
Exercise price	0,10	0,10	0,10	0,10
Share price at grant date	9,14	13,90	20,15	19,70
Expected life from grant date	2.77 years	2.95 years	2,94 years	2,44 years
Volatility	29%	36%	35%	40%
Interest rate	1.19%	0.168%	1.12%	3.61%
Fair value per option	2.57	6.65	7.48	8.18

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 2022 arising from the option plans are NOK 8 063 thousand, not including social security (2021: NOK 5 243 thousand). The total carrying amount per 31 December 2022 is NOK 12 809 thousand, not including social security (2021: NOK 11 482 thousand). Accrued social security at 31 December 2022 is NOK 6 586 thousand (2021: NOK 6 851 thousand).

Quantity and weighted average prices		
Activity	Number of instruments	Weighted Average Strike Price
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	-	-



## Quantity and weighted average prices

Activity	Number of instruments	Weighted Average Strike Price
Options not granted CB (31.12.2021)	330 000	0.10
Outstanding OB (01.01.2022)	3 420 000	0.10
Granted	1 175 000	0.10
Exercised	- 1 170 000	0.10
Forfeited	- 25 000	0.10
Expired	-	-
Outstanding CB (31.12.2022)	3 400 000	0.10
Vested CB		
Options not granted CB (31.12.2022)	350 000	0.10

Strike price	Outstanding instruments		Vested instruments		
	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2022	Weighted Average Strike Price
0.10	3 400 000	1.65	0.10	0	-

## Board

	Number of shares		Number of options	
	2022	2021	2022	2021
Tuomo Lähdesmäki, chairman	291 668	277 796	-	-
Gro Brækken, board member	51 280	46 380	-	-
Espen Gundersen, board member	56 280	52 380	-	-
Maalfrid Brath, board member	29 499	22 677	-	-
Christian Jebsen, board member (until 27.04.2022)	-	22 380	-	-
Petra Grandinson	20 494	14 254	-	-
Michael Lundgaard Thomsen (from 27.04.2022)	6 240	0	-	-
Jarle Larsen, employee elected board member	19 624	15 724	-	-
Tanja Rørheim, employee elected board member	26 280	22 380	-	-
Bjørn M. Gottschlich, employee elected board member	26 480	22 580	-	-

## Management

	Number of shares		Number of options	
	2022	2021	2022	2021
Peter Nilsson, CEO	2 471 102	2 287 182	905 000	1 030 000
Cathrin Nylander, CFO	1 035 249	955 627	295 000	370 000
Kristoffer Asklöv, COO	101 561	51 561	300 000	250 000
Stian Haugen, CTO	51 561	51 561	295 000	220 000
Mindaugas Sestokas, Vice President and Managing Director	418 978	316 978	295 000	370 000
Hans Petter Thomassen, Vice President and Managing Director	470 062	387 460	295 000	370 000
Stefan Hansson Mutas, Managing Director	295 281	219 261	295 000	370 000
Zygimantas Dirse, Managing Director	535 122	452 622	295 000	370 000
Carsten Christensen, CEO BB Electronics (joined 10.01.2022)	51 561	51 561	300 000	0

## Note 20 - Accounts payable and other payables

NOK 1000	2022	2021
Account payable	1 468 981	793 421
Deposits received	549 610	124 358
<b>Accounts payable</b>	<b>2 018 591</b>	<b>917 779</b>

NOK 1000	2022	2021
Public duties	53 535	44 195
Payable to related parties (note 27)	16 257	-
Other accruals	231 263	86 862
<b>Other payables</b>	<b>301 055</b>	<b>131 057</b>

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

NOK 1000	2022	2021
<b>Trade and other payables</b>		
CNY	252 873	40 946
EUR	574 128	252 426
NOK	236 980	146 187
SEK	119 737	95 832
USD	1 024 852	497 714
HKD	87	16
CHF	2 133	357
GBP	(2 037)	6 085
JPY	(820)	3 358
PLN	79 657	5 581
DKK	14 909	334
CZK	17 164	-
INR	(17)	-
<b>Total trade and other payables</b>	<b>2 319 646</b>	<b>1 048 836</b>

## Note 21 - Borrowings

NOK 1000	2022	2021
<b>Long-term loans</b>		
Leasing	163 089	150 950
Other 1)	1 092 141	55 280
<b>Total</b>	<b>1 255 230</b>	206 230
<b>Current loans</b>		
Debt to credit institutions 2) (Note 17)	144 227	205 621
Factoring debt 3)	336 450	358 928
Leasing	63 426	46 544
Other 1)	100 000	182 154
<b>Total</b>	<b>644 103</b>	793 247
<b>Total loans</b>	<b>1 899 333</b>	999 477

1) Other long-term and current loans consist mainly 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, Danish 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 2022 of NOK 100.1 million (2021: NOK 131.4 million). Interest is payable at a rate of IBOR and a margin.

3) Kitron has per 31 December 2022 factoring arrangements for the Norwegian and Swedish 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 2022.

Unrestricted bank deposits and unused credit lines amounted to NOK 390.5 million for the group at 31 December 2021 (NOK 512.5 million at 31 December 2021).

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

NOK 1000	2022	2021
Between one and two years	190 590	104 806
Between two and five years	360 388	81 109
Over 5 years	704 252	20 315
<b>Total</b>	<b>1 255 230</b>	206 230

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

NOK 1000	Carrying amount		Fair value	
	2022	2021	2022	2021
Leasing	163 089	150 950	151 468	146 086
Other	1 092 141	55 280	930 188	51 257
<b>Total</b>	<b>1 255 230</b>	<b>206 230</b>	<b>1 081 656</b>	<b>197 343</b>

Fair value is based on discounted cash flow with a discount rate of 5.0 per cent (2021: 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	2022	2021
NOK	919 528	544 511
SEK	79 685	82 302
EUR	695 111	192 117
USD	146 663	159 697
CNY	43 394	20 850
DKK	14 863	-
CZK	88	-
<b>Total</b>	<b>1 899 333</b>	<b>999 477</b>

Loans include NOK 1 672.8 million (2021: 802.0 million) in secured commitments (bank loans and other secured loans).

### Mortgages

NOK 1000	2022	2021
Debt secured by mortgages	1 764 112	878 327

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

<b>NOK 1000</b>	<b>2022</b>	<b>2021</b>
Buildings and land	<b>41 634</b>	38 059
Machinery and equipment	<b>127 130</b>	108 879
Cash	-	10 014
Receivables	<b>549 123</b>	455 284
Inventory and contract assets	<b>1 197 573</b>	833 148
<b>Total</b>	<b>1 915 461</b>	1 445 384

For the Swedish entity there are company mortgages of SEK 46.5 million at 31 December 2022 (2021: 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 91.3 million at 31 December 2022 (2021: NOK 76.3 million).

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

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

The group's guarantee provider had provided guarantees at 31 December for leasing obligations and tax due but not paid. These totalled NOK 3.6 million (2021: NOK 3.4 million) and NOK 17.0 million (2021: NOK 15.0 million) respectively for the group.

Per 31 December Kitron ASA has granted parent company guarantees of 16.2 million EUR related to lease obligations and factoring agreement for the polish subsidiary Kitron sp. z o.o (2021: 25.6 million EUR), and 350 million NOK related to bank financing for Kitron AS and Kitron AB (2021: 350 million NOK).

## 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	2022	2021
Deferred tax asset to be recovered after more than 12 months	91 659	73 989

### Deferred tax liability:

NOK 1000	2022	2021
Deferred tax liability to be recovered after more than 12 months	66 366	4 223
<b>Deferred tax asset (net)</b>	<b>25 293</b>	<b>69 766</b>

### Change in carrying amount of deferred tax asset:

NOK 1000	2022	2021
Opening balance	69 766	67 656
Currency translation differences	5 204	2 114
Profit and loss account	6 811	(3 175)
Business combinations	(57 059)	-
Other comprehensive income	(1 598)	793
Equity for the period	2 169	2 379
<b>Closing balance</b>	<b>25 293</b>	<b>69 766</b>

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	Customer contracts	Total
<b>At 1 January 2021</b>	<b>6 441</b>	<b>11 251</b>	<b>45</b>	<b>-</b>	<b>17 737</b>
Profit/(loss) for the period	1 172	(1 386)	(13)	-	(227)
Other comprehensive income	-	-	-	-	-
Currency translation differences	(178)	(19)	-	-	(197)
<b>At 31 December 2021</b>	<b>7 435</b>	<b>9 846</b>	<b>32</b>	<b>-</b>	<b>17 313</b>
<b>At 1 January 2022</b>	<b>7 435</b>	<b>9 846</b>	<b>32</b>	<b>-</b>	<b>17 313</b>
Profit/(loss) for the period	(4 388)	2 107	(6)	(4 062)	(6 349)
Business combinations	3 141	3 658	-	58 781	65 580
Other comprehensive income	-	-	-	-	-
Currency translation differences	934	180	-	1 600	2 714
<b>At 31 December 2022</b>	<b>7 122</b>	<b>15 791</b>	<b>26</b>	<b>56 319</b>	<b>79 258</b>

**Deferred tax asset:**

<b>NOK 1000</b>	<b>Provision and current assets</b>	<b>Loss carried forward</b>	<b>Pension</b>	<b>Total</b>
<b>At 1 January 2021</b>	<b>1 656</b>	<b>82 491</b>	<b>1 246</b>	<b>85 393</b>
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
<b>At 31 December 2021</b>	<b>3 664</b>	<b>82 194</b>	<b>1 222</b>	<b>87 079</b>
<b>At 1 January 2022</b>	<b>3 664</b>	<b>82 194</b>	<b>1 222</b>	<b>87 079</b>
Profit/(loss) for the period	946	(370)	(114)	462
Business combinations	8 521	-	-	8 521
Other comprehensive income	-	(1 644)	46	(1 598)
Equity for the period	-	2 169	-	2 169
Currency translation differences	1 673	6 243	-	7 916
<b>At 31 December 2022</b>	<b>14 804</b>	<b>88 592</b>	<b>1 154</b>	<b>104 551</b>

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 amounted to TNOK 37 748 in Norway (2021: TNOK 26 840) and TNOK 55 640 in USA (2021: TNOK 54 204). The group did not recognise deferred tax assets of TNOK 23 249 (2021: TNOK 0) related to tax losses carried forward for the operation in the USA.

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.

NOK 1000	Unfunded	
	2022	2021
<b>Carrying amount of the obligation</b>		
Pension commitments	5 243	5 557
<b>Costs recognised in the profit and loss account (incl in note 8)</b>		
Pension costs (gain) defined benefit plans	79	81
<b>Cost recognised in other comprehensive income</b>		
Actuarial losses (gains) pensions	209	383
<b>Defined pension benefit plans</b>		
Carrying amount of the obligation is determined as follows		
Present value of pension obligation	(5 243)	(5 557)
Fair value of plan asset	-	-
Net commitments in unfunded defined benefit plans	(5 243)	(5 557)
Hereof payroll tax on the pension obligations	(648)	(687)
<b>Net pension obligation in the balance sheet</b>	<b>(5 243)</b>	<b>(5 557)</b>
<b>Net pension costs comprise</b>		
Interest cost	(79)	(81)
<b>Total, included in payroll costs</b>	<b>(79)</b>	<b>(81)</b>

		Unfunded
NOK 1000	2022	2021
<b>Change in carrying amount of pension commitments</b>		
Opening balance	(5 557)	(5 666)
Cost recognised in the profit and loss account for the year	(79)	(81)
Cost recognised in other comprehensive income	(209)	(383)
Benefits paid	602	573
<b>Closing balance</b>	<b>(5 243)</b>	<b>(5 557)</b>

**The following assumptions have been applied in calculating pension commitments:**

Discount rate	3.2%	1.5%
Annual pension adjustment	3.5%	2.25 %
Social security tax rate	14.10%	14.10 %
Assumptions on mortality rates are based on published statistics in Norway	K2013	K2013
<b>Number of employees in defined benefit plans</b>	<b>1</b>	<b>1</b>

## Note 24 - Dividends per share

For 2021 a dividend of NOK 0.25 per share was paid. The Kitron Board of Directors will propose a dividend of NOK 0.50 per share for the financial year 2022 to the Annual General Meeting in April 2023.

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 28 April 2023 (being shareholders as of the date of the Annual General Meeting's resolution).

The total proposed dividend is NOK 98.8 million.

