

FIRST QUARTER

REPORT 2019

Q1



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

Norway
Sweden
Lithuania
Germany
USA
China



Your ambition. Our passion.



Report first quarter 2019

Strong growth and improved profitability

- Revenue increased 25 per cent
- Earnings per share NOK 0.21 (0.15)
- Order backlog increased 43 per cent
- Working capital increase expected to ease in 2019

Strong revenue growth

Kitron's revenue for the first quarter was NOK 813 million (NOK 651 million), an increase of 25 per cent compared to last year, and an all-time high. Organic growth, excluding the acquisition of the EMS division of API Technologies Corp. (see note 6), was 20 per cent.

All market sectors grew significantly. In absolute numbers, first quarter revenue growth compared to the same quarter last year was particularly strong in the Industry market sector. Percentagewise, Offshore/Marine grew the most.

Record order backlog

The order backlog ended at NOK 1 466 million, an increase of 43 per cent compared to last year, and an all-time high. All market sectors except Energy/Telecom increased the order backlog substantially. Increasing activity among customers in the oil and gas industry has led to a particularly strong backlog growth in the Offshore/Marine market sector.

Organic order backlog growth, excluding the API acquisition, was 28 per cent.

Orders received in the quarter were NOK 787.5 million (NOK 514.3 million), an increase of 53 per cent.

Improved profitability

First quarter EBITDA* was NOK 68.6 million (NOK 53.0 million), an increase of 29 per cent compared to last year. Operating profit (EBIT)* for the first quarter ended at NOK 51.2 million (NOK 38.8 million), an increase of 32 per cent.

Profitability expressed as EBIT margin* was 6.3 per cent (6.0 per cent).

Profit after tax was NOK 37.5 million (NOK 26.2 million), an increase of 43 per cent and corresponding to NOK 0.21 earnings per share (NOK 0.15).

Inventory build-up to secure deliveries and future growth

Net working capital* was NOK 927 million (NOK 526 million) an increase of 76 per cent compared to the same quarter last year.

Net working capital R3 as a percentage of revenue was 25.0 per cent, compared to 19.3 per cent last year.

The increase is primarily related to the deliberate and temporary inventory build-up to avoid supply disruptions in the face of previously reported electronic components shortages.

Component shortages have been an ongoing issue for the EMS industry over the past quarters. The situation is expected to be less challenging throughout 2019 and Kitron expects that a gradual improvement over the year will lead to a reduction of working capital, both in absolute numbers and as a percentage of revenue.

Cash conversion cycle (CCC) R3* was 91 days for the quarter. This is up from 67 days last year.

Return on operating capital (ROOC) R3* was 17.2 per cent compared to 19.8 per cent in the same quarter last year. ROOC is affected by implementation of the IFRS 16 accounting standard, see notes 1 and 5, with capitalization of leases in fixed assets of NOK 95 million. ROOC adjusted for this was 17.9 per cent.

The acquisition of the EMS division of API Technologies Corp. increased net working capital by NOK 105 million. In general the acquisition does not affect performance measures and ratios significantly.

Operating cash flow was positive NOK 25.4 million (negative NOK 19.4 million) for the quarter

Acquisition in the United States

In the first quarter, Kitron completed the acquisition of the EMS division of API Technologies Corp., substantially strengthening its position in the US market (hereafter operational unit named Kitron Technologies Inc). Kitron consolidated the acquired business effective 15 February, see note 6 to the financial statements.

Implementation of new accounting standard IFRS 16 "Leases"

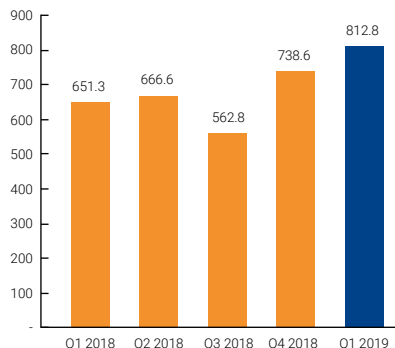
Kitron implemented the new accounting standard IFRS 16 "Leases" from 1 January 2019. In the first quarter, this had a minor effect on profits. It affected certain balance sheet items. For more information, see notes 1 and 5 to the financial statements.