## Note 25 - Cash flow from operations

NOK 1000	2022	2021
Profit/(loss) before tax	392 234	204 165
Depreciation and impairment	161 411	101 048
Change in inventory	(476 711)	(335 320)
Change in contract assets	(148 529)	(13 926)
Change in accounts receivable and other short term receivables	(422 868)	(30 105)
Change in factoring debt	(22 478)	87 661
Change in accounts payable and other short term payables	670 706	215 411
Change in pension funds/obligations	(476)	(299)
Effect from option costs	(1 753)	5 243
Change in other items	63 551	(52 318)
Other adjustments booked to equity	-	(12 377)
Interest cost - net	66 200	16 225
Foreign exchange losses / (gains) on operating activities	(2 095)	(2 053)
<b>Cash flow from continuing operations</b>	<b>279 193</b>	<b>183 357</b>

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

NOK 1000	2022	2021
Leasing - long-term	163 089	150 950
Leasing - short-term	63 426	46 544
<b>Total lease liabilities</b>	<b>226 515</b>	<b>197 494</b>
Long-term bank loans	1 092 141	55 280
Short-term bank loans	100 000	182 154
<b>Total borrowings</b>	<b>1 192 141</b>	<b>237 434</b>

NOK 1000	Finance leases	Borrowings	Total
Loans as at 31 December 2021	(197 494)	(237 434)	(434 928)
Acquisition of subsidiaries	(31 766)	(101 706)	(133 472)
Cash flows	57 230	(810 553)	(753 303)
Lease liabilities recognised	(48 689)	-	(48 689)
Foreign exchange adjustments	(12 477)	(44 841)	(57 318)
Other non-cash movements	6 681	2 373	9 054
<b>Loans as at 31 December 2022</b>	<b>(226 515)</b>	<b>(1 192 141)</b>	<b>(1 418 656)</b>

NOK 1000	Finance leases	Borrowings	Total
<b>Loans as at 31 December 2020</b>	<b>(226 731)</b>	<b>(179 008)</b>	<b>(405 739)</b>
Cash flows	29 185	(41 165)	(11 980)
Lease liabilities recognised	(191)	-	(191)
Foreign exchange adjustments	243	(53)	190
Other non-cash movements	-	(17 208)	(17 208)
<b>Loans as at 31 December 2021</b>	<b>(197 494)</b>	<b>(237 434)</b>	<b>(434 928)</b>

## Notes 26 - Leases

### Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

NOK 1000	31.12.2022	31.12.2021
<b>Right to use assets</b>		
Buildings and land	127 097	112 742
Machinery and equipment	127 514	126 761
<b>Total</b>	<b>254 611</b>	<b>239 503</b>
<b>Lease liabilities**</b>		
Current	63 426	46 544
Non-Current	163 089	150 950
<b>Total</b>	<b>226 515</b>	<b>197 494</b>

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

Additions to the right-of-use assets in 2022 were NOK 31.4 million (2021: 30.6 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	31.12.2022	31.12.2021
<b>Depreciation charge of right-of-use assets</b>		
Buildings and land	29 611	19 469
Machinery and equipment	24 453	30 477
<b>Total</b>	<b>54 064</b>	<b>49 946</b>
Interest expense	8 684	8 935
Expenses relating to short-term leases	780	1 419
Expenses relating to leases of low-value	994	870
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 2022 was NOK 57.2 million (2021: NOK 31.5 million).

## Notes 27 - Related parties

NOK 1000	2022	2021
<b>Remuneration of senior executives</b>		
Pay and other benefits (1)	62 344	21 200
<b>Balance items at 31 December resulting from purchase/sale of goods and services</b>		
<b>Payable to related parties:</b>		
Senior executives (1)	16 257	-
<b>Total</b>	<b>16 257</b>	<b>-</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	2022	2021
<b>Directors' fee:</b>	<b>3 016</b>	2 834
- chairman	604	550
- board members	2 412	2 284
<b>Auditors fee</b>	<b>5 980</b>	3 068
- statutory audit	4 307	2 699
- other attestation services	85	-
- tax related services	1 115	164
- other services	473	205

## Remuneration of senior executives:

NOK 1000		Fixed remuneration		Variable remun.			Total remuneration	Proportion of fixed/variable
Name	Year	Base salary	Other benefits <sup>1</sup>	Short-term incentive earned <sup>2</sup>	Long-term incentive <sup>3</sup>	Pension expense <sup>4</sup>		
<b>Peter Nilsson</b> CEO (01.01.2022-31.12.2022)	2022	3 125	295	2 629	6 413	1 503	13 965	35%/65%
	2021	3 030	294	-	-	1 502	4 826	100%/0%
<b>Cathrin Nylander</b> CFO (01.01.2022-31.12.2022)	2022	2 220	282	1 868	2 746	295	7 411	38%/62%
	2021	2 153	282	-		294	2 729	100%/0%
<b>Kristoffer Asklov</b> COO (01.01.2022-31.12.2022)	2022	2 308	113	1 938	845	354	5 558	50%/50%
	2021	764				269	1 033	100%/0%
<b>Israel L. Salvador</b> COO (left 30.09.2021)	2022	-	-	-	-	-	-	-
	2021	1 726	121	-		204	2 051	100%/0%
<b>Stian Haugen</b> CTO (01.01.2022-31.12.2022)	2022	1 398	216	1 190		96	2 900	59%/41%
	2021	1 217	172	-		73	1 461	100%/0%
<b>Zygmantas Dirse</b> Managing Director, Kitron Electronics Manufacturing (Ningbo) CO Ltd., China (01.01.2022-31.12.2022)	2022	1 632	523	1 434	2 985	90	6 664	34%/66%
	2021	1 738	327	-		78	2 144	100%/0%
<b>Stefan H Mutas</b> Managing Director, Kitron AB, Sweden (01.01.2022-31.12.2022)	2022	1 616	81	1 416	2 757	785	6 655	37%/63%
	2021	1 695	107	-		782	2 584	100%/0%
<b>Mindaugas Sestokas</b> Managing Director, UAB Kitron, Lithuania & VP Central Eastern Europe (01.01.2022-31.12.2022)	2022	2 092	62	1 757	2 985		6 897	31%/69%
	2021	2 080	27	-			2 107	100%/0%
<b>Hans Petter Thomassen</b> Managing Director, Kitron AS, Norway & VP North America (01.01.2022-31.12.2022)	2022	1 898	203	1 597	2 737	227	6 662	35%/65%
	2021	1 840	198	-		227	2 265	100%/0%
<b>Carsten Christensen</b> CEO BB Electronics (joined 10.01.2022)	2022	2 904	301	2 428			5 632	57%/43%
	2021							

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) Short-term incentive earned includes the total monetary value of annual bonuses from the short-term incentive program for the financial year.

3) Long-term incentive program includes programs that have vested during the year and shows total benefit of shares and cash consideration.

4) Pension expense includes contributions that effectively took place during the reported financial period to finance a fund or other pension scheme for future pension payout for the senior executive.

Name of Board member	Position	Type of remuneration	2022	2021
<b>Tuomo Juhani Lähdesmäki</b> (01.01.2022-31.12.2022)	Chair	Total regular board remuneration	582	524
		Amount of board remuneration paid in cash	342	313
		Amount of board remuneration used for share acquisition	240	211
		Remuneration for chair of the remuneration committee	23	26
<b>Gro Merete Brækken</b> (01.01.2022-31.12.2022)	Deputy chairperson	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
		Remuneration for member of the audit/remuneration committee	47	26
<b>Espen Gundersen</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
		Remuneration for chair of the audit committee	90	37
<b>Maalfrid Brath</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
		Remuneration for member of the remuneration committee	23	26
<b>Christian Jebsen</b> (01.01.2022-27.04.2022)	Board member	Total regular board remuneration	66	262
		Amount of board remuneration paid in cash	66	196
		Amount of board remuneration used for share acquisition	-	66
		Remuneration for member of the audit committee	20	32
<b>Bjørn Martin Gottschlich</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
<b>Tanja Rørheim</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
		Remuneration for member of the audit committee	54	32
<b>Jarle Larsen</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
<b>Petra Grandinson</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	160	157
		Amount of board remuneration used for share acquisition	108	105
		Remuneration for member of the remuneration committee	23	35
<b>Michael Thomsen</b> (27.04.2022-31.12.2022)	Board member	Total regular board remuneration	203	-
		Amount of board remuneration paid in cash	95	-
		Amount of board remuneration used for share acquisition	108	-
		Remuneration for member of the remuneration committee	9	-

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

The company has not given any loans or security for directors or senior executives at 31 December 2022.

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



## Note 28 - Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2022. 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

The BB Electronics AS subsidiary owns shares in the following companies:

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
BB Electronics (Suzhou) C. Ltd	Suzhou, China	100%	100%	EMS manufacturing
BB Electronics, Wendell Holding a.s	Lanskroun, Czech	100%	100%	Shareholding
BB TCBB ApS	Horsens, Denmark	100%	100%	Shareholding
TCBB India Private Limited	Chennai, India	100%	100%	EMS manufacturing under establishment

BB Electronics (Suzhou) C. Ltd owns shares in the following companies:

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
BB Trading (SIP) Co. Ltd	Suzhou, China	100%	100%	Trading

BB Electronics Wendell Holding a.s owns shares in the following companies:

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
BB Electronics, Wendell Electronics a.s	Lanskroun, Czech	100%	100%	EMS manufacturing

## Note 29 - Government grants

The group has received grants in 2022 of TNOK 4.0 (2021: 930). TNOK 1 507 was for employee training and TNOK 2 538 was for business reward and different subsidies.

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

## Note 30 - Business combinations

At 6 January 2022, Kitron completed the acquisition of 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 on average 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 purchase price paid, after certain post signing adjustments, was DKK 663.5 million (NOK 895.4 million).

The 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
Other intangible assets	24 009
Other intangible assets, customer contracts	265 072
Property, plant and equipment	115 395
Right-of-use assets	31 353
Financial assets	2 661
Deferred tax assets	8 521
Inventory	459 959
Accounts receivable	222 323
Contract assets	77 867
Other receivables	62 644
Cash and cash equivalents	31 572
Deferred tax	-65 580
Loans	-103 227
Other liabilities	-7 486
Accounts payable	-433 177
Other payables	-175 806
Tax payable	-7 721
Loans	-30 245
Net identifiable assets acquired	478 135
Add: goodwill	417 240
<b>Net assets acquired</b>	<b>895 375</b>

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

### Revenue and profit contribution

The acquired business contributed revenues of NOK 2 188.4 million, EBITDA of NOK 226.8 million, EBIT of NOK 188.6 million and net profit of NOK 133.5 million for the period from 1 January 2022 to 31 December 2022. In addition, other intangible assets (customer contracts) included in the fair value assessment are amortized with NOK 18.3 million for the period from 1 January 2022 to 31 December 2022.

## Note 31 – Hedging

Kitron ASA acquired BB Electronics with effect from 1 January 2022. Purchase price was 663.5 million DKK. Purchase Price Allocation analysis per acquisition date shows excess value of 448.9 million DKK in intangible assets and goodwill net after tax. Part of the acquisition was financed by a 52.1 million EUR term loan in bank (converted from NOK at 30 March 2022).

### Hedging- and economic relationship

A hedging- and an economic relationship consist between the total DKK investment in BB Electronics and the EUR loan. The total net assets of BB Electronics and the net excess values in intangible assets and goodwill constitute the hedged objects and the EUR loan constitutes the hedging instrument.

### The nature of the risk being hedged

The hedged objects and the hedging instrument will be translated to NOK per balance sheet date and will create currency translation effects due to changes in NOK/DKK and NOK/EUR currency rates.

### Hedge effectiveness

As DKK is pegged to EUR the two currencies will move in the same direction. The total DKK investment (hedged objects) and the EUR liability (hedging instrument) will make a hedge. The currency effect in Kitron ASA parent company account from the translation of the EUR loan will be neutralized by the effect from the translation of the DKK assets. See quantitative information in the tables below:

Hedging instrument	Currency	2022	2021	Balance sheet item
Carrying amount (31 December)				
- Bank loan (5-year term loan)	EUR	44 302	-	Interest bearing debt (Current/Non-current)
	DKK equivalent	330 223	-	
Change in carrying amount of bank loan	NOK	44 841	-	
Hedging objects	Currency	2022	2021	Balance sheet item
Carrying amount (31 December)				
- Net equity BB Electronics A/S	DKK	330 167	-	Equity
- Goodwill	DKK	295 723	-	Goodwill
- Customer contracts	DKK	183 411	-	Intangible assets
- Deferred tax	DKK	(40 350)	-	Deferred tax liabilities
Total		768 951		
Change in value of hedged objects	NOK	45 639	-	
Net effect presented in Other Comprehensive Income	NOK	798	-	
Hedge ratio (31 December)		2,3	-	

## Note 32 - Subsequent events

There have been no events to date that significantly affect the results for 2022 or validation of the company's assets and liabilities at the balance sheet date.



# Annual accounts Kitron ASA

## Income statement, Kitron ASA

NOK 1000	Note	2022	2021
<b>Revenues</b>			
Sales revenues	1,2	134 308	118 029
<b>Total revenues</b>		<b>134 308</b>	<b>118 029</b>
<b>Operating costs</b>			
Payroll expenses	2,3,4,5,6	88 545	71 706
Depreciation and impairments	7,8	6 173	5 760
Other operating expenses	6	80 907	70 714
Total operating costs		175 625	148 180
Operating profit / (loss)		(41 317)	(30 151)
<b>Financial income and expenses</b>			
Intra group interest income	2	7 943	5 370
Other interest income		13 113	3 326
Other financial income	2,9	138 644	160 266
Interest expenses		42 791	7 182
Other financial expenses	9	32 581	1 993
<b>Net financial items</b>		<b>84 328</b>	<b>159 787</b>
Profit before tax		43 011	129 636
Tax	10	(19 430)	(4 187)
<b>Net profit / (loss)</b>		<b>62 441</b>	<b>133 823</b>

## Balance sheet at 31 December, Kitron ASA

NOK 1000	Note	31.12.2022	31.12.2021
<b>Assets</b>			
<b>Fixed Assets</b>			
Intangible fixed assets			
Deferred tax	10	40 571	31 505
Other intangible assets	8	34 953	39 229
<b>Total intangible fixed assets</b>		<b>75 524</b>	<b>70 734</b>
Tangible fixed assets			
Machinery, equipment etc.	7,11	2 014	566
Financial fixed assets			
Investment in subsidiaries	11,12	1 316 742	421 254
Intra-group loans	2,11,13	234 480	141 669
<b>Total financial fixed assets</b>		<b>1 551 222</b>	<b>562 923</b>
<b>Total fixed assets</b>		<b>1 628 760</b>	<b>634 223</b>
<b>Current Assets</b>			
Receivables			
Accounts receivables	2,11	135 230	69 733
Other receivables	2,11	308 861	185 793
Total receivables		444 091	255 526
Bank deposits, cash in hand etc.	14	43 055	348 790
<b>Total current assets</b>		<b>487 146</b>	<b>604 316</b>
<b>Total assets</b>		<b>2 115 906</b>	<b>1 238 539</b>



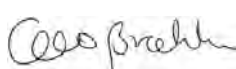
## Balance sheet at 31 December, Kitron ASA (continued)

NOK 1000	Note	31.12.2022	31.12.2021
<b>Liabilities and equity</b>			
<b>Equity</b>			
<b>Paid-in equity</b>			
Share capital (197 014 389 shares at NOK 0,10)	15,16	19 769	19 701
Share premium reserve	15	579 392	579 392
<b>Total paid-in equity</b>		<b>599 161</b>	599 093
Other Equity	5,16	186 764	217 090
<b>Total equity</b>		<b>785 925</b>	816 183
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Pension commitments	4	5 243	5 557
<b>Loans</b>	17	<b>1 065 614</b>	54 000
<b>Total long-term liabilities</b>		<b>1 070 857</b>	59 557
<b>Current liabilities</b>			
Loans	11,14,17	100 000	277 433
Accounts payable	2	25 566	13 395
Dividend		98 846	49 254
Other current liabilities		34 712	22 717
<b>Total current liabilities</b>		<b>259 124</b>	362 799
<b>Total liabilities</b>		<b>1 329 981</b>	422 356
<b>Total liabilities and equity</b>		<b>2 115 906</b>	1 238 539

Oslo, 22 March 2023



**Tuomo Lähdesmäki**  
Chairman



**Gro Brækken**  
Deputy Chairman



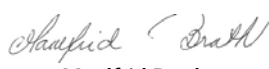
**Michael Lundgaard Thomsen**  
Board Member



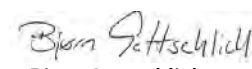
**Espen Gundersen**  
Board Member



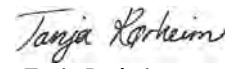
**Petra Grandinson**  
Board Member



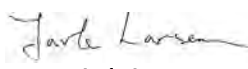
**Maalfrid Brath**  
Board Member



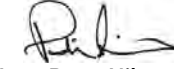
**Bjørn Gottschlich**  
Employee Elected Board  
Member



**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	2022	2021
<b>Cash flows from operational activities</b>			
Profit before tax		43 011	129 636
Ordinary depreciation		6 173	5 760
Change in accounts receivables		(65 497 )	(16 642)
Change in accounts payables		12 171	6 099
Change in pension funds/ obligations		(476 )	(408 )
Option costs without cash effect		8 064	5 243
Cash effect from termination of options		(9817)	0
Change in other accrual items		(140 629 )	(21 350 )
<b>Net cash flow from operational activities</b>		<b>(147 000 )</b>	<b>108 338</b>
<b>Cash flows from investment activities</b>			
<b>Acquisition of subsidiary</b>		<b>(895 488)</b>	
Acquisition of fixed assets		(3 345 )	(6 591 )
<b>Net cash flow from investment activities</b>		<b>(898 833 )</b>	<b>(6 591 )</b>
<b>Cash flows from financing activities</b>			
Net change in overdraft facilities		(101 433 )	(42 075 )
Payment from new borrowings		1 200 000	100 000
Repayment of borrowings		(309 283 )	(36 000 )
Issue of ordinary shares		68	338 775
Payment of dividend		(49 254 )	(125 373 )
<b>Net cash flow from financing activities</b>		<b>784 995</b>	<b>235 327</b>
<b>Net change in cash and cash equivalents</b>		<b>(305 735 )</b>	<b>337 074</b>
Cash and cash equivalents at 1 January		348 790	11 716
<b>Cash and cash equivalents at 31 December</b>		<b>43 055</b>	<b>348 790</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 is available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

### Tangible fixed assets

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

### Subsidiaries

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

**Accounts receivables**

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

**Foreign currencies**

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

**Pensions**

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

**Tax**

Tax cost in the profit and loss account comprises the sum of tax payable for the period and changes to deferred tax or deferred tax assets. Deferred tax is calculated at a rate of 22 per cent 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 - 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	2022	2021
Norway	36 280	32 353
Sweden	24 068	21 390
Lithuania	48 244	42 768
Other	25 716	21 518
<b>Total</b>	<b>134 308</b>	<b>118 029</b>

## Note 2 - Related parties

NOK 1000	2022	2021
<b>Sales revenues</b>		
From subsidiaries <sup>1</sup>	134 308	118 029
<b>Purchase of goods and services</b>		
From subsidiaries <sup>1</sup>	48 171	47 967
<b>Remuneration of senior executives</b>		
Pay and other short-term benefits <sup>2</sup>	29 834	12 100
<b>Financial income</b>		
Interest income from subsidiaries <sup>1</sup>	7 943	5 370
Dividend from subsidiaries	138 644	160 266
<b>Total</b>	<b>233 233</b>	<b>165 636</b>

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

<b>Receivables and loans</b>		
Subsidiaries <sup>1</sup>	646 224	366 930
<b>Total</b>	<b>646 224</b>	<b>366 930</b>
<b>Payables</b>		
Subsidiaries <sup>1</sup>	19 697	5 459
<b>Total</b>	<b>19 697</b>	<b>5 459</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.

### Note 3 - Payroll expenses

#### Payroll costs

NOK 1000	2022	2021
Pay	72 591	58 440
Payroll taxes	3 921	3 647
Pension costs	1 535	1 692
Other remuneration	10 498	7 927
<b>Total</b>	<b>88 545</b>	<b>71 706</b>
Average number of FTEs	69	70

### Note 4 - Pensions and similar obligations

The pension obligation below includes life-long 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.

#### Defined pension benefit plans

NOK 1000	2022	2021
<b>Carrying amount of the obligation is determined as follows:</b>		
Present value of accrued pension commitments in unfunded benefit plans	5 243	5 557
+/- unrecognised actuarial gains and losses	-	-
<b>Net commitments in unfunded defined benefit plans</b>	<b>5 243</b>	<b>5 557</b>
Hereof payroll tax on the pension obligation	648	687
<b>Pension costs comprise:</b>		
Interest costs	79	81
<b>Net pension cost for unfunded plans</b>	<b>79</b>	<b>81</b>
<b>Net pension cost for contribution based pension plans</b>	<b>1 456</b>	<b>1 611</b>
<b>Net pension costs included in note 3</b>	<b>1 535</b>	<b>1 692</b>
<b>Cost recognised in equity</b>		
Actuarial losses pensions	209	383

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

Discount rate	3.2 %	1.5 %
Annual pension adjustment	3.5 %	2.25 %
Social security tax rate	14.1 %	14.

## Note 5 - 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 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 2022, the Company has had share-based payment arrangements for employees, as described below.

Granted	2019	2020	2021	2022
Type of arrangement	Equity Settled	Equity Settled	Equity Settled	Equity Settled
Dates of Grant	23/10/2019	10/07/2020	20/10/2021	25/10/2022
Options granted as of 31.12.2022		1 250 000	1 250 000	900 000
Options not granted as of 31.12.2022		-	-	350 000
Contractual life	2.94 years	3.12 years	2.73 years	2.69 years

Granted	2019	2020	2021	2022
	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.	100% of the options will vest three years after the start of the second calendar quarter of 2022.
	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.
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 program was exercised in 2022.	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	30/09/2025

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 2022 are listed below (calculated at grant):

Granted	2019	2020	2021	2022
Exercise price	0,10	0,10	0,10	0,10
Share price at grant date	9,14	13,90	20,15	19,70
Expected life from grant date	2.77 years	2.95 years	2,94 years	2,44 years
Volatility	29%	36%	35%	40%
Interest rate	1.19%	0.168%	1.12%	3.61%
Fair value per option	2.57	6.65	7.48	8.18

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 2022 arising from the option plans are NOK 8 063 thousand, not including social security (2021: NOK 5 243 thousand). The total carrying amount per 31 December 2022 is NOK 12 809 thousand, not including social security (2021: NOK 11 482 thousand). Accrued social security at 31 December 2022 is NOK 6 586 thousand (2021: NOK 6 851 thousand).

## Quantity and weighted average prices

Activity	Number of instruments	Weighted Average Strike Price
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	0.10
Outstanding OB (01.01.2022)	3 420 000	0.10
Granted	1 175 000	0.10
Exercised	- 1 170 000	0.10
Forfeited	- 25 000	0.10
Expired	-	-
Outstanding CB (31.12.2022)	3 400 000	0.10
Vested CB	-	-
Options not granted CB (31.12.2022)	350 000	0.10

Outstanding instruments			Vested instruments		
Strike price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2022	Weighted Average Strike Price
0.10	3 400 000	1.65	0.10	0	-

Board	Number of shares		Number of options	
	2022	2021	2022	2021
Tuomo Lähdesmäki, chairman	291 668	277 796	-	-
Gro Brækken, board member	51 280	46 380	-	-
Espen Gundersen, board member	56 280	52 380	-	-
Maalfred Brath, board member	29 499	22 677	-	-
Christian Jebsen, board member (until 27.04.2022)	-	22 380	-	-
Petra Grandinson	20 494	14 254	-	-
Michael Lundgaard Thomsen (from 27.04.2022)	6 240	0	-	-
Jarle Larsen, employee elected board member	19 624	15 724	-	-
Tanja Rørheim, employee elected board member	26 280	22 380	-	-
Bjørn M. Gottschlich, employee elected board member	26 480	22 580	-	-



Management	Number of shares		Number of options	
	2022	2021	2022	2021
Peter Nilsson, CEO	2 471 102	2 287 182	905 000	1 030 000
Cathrin Nylander, CFO	1 035 249	955 627	295 000	370 000
Kristoffer Asklöv, COO	101 561	51 561	300 000	250 000
Stian Haugen, CTO	51 561	51 561	295 000	220 000
Mindaugas Sestokas, Vice President and Managing Director	418 978	316 978	295 000	370 000
Hans Petter Thomassen, Vice President and Managing Director	470 062	387 460	295 000	370 000
Stefan Hansson Mutas, Managing Director	295 281	219 261	295 000	370 000
Zygmantas Dirse, Managing Director	535 122	452 622	295 000	370 000
Carsten Christensen, CEO BB Electronics (joined 10.01.2022)	51 561	51 561	300 000	0

## Note 6 - Remuneration of senior executives, directors and auditors

NOK 1000	2022	2021
<b>Remuneration of senior executives</b>		
Pay and other benefits <sup>1</sup>	62 344	21 200
<b>Balance items at 31 December resulting from purchase/sale of goods and services</b>		
<b>Payable to related parties:</b>		
Senior executives <sup>1</sup>	16 257	-
<b>Total</b>	<b>16 257</b>	<b>-</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	2022	2021
<b>Directors' fee:</b>	<b>3 016</b>	2 834
- chairman	604	550
- board members	2 412	2 284
<b>Auditors fee*)</b>	<b>1 985</b>	1 455
- statutory audit	1 373	1 252
- audit related services	85	-
- tax related services	83	70
- other services	445	133

## Remuneration of senior executives:

Name	Fixed remuneration			Variable remun.			Total remuneration	Proportion of fixed/variable
	Year	Base salary	Other benefits <sup>1</sup>	Short-term incentive earned <sup>2</sup>	Long-term incentive <sup>3</sup>	Pension expense <sup>4</sup>		
<b>Peter Nilsson</b> CEO (01.01.2022-31.12.2022)	2022	3 125	295	2 629	6 413	1 503	13 965	35%/65%
	2021	3 030	294	-	-	1 502	4 826	100%/0%
<b>Cathrin Nylander</b> CFO (01.01.2022-31.12.2022)	2022	2 220	282	1 868	2 746	295	7 411	38%/62%
	2021	2 153	282	-		294	2 729	100%/0%
<b>Kristoffer Asklöv</b> COO (01.01.2022-31.12.2022)	2022	2 308	113	1 938	845	354	5 558	50%/50%
	2021	764				269	1 033	100%/0%
<b>Israel L. Salvador</b> COO (left 30.09.2021)	2022	-	-	-	-	-	-	-
	2021	1 726	121	-		204	2 051	100%/0%
<b>Stian Haugen</b> CTO (01.01.2022-31.12.2022)	2022	1 398	216	1 190		96	2 900	59%/41%
	2021	1 217	172	-		73	1 461	100%/0%
<b>Zygmantas Dirse</b> Managing Director, Kitron Electronics Manufacturing (Ningbo) CO Ltd., China (01.01.2022-31.12.2022)	2022	1 632	523	1 434	2 985	90	6 664	34%/66%
	2021	1 738	327	-		78	2 144	100%/0%
<b>Stefan H Mutas</b> Managing Director, Kitron AB, Sweden (01.01.2022-31.12.2022)	2022	1 616	81	1 416	2 757	785	6 655	37%/63%
	2021	1 695	107	-		782	2 584	100%/0%
<b>Mindaugas Sestokas</b> Managing Director, UAB Kitron, Lithuania & VP Central Eastern Europe (01.01.2022-31.12.2022)	2022	2 092	62	1 757	2 985		6 897	31%/69%
	2021	2 080	27	-			2 107	100%/0%
<b>Hans Petter Thomassen</b> Managing Director, Kitron AS, Norway & VP North America (01.01.2022-31.12.2022)	2022	1 898	203	1 597	2 737	227	6 662	35%/65%
	2021	1 840	198	-		227	2 265	100%/0%
<b>Carsten Christensen</b> CEO BB Electronics (joined 10.01.2022)	2022	2 904	301	2 428			5 632	57%/43%
	2021							

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) Short-term incentive earned includes the total monetary value of annual bonuses from the short-term incentive program for the financial year.