Key figures

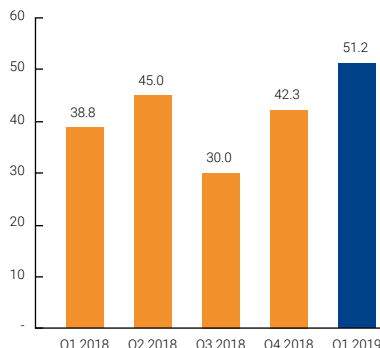
NOK million	Q1 2019	Q1 2018	Change	31.12.2018
Revenue	812.8	651.3	161.6	2 619.3
EBIT*	51.2	38.8	12.5	156.1
Order backlog*	1 465.6	1 024.6	440.9	1 334.8
Operating cash flow	25.4	(19.4)	44.9	(44.5)
Net working capital*	926.9	525.8	404.6	779.2

* For definition – See Appendix «Definition of Alternative Performance Measures»

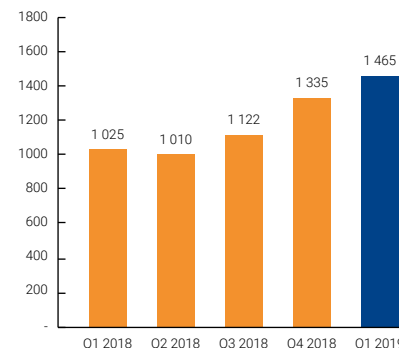
REVENUE Group NOK million



EBIT Group NOK million



ORDER BACKLOG Group NOK million



Key figures

Revenue from customers in the Swedish market represented a 40.6 per cent share of the total revenue during the first quarter (41.1 per cent). The Norwegian market represented 17.6 per cent of Kitron's total revenue in the first quarter (17.5 per cent).

Variable contribution

The variable contribution* defined as revenue minus cost of materials and direct payroll expenses, increased from the same period last year.

Profit

Kitron's operating profit (EBIT) in the first quarter was NOK 51.2 million, which was an increase of NOK 12.5 million compared with the same period last year.

Profit before tax in the first quarter of 2019 was NOK 45.2 million, which was an increase of NOK 13.9 million compared to the same period last year.

The company's total payroll expenses in the first quarter were NOK 22.6 million higher than in the corresponding period in 2018. The relative payroll costs ended at 18.0 per cent, down from 19.1 per cent of revenue in the first quarter last year. Other operating costs were 4.7 per cent of revenue in the first quarter of 2019 (5.1 per cent).

During the quarter, net financial items amounted to a net cost of NOK 6.0 million. The corresponding figure for first quarter last year was a net cost of NOK 7.4 million. The main reason for the change was currency effects on intra-group financial loans. Intra-group financial loans to subsidiaries in foreign currencies as of 31 March 2019 that are affecting net financial income total USD 3.6 million and EUR 1.9 million.

Balance sheet

Kitron's gross balance sheet as of 31 March 2019 amounted to NOK 2 235.4 million, compared to NOK 1 581.7 million at the same time in 2018. The increase is due to temporary inventory build-up to avoid supply disruptions, revenue growth, the acquisition of the EMS division of API Technologies Corp. and the implementation of IFRS 16.

Equity was NOK 718.5 million (NOK 687.5 million), corresponding to an equity ratio of 32.1 per cent (43.5 per cent).

Inventory was NOK 550.3 million as of 31 March 2019 (NOK 310.3 million). Inventory turns* was 4.8 in the first quarter 2019, which is an increase compared to first quarter last year (4.6).

Accounts receivables amounted to NOK 767.2 million at the end of the first quarter of 2019. The corresponding amount at the same time in 2018 was NOK 544.5 million.