3) Long-term incentive program includes programs that have vested during the year and shows total benefit of shares and cash consideration.

4) Pension expense includes contributions that effectively took place during the reported financial period to finance a fund or other pension scheme for future pension payout for the senior executive.

Name of Board member	Position	Type of remuneration	2022	2021
<b>Tuomo Juhani Lähdesmäki</b> (01.01.2022-31.12.2022)	Chair	Total regular board remuneration	582	524
		Amount of board remuneration paid in cash	342	313
		Amount of board remuneration used for share acquisition	240	211
		Remuneration for chair of the remuneration committee	23	26
<b>Gro Merete Brækken</b> (01.01.2022-31.12.2022)	Deputy chairperson	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
		Remuneration for member of the audit/remuneration committee	47	26
<b>Espen Gundersen</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
		Remuneration for chair of the audit committee	90	37
<b>Maalfrid Brath</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
		Remuneration for member of the remuneration committee	23	26
<b>Christian Jebsen</b> (01.01.2022-27.04.2022)	Board member	Total regular board remuneration	66	262
		Amount of board remuneration paid in cash	66	196
		Amount of board remuneration used for share acquisition	-	66
		Remuneration for member of the audit committee	20	32
<b>Bjørn Martin Gottschlich</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
<b>Tanja Rørheim</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
		Remuneration for member of the audit committee	54	32
<b>Jarle Larsen</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	201	196
		Amount of board remuneration used for share acquisition	67	66
<b>Petra Grandinson</b> (01.01.2022-31.12.2022)	Board member	Total regular board remuneration	268	262
		Amount of board remuneration paid in cash	160	157
		Amount of board remuneration used for share acquisition	108	105
		Remuneration for member of the remuneration committee	23	35
<b>Michael Thomsen</b> (27.04.2022-31.12.2022)	Board member	Total regular board remuneration	203	-
		Amount of board remuneration paid in cash	95	-
		Amount of board remuneration used for share acquisition	108	-
		Remuneration for member of the remuneration committee	9	-

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

The company has not given any loans or security for directors or senior executives at 31 December 2022. For more information about remuneration of senior executives, see separate Remuneration Report available at [www.kitron.com](http://www.kitron.com).

## Note 7 - Tangible fixed assets and depreciation

NOK 1000	Machinery and equipment
Acquisition cost at 1 January	18 830
Additions during the year	1 724
Disposal during the year	-
Acquisition cost at 31 December	20 554
Accumulated depreciation 1 January	18 263
Depreciation during the year	277
Disposal during the year	-
Accumulated depreciation at 31 December	18 540
Book value 31 December	2 014
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	>2023	994
Company cars	>2022	640

## Note 8 - Other intangible assets

NOK 1000	System software
Acquisition cost at 1 January	98 816
Additions during the year	1 620
Acquisition cost at 31 December	100 436
Accumulated depreciation at 1 January	59 587
Depreciation during the year	5 896
Accumulated depreciations at 31 December	65 483
Book value 31 December	34 953
Depreciation plan	Linear
Useful lifetime	5-7 years

## Note 9 - Items consolidated in the accounts

### Other financial income

NOK 1000	2022	2021
Dividend	138 644	160 266
Currency gain		-
<b>Total other financial income</b>	<b>138 644</b>	<b>160 266</b>
<b>Other financial expenses</b>		
Currency loss	26 729	1 467
Other financial expenses	5 855	526

NOK 1000	2022	2021
<b>Total other financial expenses</b>	32 581	1 993

## Note 10 - Taxes

NOK 1000	2022	2021
<b>Tax cost for the year breaks down into:</b>		
Tax payable	0	0
Change in deferred tax	(20 000)	(8 294)
<b>Deferred tax charged to equity</b>	570	4 107
<b>Total tax cost</b>	<b>(19 430)</b>	<b>(4 187)</b>
<b>Calculation of tax base for the year:</b>		
Profit before tax	43 011	129 636
Permanent differences *)	(133 919)	(167 947)
Change in temporary differences	(8 377)	10 077
Group contribution received	49 702	57 225
Change in tax loss carried forward	49 583	(28 991)
Tax base for the year	0	0
<b>Overview of temporary differences</b>		
Fixed assets	(65)	(606)
Pensions	(5 243)	(5 557)
Other temporary differences	(7 586)	(15 123)
Gain and loss account	62	77
<b>Total</b>	<b>(12 832)</b>	<b>(21 209)</b>
Loss carried forward	(171 582)	(121 999)
<b>Total</b>	<b>(184 415)</b>	<b>(143 208)</b>
Deferred tax asset (22%)	40 571	31 505
<b>Explanation of why tax cost for the year does not equal 22% of pre-tax result</b>		
22% of loss before tax	9 462	28 520
Permanent differences 22%	(29 462)	(36 948)
Tax effect of actuarial gains and losses charged to equity	46	84
Tax effect of gains and losses on derivatives booked against equity	(1 644)	1 644
<b>Tax effect of transaction costs booked against equity</b>	<b>8</b>	<b>2 378</b>
<b>Tax effect of share options booked against equity</b>	<b>2 160</b>	<b>0</b>
<b>Prior Year adjustments</b>	<b>0</b>	<b>135</b>
<b>Calculated tax cost</b>	<b>(19 430)</b>	<b>(4 187)</b>
Effective tax rate **)	<b>(45.2 %)</b>	<b>(3.2%)</b>

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

\*\*) Tax cost in relation to pre-tax result

## Note 11 - Mortgages

NOK 1000	2022	2021
Debt secured by mortgages:	1 165 614	331 433
Overview of existing security:		
Pledge in machinery and plants	50 000	50 000
Pledge in receivables	700 000	700 000
Pledge in inventories	700 000	700 000
Carrying amount of assets provided as security:		
Machinery and equipment	2 014	566
Receivables	678 571	397 195

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 (2021: NOK 0.5 million) and NOK 5.0 million (2021: NOK 5.0 million) respectively.

Per 31 December 2022 Kitron ASA has granted the following parent company guarantees:

- 16.2 million EUR related to lease obligations for the Polish subsidiary Kitron sp. z.o.o (2021: 14.3 million EUR)
- 0.0 million EUR related to factoring agreement for the Polish subsidiary Kitron sp. z.o.o (2021: 11.3 million EUR)
- 350 million NOK related to bank financing for Kitron AS and Kitron AB (2021: 350 million NOK)

## Note 12 - 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
BB Electronics AS	Horsens, Denmark	100%	100%	895 488
Total investment in subsidiaries				1 316 742

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%	43 384
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	2 317

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%	-

The BB Electronics AS subsidiary owns shares in the following companies:

NOK 1000	Country of incorporation	Share-holding	Voting share	Book value
BB Electronics (Suzhou) C. Ltd	Suzhou, China	100%	100%	49 430
BB Electronics, Wendell Holding a.s	Lanskroun, Czech	100%	100%	86 009
BB TCBB ApS	Horsens, Denmark	100%	100%	56
TCBB India Private Limited	Chennai, India	100%	100%	509

BB Electronics (Suzhou) C. Ltd owns shares in the following companies:

NOK 1000	Country of incorporation	Share-holding	Voting share	Book value
BB Trading (SIP) Co. Ltd	Suzhou, China	100%	100%	-

BB Electronics Wendell Holding a.s owns shares in the following companies:

NOK 1000	Country of incorporation	Share-holding	Voting share	Book value
BB Electronics, Wendell Electronics a.s	Lanskroun, Czech	100%	100%	-

## Note 13 - Receivables

NOK 234.5 million of the NOK 234.5 million in intra-group loans at 31 December 2022 falls due later than one year after the end of the fiscal year.

NOK 1000	2022	2021
Kitron Technologies Inc	137 547	123 039
UAB Kitron Real Estate	19 599	18 630
BB Electronics AS	77 334	.
<b>Total</b>	<b>234 480</b>	<b>141 669</b>

## Note 14 - Liquid assets

Kitron ASA has established a group account agreement with the company's principal bank. This embraces Kitron ASA and its Norwegian, Swedish, German, US, Polish and Danish subsidiaries. Unused credit lines amounted to NOK 199.9 million at the end of 2022 (2021: NOK 90.2 million).

## Note 15 - Equity

NOK 1000	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2021	19 701	579 392	217 090	816 183
Net profit	-	-	62 441	62 441
Termination of options against cash consideration			(7 652)	(7 652)
Effect from option costs	-	-	8 064	8 064
Actuarial gains and losses pensions	-	-	(162)	(162)
Issue of ordinary shares	68			68
Gain/(losses) on derivatives			5 829	5 829
Tax effect from costs charged to equity				
Accrued dividend	-	-	(98 846)	(98 846)
<b>At 31 December 2022</b>	<b>19 769</b>	<b>579 392</b>	<b>186 764</b>	<b>785 925</b>

## Note 16 - Shares and shareholders information

The company's share capital at 31 December 2022 comprised 197 691 053 shares with a nominal value of NOK 0.10 each. Each share carries one vote. There were 9 026 shareholders at 31 December 2022.

Shareholder	Number	Percentage
FOLKETRYGDFONDET	17 375 340	8.79%
VERDIPAPIRFOND ODIN NORGE	13 287 652	6.72%
VEVLEN GÅRD AS	12 500 000	6.32%
MP PENSJON PK	9 704 520	4.91%
The Northern Trust Comp, London Br	7 199 237	3.64%
AAT INVEST AS	7 000 000	3.54%
Danske Invest Norge Vekst	6 518 186	3.30%
J.P. Morgan SE	5 531 043	2.80%
VJ INVEST AS	5 182 686	2.62%
The Bank of New York Mellon SA/NV	5 000 000	2.53%
VERDIPAPIRFONDET HOLBERG NORGE	4 275 000	2.16%
The Bank of New York Mellon SA/NV	3 757 000	1.90%
Avanza Bank AB <sup>1</sup>	3 412 612	1.73%
VARNER EQUITIES AS	3 039 674	1.54%
VERDIPAPIRFONDET EQUINOR AKSJER NO	2 849 448	1.44%
VPF FONDSFINANS NORDEN	2 500 000	1.26%
J.P. Morgan SE	2 470 540	1.25%
VERDIPAPIRFONDET DNB SMB	2 023 385	1.02%
HAUSTA INVESTOR AS	1 994 499	1.01%
VERDIPAPIRFONDET KLP AKSJENORGE IN	1 870 891	0.95%
<b>Total 20 largest shareholders</b>	<b>117 491 713</b>	<b>59.43%</b>
Total other shareholders	80 199 340	40.57%
<b>Total outstanding shares</b>	<b>197 691 053</b>	<b>100.00%</b>

1) Beneficial owner: CEO Peter Nilsson 2 471 102 shares (1.25 per cent)



## Authorization to the board to issue shares

### Authorization to strengthen equity and incentive schemes

The ordinary general meeting of 27 April 2022 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 1,970,143.90.
- The Board of Directors may not use the authorization if the total increase of the share capital approved by the Board of Directors in accordance with this authorization together with the use of other authorizations to issue shares, in the period for the authorization in item 3, exceeds NOK 3,940,287.80.
- The authorization shall be valid until the Annual General Meeting in 2023, but no later than 30 June 2023.
- 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, joint ventures or joint business operations, remuneration to members of the Board of Directors of Kitron ASA, incentive schemes, and acquisition of property and business within Kitron ASA's purpose.
- The Board of Directors is authorized to decide other terms and conditions of the subscription 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.

### Strategic authorization

The ordinary general meeting of 27 April 2022 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 3,940,287.80.
- The Board of Directors may not use the authorization if the total increase of the share capital approved by the Board of Directors in accordance with this authorization together with the use of other authorizations to issue shares, in the period for the authorization in item 3, exceeds NOK 3,940,287.80.
- The authorization shall be valid until the Annual General Meeting in 2023, but no later than 30 June 2023.
- 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 include strengthening of Kitron ASA's equity and issuing of consideration shares in connection with acquisition of other companies or enterprises within Kitron ASA's purpose.
- The Board of Directors is authorized to decide other terms and conditions of the subscription and is authorized to amend the articles of association as implied by the use of this authorization.