Contract assets was NOK 265.7 million as of 31 March 2019, compared to NOK 168.5 million at the same time in 2018.

The group's reported net interest-bearing debt* amounted to NOK 658.7 million as of 31 March 2019 (NOK 175.3 million). Net gearing* of the company was 0.92 (0.25). Net interest-bearing debt/EBITDA is 2.9 for the first quarter compared to 0.8 at the same time last year. The net gearing and net interest-bearing debt/EBITDA exclusive IFRS 16 effects are 0.8 and 2.6 respectively.

Cash flow from operating activities for the first quarter of 2019 was positive NOK 25.4 million (negative NOK 19.4 million).

Organisation

The Kitron workforce corresponded to 1 740 full-time employees (FTE) on 31 March 2019. This is an increase of 211 FTE since the first quarter of 2018. There is an increase of 51 FTE related to the operations in Norway, an increase of 16 FTE in Sweden, and an increase of the workforce in Lithuania and China of 27 FTE and 25 FTE respectively. The acquisition of API added 87 FTEs to the workforce per 31 March. The number of FTE in lower-cost regions now accounts for 73 per cent of the total.

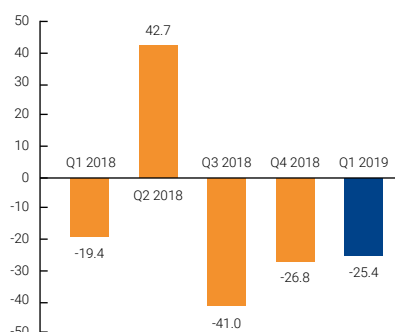
Market

Order intake in the quarter was NOK 787.5 million, which is 53.1 per cent higher than for the first quarter 2018. The order backlog ended at NOK 1 465.6 million, which is 43.0 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 687.5 million at the beginning of the first quarter to NOK 755.8 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

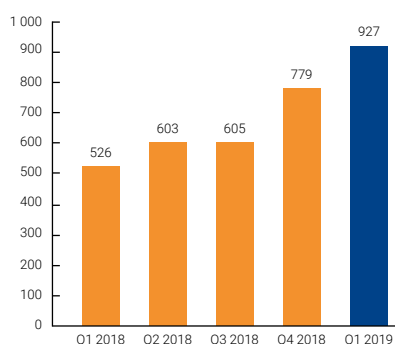
OPERATING CASH FLOW Group

NOK million



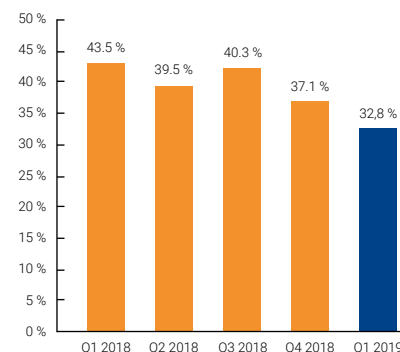
NET WORKING CAPITAL Group

NOK million



EQUITY RATIO Group

Per cent



Revenue business entities

NOK million	Q1 2019	Q1 2018	Change	31.12.2018
Norway	210.4	159.3	51.2	666.0
Sweden	174.2	156.3	17.9	662.7
Lithuania	298.8	266.4	32.4	1 008.5
USA	48.8	9.2	39.6	35.6
Others	109.7	86.2	23.5	401.4
Group and eliminations	(29.1)	(26.1)	(3.0)	(155.0)
Total group	812.8	651.3	161.6	2 619.3

EBIT business entities

NOK million	Q1 2019	Q1 2018	Change	31.12.2018
Norway	9.4	6.4	3.0	27.7
Sweden	11.2	5.2	6.0	36.7
Lithuania	27.0	27.4	(0.3)	84.6
USA	(0.1)	(1.1)	1.0	(8.4)
Others	10.9	5.1	5.8	45.2
Group and eliminations	(7.2)	(4.3)	(2.9)	(29.7)
Total group	51.2	38.8	12.5	156.1