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

The ordinary general meeting on 27 April 2022 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 1,970,143.90. 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 2023 annual general meeting, but not longer than 30 June 2023.

**Note 17 - Information on long-term liabilities to financial institutions**

The company has long-term bank loans of NOK 1 165.6 million at 31 December 2022 (NOK 90.0 million at 31 December 2021). Of this is NOK 100.0 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 2022.

**Note 18 - 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 2022 the company had no forward contracts.

**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.



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 2022, 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 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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 relevant laws and regulations in Norway 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.

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 18 years from the election by the general meeting of the shareholders on 29 April 2005 for the accounting year 2005.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



### 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.

*Revenue from contracts with customers* has the same characteristics and risks as in the prior year, and therefore continues to be an area of focus this year. During 2022 the Company acquired BB Electronic A/S, a subgroup in Denmark. The judgmental nature of purchase price allocation calculations made us add *Accounting for business combinations* as a Key Audit Matters for our audit of the 2022 financial statements.

Key Audit Matters	How our audit addressed the Key Audit Matter
<p><b>Operating costs and percentage of completion method</b></p> <p>A significant portion of revenues is recognized over the contract period based on estimated percentage of completion for contracts, based on the requirements in IFRS 15.</p> <p>We focused on operating costs and the percentage of completion method 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 consolidated financial statements where management explains how they account for revenue from contracts with customers.</p>	<p>We reviewed management policy, which forms the basis for calculation of 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 costs were appropriate, we evaluated and tested controls directed at the accuracy of 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 included 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>



#### Accounting for business combinations

During the year, Kitron acquired a sub-group in Denmark, BB Electronics A/S (the acquired company).

Management prepared a purchase price allocation (PPA) analysis in which the difference between the net assets in the acquired company and the purchase price was allocated to identified assets from the acquired company. Customer contracts and goodwill were among the identified assets.

We focused on this area due to the judgmental nature of purchase price allocation calculations, and because allocation of values may have a significant impact on the Group's assets, liabilities, and future earnings.

In note 2 and 30 to the consolidated financial statements, management describes the principles for accounting of business combinations and valuation of goodwill and customer contracts.

We obtained and reviewed the PPA and obtained an understanding of how management identified assets to which the purchase price was allocated, including management's calculation of related goodwill.

We obtained and examined the acquisition agreement, evaluated the terms of the agreement and had discussions with management to deepen our understanding of the transaction. We tested the agreed cash considerations against bank receipts.

To challenge management's judgement, we examined the acquisition analysis with emphasis on methods and assumptions used for identifying and valuing intangible assets such as customer contracts. We traced the information in the PPA to the acquired company's financial statements. We tested the mathematical accuracy of the calculations and challenged management's allocations based on our expectations from the underlying business drivers in the acquired company. Based on our audit procedures we found the methods and assumptions to be reasonable.

We also read notes 2 and 30 and found the information and explanations provided sufficient.

#### 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 appear 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 statutory 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.

### **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 and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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.

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 Requirement on European Single Electronic Format (ESEF)

#### *Opinion*

As part of the audit of the financial statements of Kitron ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Kitron Annual Report 2022 ESEF.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

#### *Management's Responsibilities*

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

#### *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 2023

**PricewaterhouseCoopers AS**



Herman Skibrek  
State Authorised Public Accountant



# Responsibility statement

We confirm to the best of our knowledge that:

- the consolidated financial statements for 2022 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 2022 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway

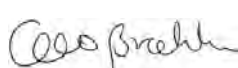
and that

- 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 2023



**Tuomo Lähdesmäki**  
Chairman



**Gro Brækken**  
Deputy Chairman



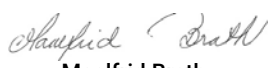
**Michael Lundgaard Thomsen**  
Board Member



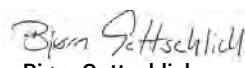
**Espen Gundersen**  
Board Member



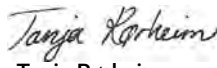
**Petra Grandinson**  
Board Member



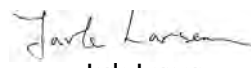
**Maalfrid Brath**  
Board Member



**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 2023.

## 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 2022 amounted to NOK 19 769 105,30.

Total equity for the group on 31 December 2022 was NOK 1506.5 million, corresponding to an equity ratio of 25.6 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 but not longer than 30 June that year.

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 take into account 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 27 April 2022, the nomination committee had the following members:

- Ole Petter Kjerkreit, chairperson elected until the Annual General Meeting in 2023
- Christian Jebsen, elected until the Annual General Meeting in 2023
- The committee's member Ole Petter Kjerkreit is independent of the Kitron's management and the Board. Christian Jebsen was until the Annual General Meeting 2022 a shareholder-elected member of the Kitron ASA board.

##### **Submitting proposals to the nomination committee**

The 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 27 April 2022, 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 2023
- Gro Brækken (Vice chairman), re-elected until the Annual General Meeting in 2023
- Espen Gundersen, re-elected until the Annual General Meeting in 2023
- Maalfrid Brath, re-elected until the Annual General Meeting in 2023
- Petra Grandinson, elected until the Annual General Meeting in 2023
- Michael Lundgaard Thomsen, elected until the Annual General Meeting in 2023
- 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 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 2022:

- Tuomo Lähdesmäki - 291 668 shares
- Gro Brækken - 51 280 shares
- Espen Gundersen - 56 280 shares
- Maalfrid Brath - 29 499 shares
- Petra Grandinson - 20 494 shares
- Michael L. Thomsen - 6240 shares
- Tanja Rørheim - 26 280 shares
- Bjørn M. Gottschlich - 26 480 shares
- Jarle Larsen 19 624 shares in Kitron.

See presentation of board members for details.

As expressed in the Ethical Code of Conduct, Kitron recognizes a balanced workforce as a strength, and this extends to the board and its committees. At the General Meeting on 27 April 2022, 3 male and 3 female board members were nominated and elected by shareholders. Of the employee-elected board members, 2 are male, and 1 is female. Both genders are represented on the audit committee and the HR & remuneration committee. The board includes members representing various age groups as well as educational and employment backgrounds. Five nationalities are represented on the board.

## 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 include 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 2022 with 99 per cent participation.

### **The board's audit committee**

The board's audit committee is appointed by Kitron ASA's board of directors and is a sub-committee of the board. The audit committee 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 2022 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 2023
- Gro Brækken, elected until the Annual General Meeting in 2023
- 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 2022 there were 5 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 2023
- Maalfrid Brath, re-elected until the Annual General Meeting in 2023
- Petra Grandinson, elected until the Annual General Meeting in 2023
- Michael L. Thomsen, re-elected until the Annual General Meeting in 2023

## **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, Return on Operating capital (ROOC) and ESG (sustainable energy at the sites).

### 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 up to 5 000 000 shares. The program is divided into four three-year subprograms, each with an allocation of 1 250 000 options, 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 depend on the Kitron group share price at the start of the program in comparison with the share price at the time of the expiry.

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

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

Details about remuneration of the executive management are provided in the separate Report on

Remuneration to senior executives and board members for 2022 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 endeavours to ensure that all shareholders have access to the same information. Kitron complies with Oslo Børs' Code of Practice for IR, dated 1 March 2021.

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

The aim is to communicate the targets for the financial year in connection with either the fourth quarter, 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.

# 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 on 31 December 2022 was NOK 19 769 105,30 divided between 197 691 053 shares with a nominal value of NOK 0.10 each.

In 2018 the Board introduced a new share option program for executive management comprising up to 5 000 000 shares. The program is divided into four three-year subprograms, each with an allocation of 1 250 000 options, 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 is linked to the development of the market capitalization at the 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.

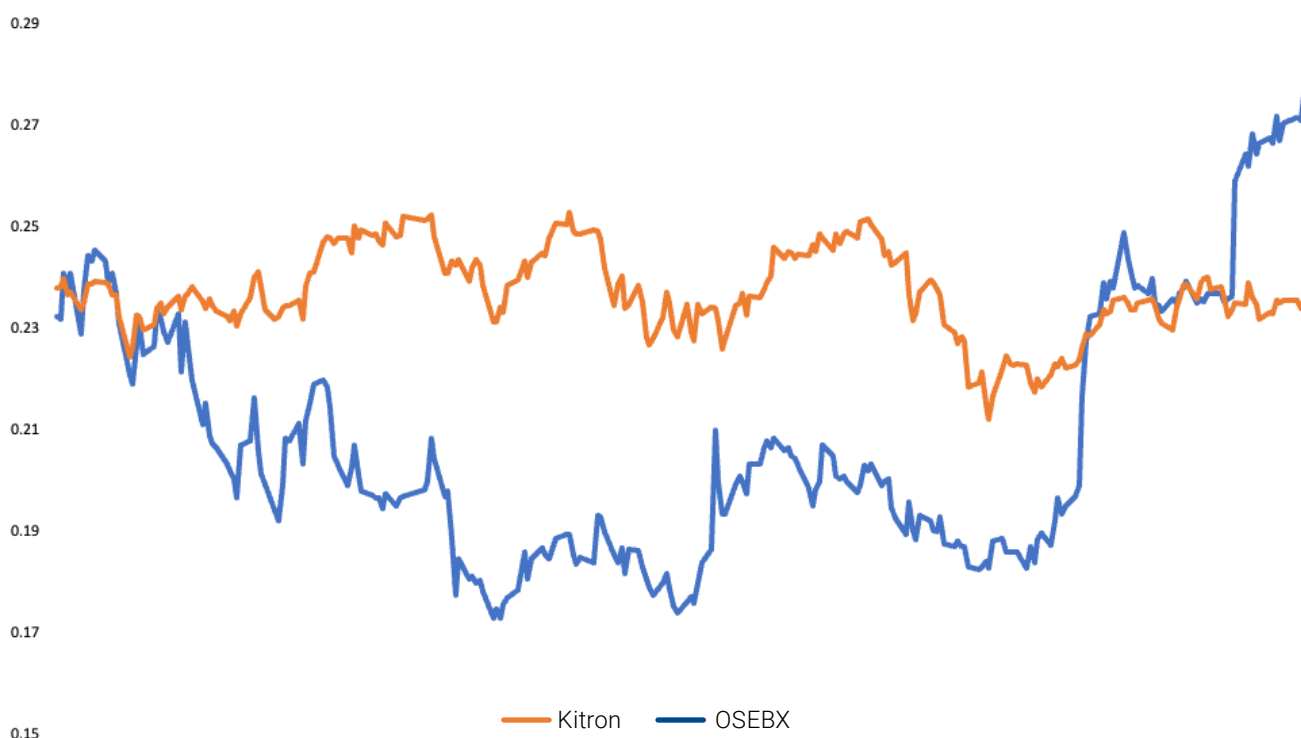
Each subprogram is capped at a 200 per cent increase of the market capitalization, adjusted for dividends and share buy-backs. The program has a clawback clause. Each of the subprograms has a lock-up period of one year and a down-sale period of two years.

In 2022, subprogram A vested, and 676 664 new shares were issued to the option holders at a strike price of NOK 0.10 per share pursuant to the board authorisation resolved in Kitron's general meeting held 27 April 2022. In addition, Kitron converted 493 336 exercised options under the share incentive program against cash consideration. The cash consideration was utilised to cover the tax cost for the option holders which will be subject to advance tax deduction by Kitron after exercise of the options.

Per 31 December 2022, 3 750 000 options have been allocated to the executive management.

## Stock market listing

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



During 2022, the share price moved from NOK 23.60 to NOK 28.05, an increase of 18.9 per cent. In addition, in 2022, the company paid an ordinary dividend of NOK 0.25 per share

The Oslo Børs Main Index decreased by 1 per cent during the same period. The share price has varied between NOK 16.94 and NOK 28.35. At the end of 2022, the company's market capitalisation was NOK 5545.2 million. A total of 93.4 million shares were traded during the year, corresponding to a turnover rate of 47,3 per cent.

### Shareholder structure

At the end of 2022, Kitron had 9 026 shareholders, compared with 9 010 shareholders at the end of 2021. At the end of the year, the foreign shareholding amounted to 27.4 per cent. compared to with 27.9 per cent at the end of 2021.

At the balance sheet date, Folketrygdfondet was the largest shareholder, holding 8.79 per cent of the Kitron shares, followed Verdipapirfonden Odin Norge with 6.72 per cent and Vevlen Gård AS with 6.32 per cent. The liquidity of the share was 100 per cent. The 20 largest shareholders held a total of 59.43 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 28 April 2022 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:

#### Authorization to strengthen equity and incentive schemes

The share capital may, in one or more rounds, in total be increased with up to NOK 1,970,143.90.

The Board of Directors may not use the authorization if the total increase of the share capital approved by the Board of Directors in accordance with this authorization together with the use of other authorizations to issue shares, in the period for the authorization, exceeds NOK 3,940,287.80. The authorization shall be valid until the Annual General Meeting in 2023, but no later than 30 June 2023. 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, joint ventures or joint business operations, remuneration to members of the Board of Directors of Kitron ASA, incentive schemes, and acquisition of property and business within Kitron ASA's purpose. The Board of Directors is authorized to decide other terms and conditions of the subscription 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 authorization was used by the board in 2022 to increase share capital by NOK 67 666,40 to NOK 19 769 105,30.

#### Strategic authorization

The share capital may, in one or more rounds, in total be increased with up to NOK 3,940,287.80. The Board of Directors may not use the authorization if the total increase of the share capital approved by the Board of Directors in accordance with this authorization together with the use of other authorizations to issue shares, in the period for the authorization, exceeds NOK 3,940,287.80. The authorization shall be valid until the Annual General Meeting in 2023, but no later than 30 June 2023. 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 include strengthening of Kitron ASA's equity and issuing of consideration shares in connection with acquisition of other companies or enterprises within Kitron ASA's purpose. The Board of Directors is authorized to decide other terms and conditions of the subscription and is authorized to amend the articles of association as implied by the use of this authorization. This authorisation was not used by the board in 2022.

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

The ordinary general meeting on 27 April 2022 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 1,970,143.90. 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 2023 annual general meeting, but not longer than 30 June 2023. The authority was used in 2022 to buy back 49 752 own shares. The shares acquired were used as part of the remuneration to the board members for the period from and including May 2022, and to and including April 2023, as resolved by the annual general meeting on 27 April 2022.

### **Dividend policy**

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. When deciding on the annual dividend the company will take into account the company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.

### **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.

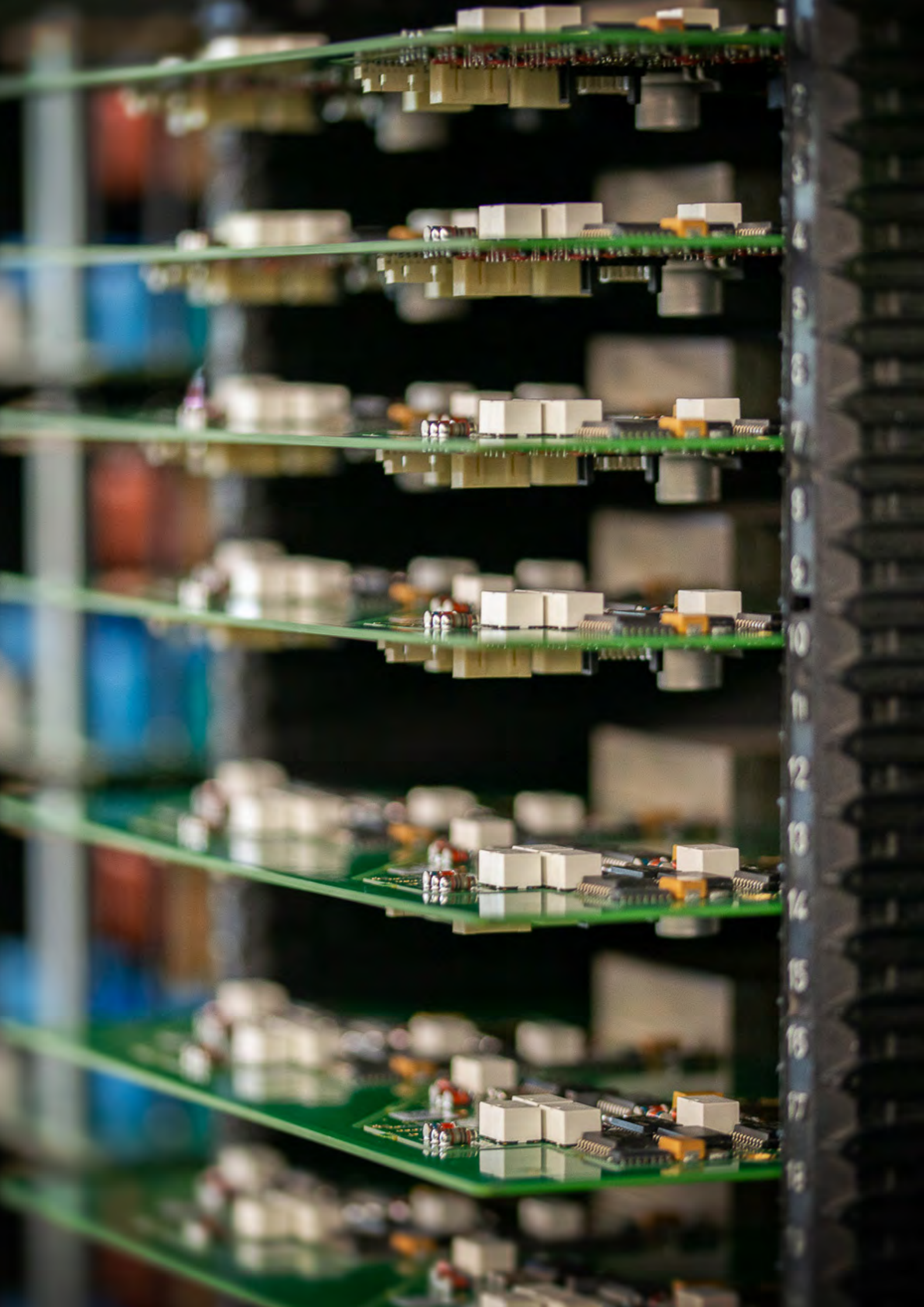
The corporate management is responsible for communication activities and investor relations, and also facilitates direct contact with the chairman of the board and other board members.



# Sustainability report 2022

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





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# Message from our CEO



**Lars Peter Nilsson**  
CEO of Kitron ASA



As a leading electronics manufacturing services company with operations in ten 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.

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.

The acquisition of BB Electronics in January 2022 has impacted the progress on some sustainability KPIs in 2022. BB Electronics is being aligned with Kitron's sustainability ambitions, and these measures will increasingly take effect in 2023.

Kitron has been monitoring the latest developments in the EU Taxonomy and has analysed the group's activities in light of the Taxonomy criteria. Kitron is also preparing for the EU's Corporate Sustainability Reporting Directive (CSRD), which will apply to Kitron and influence the company's sustainability reporting in the coming years.

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**  
CO of Kitron ASA

# 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 2022.

The Sustainability report has been reviewed and approved by the Board. The claims and data in this report have 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, India, 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 2022

In 2022, labour costs amounted to 1092,5 million (NOK 719.1 million) Payroll and social security expenses accounted for 16.8 (19.4) per cent of sales revenue.

## Procurement of goods and services

Kitron purchased goods and services valued at roughly NOK 4776.3. million (2654.0 million) in 2022.

## Tax

The Group's tax expenses for 2022 came to NOK 105.1 million (NOK 51.3.) million.

NOK million	2020	2021	2022
Norway	10.1	10.6	-4.9
Sweden	9.6	11.6	13.2
Denmark	0.0	0.0	22.9
Lithuania	12.0	12.9	16.3
Poland	0.0	0.0	-1.8
Czech	0.0	0.0	6.3
China	30.3	17.2	40.2
US	-2.7	-15.3	8.3
Other	1.6	14.3	4.6
<b>Tax expense</b>	<b>61.0</b>	<b>51.3</b>	<b>105.1</b>

Table 1: Tax expense by country

## Sectors served

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

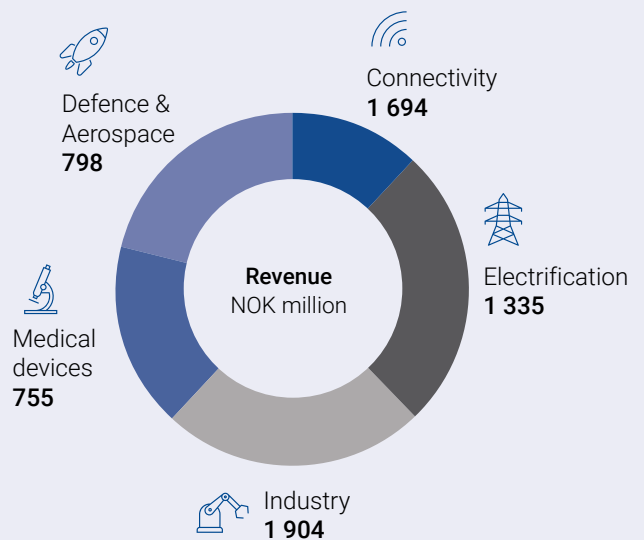


Figure 2: Revenue in NOK million, per market sector 2022

# 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
- ISO 13485
- ISO 14001
- ISO 45001
- ISO/TS 22163
- IATF 16949 (automotive standard)
- EN9100:2018 (Technically equivalent to AS9100D and JISQ 9100:2016)
- 21 CFR 820 Quality System Regulation
- AQAP 2110 Edition D Version 1

## Kitron's supply chain



Figure 3: Kitron's supply chain

# UN 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 20 percent of revenues in 2022 were aligned. This percentage is slightly down from 2021, when it was 23 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.

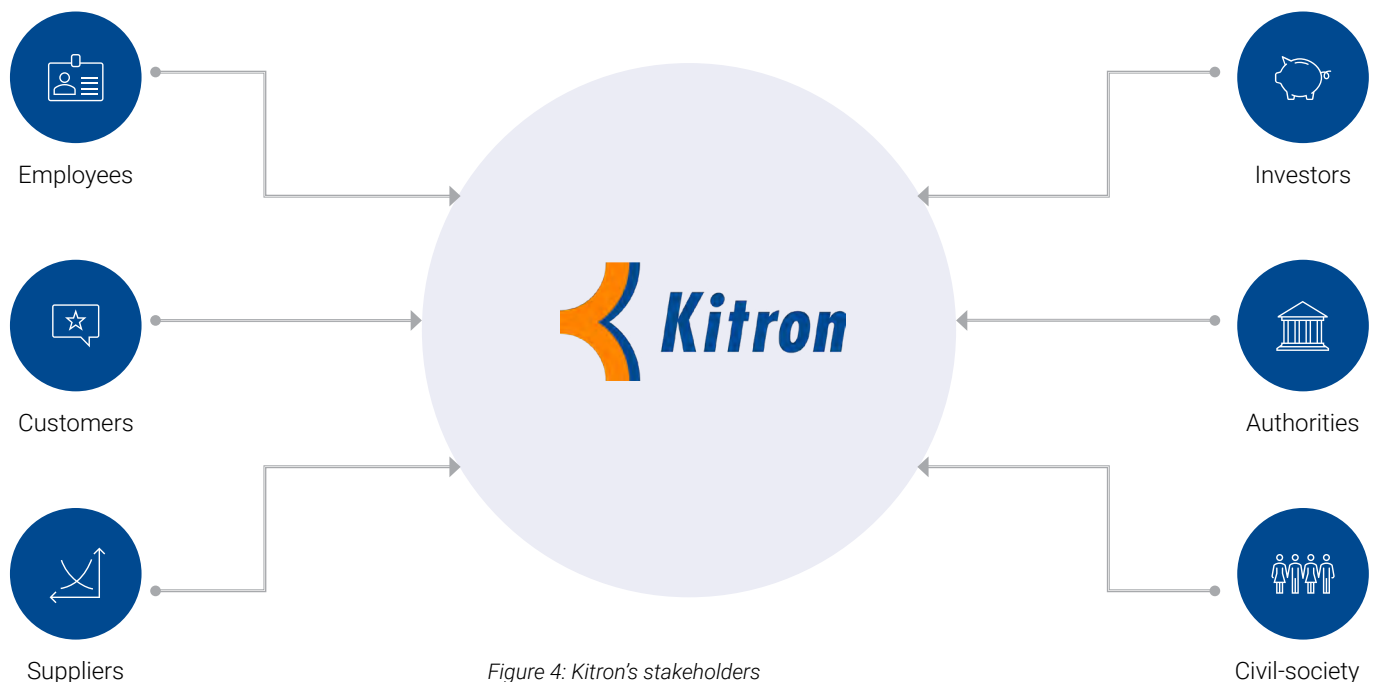


Figure 4: Kitron's stakeholders

## 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.

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

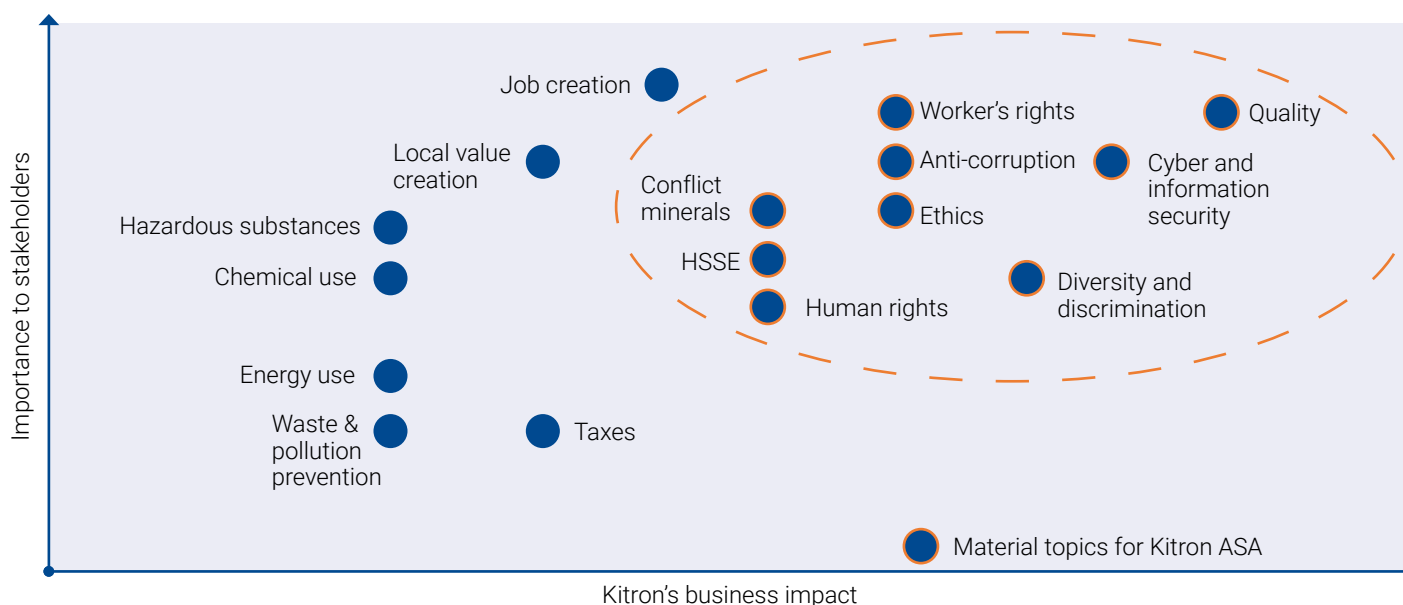


Figure 5: Materiality assesment, Kitron's business impact

# Reporting on material topics

## Our priorities and progress



### Business ethics

- Strengthen sustainability governance
- Corruption and bribery prevention
- Continue increasing security level/CMMC



### Labour and human rights

- Continue deployment of GPTW program
- Work actively to increase diversity at all levels
- Standardization of HSE process in all sites



### Environment and climate

- Create a plan for emissions reduction initiatives and possibilities
- Action plan for EcoVadis and WASH pledge
- Strategy for circular economy



### Responsible value chain

- Supplier risk management
- Scope 1&2 CO<sub>2</sub> reporting from suppliers
- Sustainable supplier management

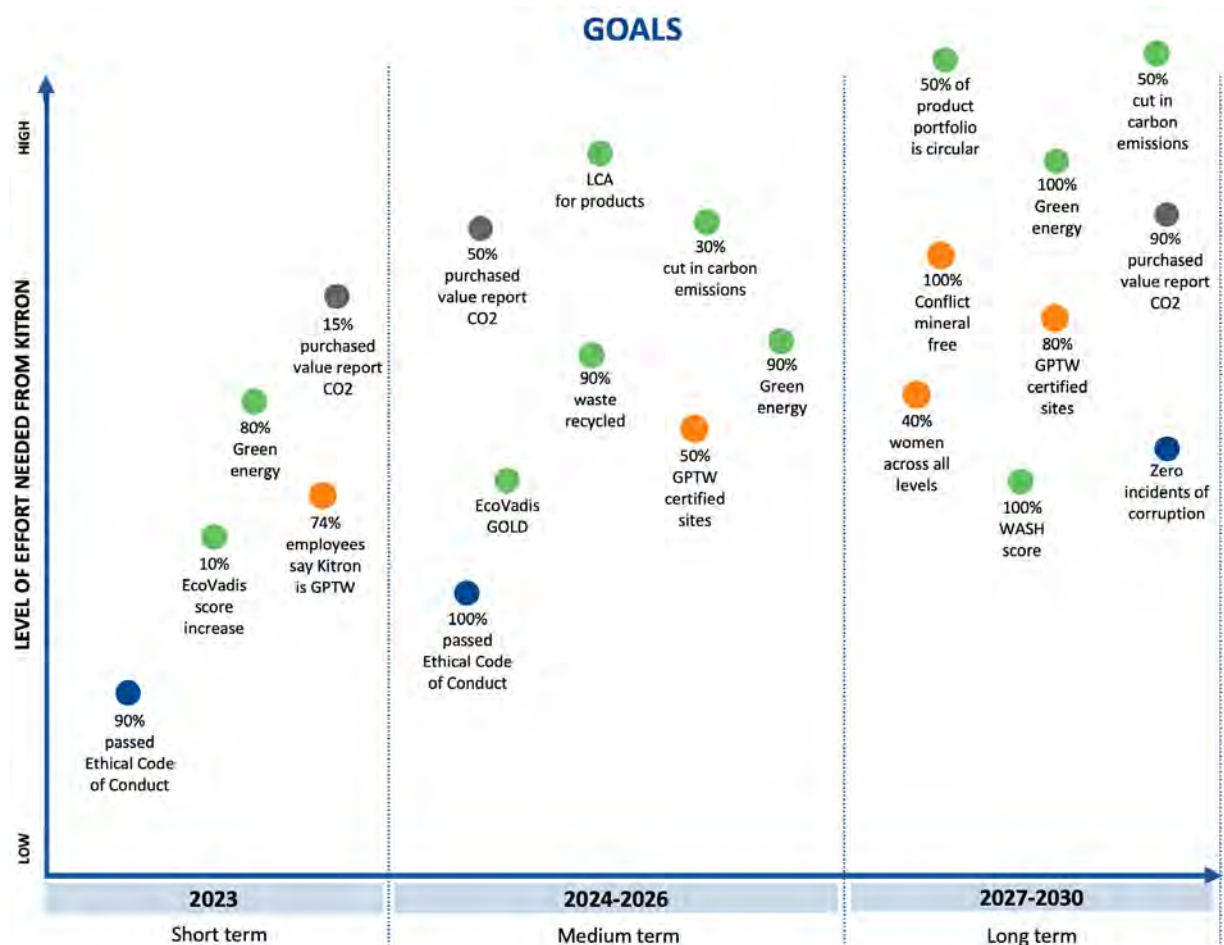


Figure 6: Sustainability Road Map – 2030



## 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 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.

Kitron has also developed a separate Supplier Code of Conduct that applies to Kitron's suppliers.

### The challenge + relevant SDG



### Ambition

### Long-term targets (2030)

Zero incidents of corruption

### Key KPIs monitored

- Corporate governance
- Corruption and bribery prevention
- Information security

### Results 2022

- Annual Ethics and corruption awareness trainings was assigned to 1792.
- 85,4% of employees that was assigned the training, has completed and passed.

### Targets 2023

- 100% of employees shall be assigned the training.
- 90% shall complete and pass.

## 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	2020	2021	2022
Very low risk	32.2%	34.00%	29.4%
Low risk	23.3%	24.42%	28.5%
Moderate risk	44.4%	41.56%	42.1%
Increased risk	0.1%	0.02%	0.04%

Table 7: 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").

Number of cases	2020	2021	2022
Reported	2	0	1
Sanctioned	1	0	0

Table 8: Number of reported potential corruption cases and number of sanctioned cases

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 management, the worker may report to the Chairman of the Audit Committee for Kitron ASA.

Kitron has a safe system, 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).

At the end of 2022 the Ethics Committee received one whistleblowing case, currently under review. Kitron is not in and has not been in any legal proceedings related to business ethics in 2022.

### 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 and CyberSecurity Maturity Model Certification (CMMC) compliant.

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

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.

### Long-term targets (2030)

- Zero accidents.
- 40% women across all levels of the Kitron organization
- >90% of employees saying Kitron is a great workplace

### Key KPIs monitored

- Gender equality
- Worker's rights, diversity and non- discrimination
- HSE, safety and security

### Results 2022

- 53% of employees are women (same as in 2021). 31% of management level employees are women (an increase from 27% in 2021)
- Decreased number of lost time injuries
- For the sites above 10% turnover 4 sites out of 5 reduced the employee turnover.
- Increased availability of trainings in Kitron academy.
- 72% of employees saying Kitron is a great workplace.

### Targets 2023

- 74% of employees saying Kitron is a great workplace

## 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.

	2021		2022	
	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	86%	84%	86%	85%
Sweden	98%	101%	99%	71%
Denmark			97%	85%
Lithuania	78%	81%	79%	82%
Poland	101%	78%	105%	81%
Czech			82%	58%
China	100%	49%	99%	71%
US	82%	50%	89%	73%
Average pay. total		62.50%		72.81 %

Table 9: 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 2021	Payroll (NOK million) 2021	No. of employees 2022	Payroll (NOK million) 2022
Norway	368	285	367	307
Women	42 %		43 %	
Men	58 %		57 %	

Table 10: Permanent employees by gender, and payroll

Organisation	2021 (as per 31.12)			2022 (as per 31.12)		
	Men	Women	Total	Men	Women	Total
Number of permanent employees	207	151	358	209	158	367
Temporarily hired	6	1	7	4	2	6
Part time employees	1	15	16	0	7	7
Newly hired						
Total number of newly hired employees in 2020	21	16	37	24	18	37
Employee turnover						
Number of employees who have left the company	6	1	7	22	6	15
Parental leave						
Number of employees on parental leave	9	2	11	4	1	5

Table 11: Part-time employees, turnover, and parental leave

	2021		2022	
	Men	Women	Men	Women
Organisation total	214	154	209	158
Board of Directors	5	4	5	4
Executive level management	3	1	3	1
Non-executive level management	17	3	18	2

Table 12: Breakdown of employees and board members by gender

	2021			2022		
	Under 30	30-49	50+	Under 30	30-49	50+
Organisation total	60	137	171	50	127	190
Board of Directors	0	2	7	0	1	8
Executive level management	0	1	3	0	1	3
Non-executive level management	0	7	13	0	7	13

Table 13: Breakdown of employees and board members by age

	Total	Women	Average pay women	Average pay total	Difference	Difference %
Production employees	201	123	472	474	-1	-0.28 %
Technicians, training officers	31	5	595	570	25	4.35 %
Purchasers, planners, IT employees, controllers, accounting and payroll and personnel	24	15	630	664	-34	-5.10 %
Engineers and quality managers	50	7	657	640	17	2.64 %
Senior engineers and project leaders	22	0	0	751	0	
Key Account Managers, department heads, production managers and operational managers	16	4	853	830	23	2.75 %
Local Management Team	9	0	0	1 113	0	
Corporate Management Team	4	1	5 433	6 240	-806	-12.92 %
Members of Kitron ASA board	10	4	305	302	3	1.06 %

Table 14: Average pay per category

### 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 2022, the number of training hours were 69 877 compared to 51 470 hours in 2021.

### 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 4.4 per cent for the group in 2022. 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 2022, 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	2020	2021	2022
Absence due to illness	3.3	3.7	4.4
Number of fatal occupational injuries	0	0	0
Number of occupational injuries causing permanent incapacity for work	0	0	0
Lost time injuries	13	14	9

Table 15: Absence and work-related injuries sanctioned cases

Turnover by site	2020	2021	2022
Norway	2.7%	4.9%	4.3%
Denmark			19,9 %
Sweden	6.1%	20.2%	14,1 %
Lithuania	14.6%	22.5%	15,8 %
Poland	18.6%	29.2%	19,0 %
Czech			26,3 %
China	29.5%	29.1%	27,4 %
USA	3.3%	46.3%	20.1%

Table 16: 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

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.

### Long-term targets (2030)

- 50% cut in carbon emissions / net zero by 2050
- 50% of product portfolio is circular/ designed for recycling
- 100% Green energy
- Zero waste in operations

### Key KPIs monitored

- Carbon emissions reduction
- Effective energy consumption
- Water security
- Circular economy

### Results 2022

- Reduced CO2 emissions expressed as energy efficiency factor by 2,6%.
- Excluding the acquisition of BB, Kitron sites improved by 56%.
- Started reporting to CDP.
- Green energy scope increased by 23% for Kitron, including BB green energy % reduced from 72% to 66%.
- Water consumption for the whole group increased by 9,7% with revenue growth of 95%.

### Targets 2023

- • Increase EcoVadis score by 10%.
- • Reach 80% green energy from total use.
- • Start report Scope 3 CO<sub>2</sub>.



## 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 2022 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 CO<sub>2</sub> emissions for our in-house operations in accordance with the obligations in the Paris Agreement.

## Climate Risk and Opportunities

In 2022 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.

	2022	Planned 2023	Planned 2024
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 17: 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	2022
Gas (heating)	481,1	304,9
Petrol (company cars)	49 812	99 695
Electricity	15 500	22 018
Electricity from renewable sources	11 265	14 629
Share of electricity from renewable sources	72%	66%

Table 18: Energy use

Mwh	2021	2022
Norway	3 981	4 111
Sweden	1 258	1 293
Denmark	0	1 343
Lithuania*	4 380	4 185
Poland	2 152	2 432
Czech		1 273
China	2 481	6 221
US	1 247	1 160
Group total	15 499	22 018

Table 19: Electricity use per location in Mwh

\* Lithuania 2022 193 mwh (2021 162 mWh) is own solar power

CO <sub>2</sub> emissions tCO <sub>2</sub> e	2021	2022
Scope 1	663	835
Scope 2 market based	2 091	3 840
Group total (1+2)	2 754	4 675

Table 20: Group CO<sub>2</sub> emissions tCO<sub>2</sub>e

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	2020	2021	2022
Revenue MNOK	3 964	3 711	6 485
Carbon efficiency (tCO <sub>2</sub> /Revenue MNOK)	0.83	0.74	0.72

Table 21: Carbon efficiency

Water consumption cubic metres	2020	2021	2022
Norway	3 360	3 812	3 411
Sweden	1 910	1 808	2 118
Denmark	0	0	2 260
Lithuania	5 941	7 515	5 889
Poland	3 291	3 955	4 688
Czech			1 589
China	5185	2503	12 888
US	998	518	405
Total	20 685	20 111	33 248
Revenue MNOK	3 964	3 711	6 485
Water Consumption m3 / Revenue MNOK	5.22	5.42	5.13

Table 22: 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.

Tons of waste	2020	2021	2022
Total waste	827	777	787
Recycled waste	525	549	689
Hazardous waste	42	63	95
Amount recycled waste	63%	70%	87.5%

Table 23: 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

All suppliers should adhere to Kitron's supplier code of conduct, and support the UN Declaration on Universal Human Rights.

### Long-term targets (2030)

- 90% purchased value report CO<sub>2</sub>
- 100% of suppliers in line with Kitron Supplier Code
- All critical suppliers committed to become climate neutral (scope 1 and 2)

### Key KPIs monitored

- Ethics and anti- corruption
- Human rights and conflict minerals
- Environment in the supply chain
- Supplier performance and risk assessment

### Results 2022

- Remained conflict minerals free.
- 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.
- Made sure all sites used the new standardised RFI and digital quality management system for gathering and storing RFI data. Reached over 90% in 2022.

### Targets 2023

- 15% purchased value report CO<sub>2</sub> (Scope 1 and Scope 2)

## 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 cooperating directly with manufacturers too in order to better serve our customers and ensure availability of production parts. On an annual basis Kitron purchases components from close to 1200 manufacturers through approximately 1000 supply partners. Kitron has established a Preferred Partner Program. In 2022 55.3 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 2022 Kitron purchased 71.5 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 expanded and have this suppliers assessment including additional suppliers' sustainability rating.

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 2022, Kitron had 2739 active suppliers, up from 2032 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) – 2739

Share of active suppliers who have signed Code of Conduct – 67.5%. Number reduced after acquisition of BB Electronics and should improve going forward.

Unique active suppliers	2020	2021	2022
Unique active suppliers (12 months)	1 973	2 032	2 739
Share of active suppliers who has signed Code of Conduct	90.1%	90.3%	71.0%

Table 24: 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 *	2020	2021	2022
Conflict free 3TG+ NO 3TG by value	79.1%	80.47 %	81.66%
Conflict free 3TG+NO 3TG by number of parts	43 209	48 606	53 204

\*This statistics does not include BB Electronics

Table 25: Conflict minerals by value and number of parts





Kitron is a Scandinavian Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Denmark, Lithuania, Poland, the Czech Republic, India, China and the US and has about 2 850 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.

# Board and Management

## Board

**Tuomo Lähdesmäki**

Chairman of the board

Elected for the period 2022-2023

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, 2022, Mr Lähdesmäki owned 291 668 shares in Kitron.

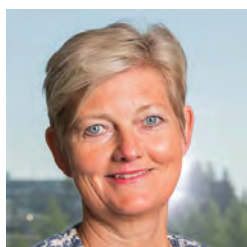
**Gro Brækken**

Deputy chairman of the board

Elected for the period 2022-2023

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 Offshore Norge (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, 2022, Ms Brækken owned 51 280 shares in Kitron.

**Maalfrid Brath**

Board member

Elected for the period 2022-2023

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, 2022, Ms Brath owned 29 499 shares in Kitron.



**Petra Grandinson**

Board member

Elected for the period 2022-2023

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, 2022, Ms Grandinson owned 20 494 shares in Kitron.

**Espen Gundersen**

Board member

Elected for the period 2022-2023

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 has held several positions within the Tomra Group from 1999 to 2022, including CFO from 2003 and Deputy CEO from 2009. Before joining Tomra, he served as VP Business Development of Selmer ASA for five years. He started his career with Arthur Andersen in 1989. He is currently a full-time non-executive board member, with board positions in Scatec ASA, Hexagon Purus ASA and Kid ASA.

Mr Gundersen, the head of Kitron audit committee, was elected to the Kitron Board in 2017. On December 31st, 2022, Mr Gundersen owned 56 280 shares in Kitron.

**Michael Lundgaard Thomsen**

Board member

Elected for the period 2022-2023

Michael was born in 1964 and is a Danish citizen. He holds a Master of Science in Manufacturing Management and Systems from Aalborg University in Denmark. Mr. Lundgaard Thomsen is currently Managing Director/CCO at Aalborg Portland A/S and brings more than 25 years of executive, international experience in various functions within a number of different industries, including process instrumentation, electronics, mobile hydraulics and IT. For the past 17 years, he has held executive management positions as CEO and COO in three different companies and prior to joining Aalborg Portland A/S, he spent seven years as CEO of Siemens Flow Instruments A/S, a role he was promoted into after being Global Operations Manager overlooking production, supply chain management, including customer service, product maintenance and product certification. He has also acted as a Factory Manager/COO at Linak A/S, and during his just over ten years in various roles at Danfoss A/S, he spent two years in the US, where he held the overall responsibility for the supply chain management. In addition to his operational responsibilities, he holds several board member and chair positions in various companies and institutions. In 2019 he was appointed as chairman of the climate partnership for energy-intensive companies by the Danish Government.

Mr Lundgaard was elected to the Kitron Board in 2022. On December 31st, 2022, Mr Thomsen owned 6 240 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 at 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, 2022, Mr Gottschlich owned 26 480 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, 2022, Mr Larsen owned 19 624 shares in Kitron.

**Tanja Rørheim**

Board member

Elected by and among the employees

Tanja Rørheim was born in 1972 and is a Norwegian citizen. She holds a certificate in electronics and has been 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, 2022, Ms Rørheim owned 26 280 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.



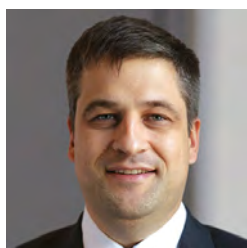
**Cathrin Nylander**  
CFO

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.



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

Born in 1980. With Kitron since 2003. Mr Dirse has broad experience from different international positions in the company and holds a Master of Science in Informatics Technology. Zygimantas 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 30 August 2022

## § 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 19,769,105.30 divided into 197,691,053 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

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

## § 11

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

(Office translation)

# Addresses

## OFFICES

### HEAD OFFICE

#### Kitron ASA

PO Box 97, NO-1375 Billingstad, Norway

#### Visiting address:

Olav Brunborgs vei 4 1396 Billingstad

Tel: +47 66 10 00 00

### GERMANY - SALES AND CUSTOMER SUPPORT OFFICE

#### Kitron GmbH

Carl-Zeiss-Str. 3, DE-72555 Metzingen, Germany

Tel: +49 7123 374122-00

## MANUFACTURING SITES

### NORWAY

#### Kitron AS

P O Box 799 Stoa NO-4809

Arendal, Norway

#### Visiting address:

Tverrdalsøyveien 100, 4920 Staubø

Tel: +47 37 07 13 00

### SWEDEN

#### Kitron AB

P O Box 1052, SE-551 10

Jönköping, Sweden

#### Visiting address:

Möbelvägen 5, 55652 Jönköping

Tel: +46 36 290 21 00

### LITHUANIA

#### UAB Kitron, Taikos site

Taikos pr. 151, LT-52119 Kaunas, Lithuania

Tel: +370 37 40 93 30

### LITHUANIA

#### UAB Kitron, Užliedžių site

Plento g. 6, LT-54305 Užliedžiai, Lithuania

### LITHUANIA

#### UAB Kitron, Administration

Perspektyvos g.22 LT-52119 Kaunas, Lithuania

### CHINA

#### Kitron Electromechanical (Ningbo) Co., Ltd

No. 179, DongHui Road Nordic Industrial Park Zhenhai District Ningbo 315221, P. R. China Tel: +86 574 8630 8600

Fax: +86 574 8630 8601

### CHINA

#### Kitron Electronics Manufacturing (Ningbo) Co., Ltd

No. 189, DongHui Road Nordic Industrial Park Zhenhai District Ningbo 315221, P. R. China Tel: +86 574 8630 8600

Fax: +86 574 8630 8601

### USA

#### Kitron Technologies Inc.

345 Pomroys Drive Windber, Pennsylvania 15963, USA Tel: +1 814 467 7477

Fax: +1 815 301 8468

### POLAND

#### Kitron Sp. z o. o.

ul. Droga Kurpiowska 75 86-300 Grudziądz, Poland Tel: +48 56 642 58 80

## BB ELECTRONICS

### DENMARK

#### BB Electronics A/S

Ane Staunings Vej 21C DK-8700 Horsens Denmark

Tel: +45 7625 1000

Fax: +45 7625 1010

### CHINA

#### BB Electronics (Suzhou) Co., Ltd

Building 18# A&B, Suchun Industrial Estate, No. 428 Xinglong Street, Suzhou Industrial Park, 215024 Suzhou, China

Tel: +86 512 6956 2880

### CZECH REPUBLIC

#### Wendell electronics a.s. (BB Electronics, Czech)

Nádražní 1179 563 01 Lanskroun Czech Republic

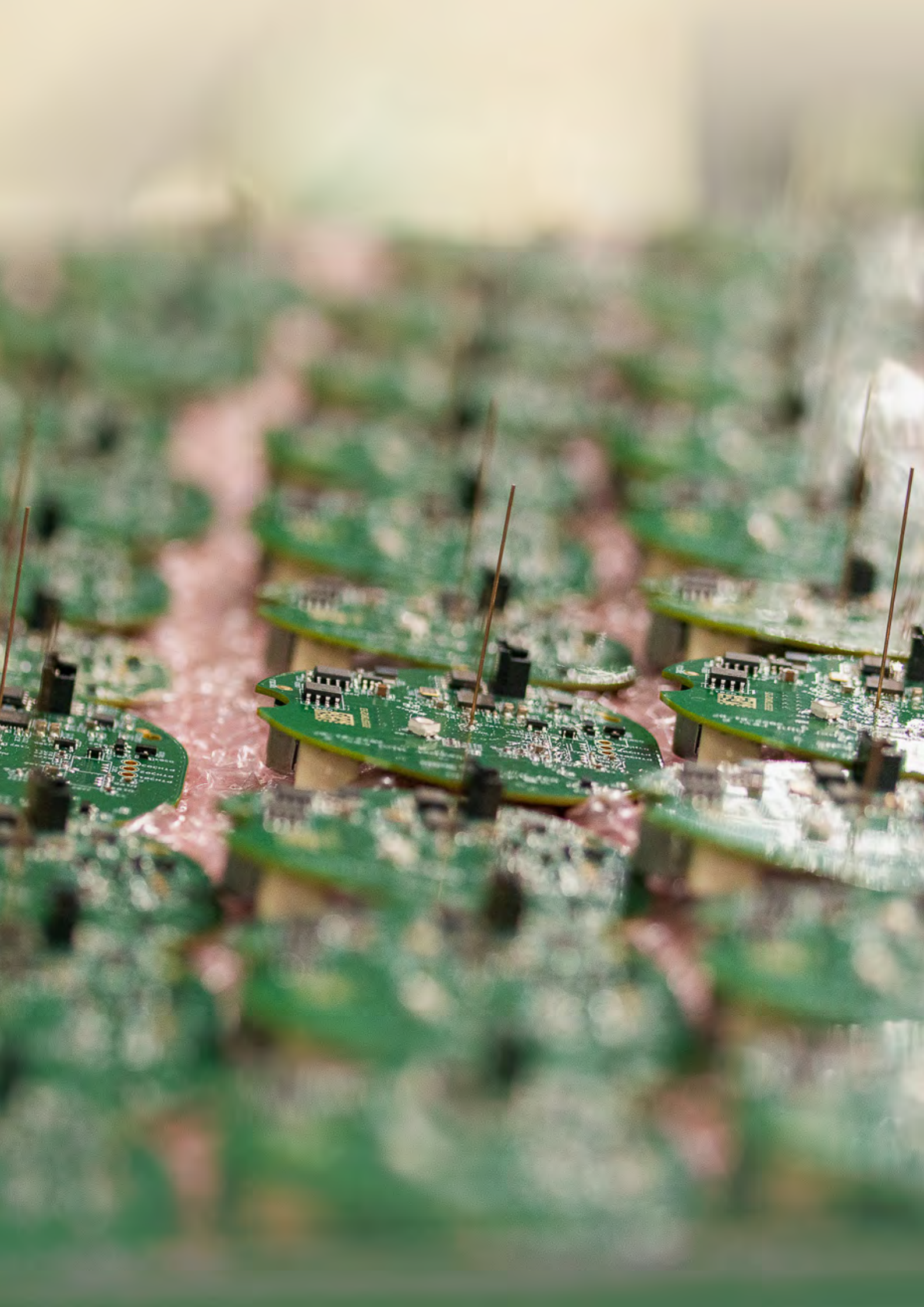
Tel: +420 465 670 038

### INDIA

#### TCBB India Private Limited ApS

Module 49 & 50, II nd Floor, SDF-III Building Phase -II, MEPZ SEZ, NH 45, Tambaram, Chennai TN 600045 IN









Kitron is a Scandinavian Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Denmark, Lithuania, Poland, the Czech Republic, India, China and the US and has about 2 850 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.