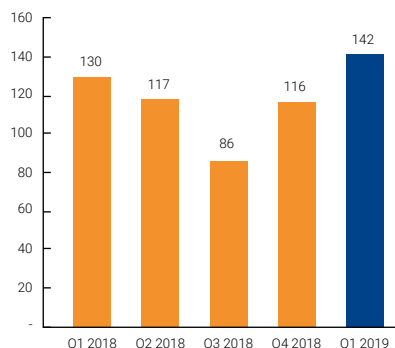
Revenue geographic markets

NOK million	Q1 2019	Q1 2018	Change	31.12.2018
Norway	142.9	114.0	28.8	459.5
Sweden	330.2	267.6	62.5	1 201.2
Rest of Europe	194.8	188.6	6.1	642.2
USA/Canada	107.2	62.7	44.5	230.1
Others	37.8	18.2	19.6	86.3
Total group	812.8	651.3	161.6	2 619.3

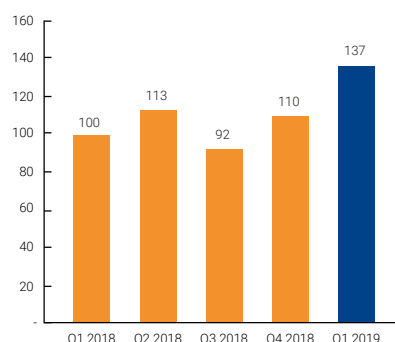
Full time employees

	31.03.2019	31.03.2018	Change
Norway	279	228	51
Sweden	189	174	16
Lithuania	924	897	27
USA	111	17	94
Other	238	213	25
Total group	1 740	1 529	211

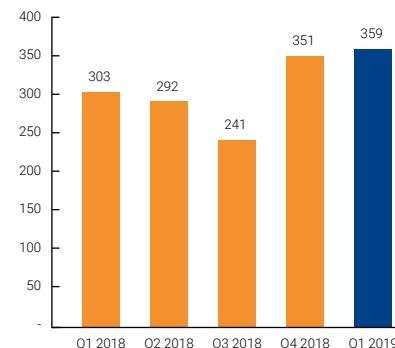
REVENUE Defence/Aerospace NOK million



REVENUE Energy/Telecoms NOK million



REVENUE Industry NOK million



Defence/Aerospace

The Defence/Aerospace sector consists of three main product divisions: military and civil avionics, military communication and weapon control systems.

The Defence/Aerospace sector revenue increased by 9.3 per cent compared to last year. The order backlog at NOK 589.3 million increased by NOK 156.0 million during the quarter. Compared to last year, the order backlog increased by NOK 207.6 million (54.3 per cent). Of this NOK 132.0 million from the acquisition.

The high level of activity in the defence sector continues, driven by roll- out of military communications equipment in Norway and supported by increased defence project deliveries in Sweden. Kitron's expansion of its footprint in the F35 program secures the company's future position as a strong partner within the defence sector.

The Defence/Aerospace sector is in general characterized by project deliveries. Military aviation programs constitute an increasing share of Defence/Aerospace revenue, and as a consequence there will be larger fluctuations in order backlog, as these customers tend to place longer orders than normal in the defence sector.

Energy/Telecoms

Within the Energy/Telecoms sector Kitron offers clients particular expertise in manufacturing products such as transmission systems, high frequency microwave modules, radio frequency (RF) and remote measurement of electrical metering.

The Energy/Telecoms sector revenue increased by 37.1 per cent compared to last year. The order backlog is NOK 156.9 million, a decrease of NOK 3.2 million compared to the fourth quarter in 2018, and NOK 5.4 million lower than a year ago.

Industry

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.

The industry sector showed a revenue increase of 18.4 per cent compared to the first quarter last year, and an increase of 2.2 per cent from the fourth quarter of 2018. The order backlog increased by NOK 109.3 million (30.9 per cent) compared to the same period last year and increased by NOK 9 million from the preceding quarter (2.0 per cent).

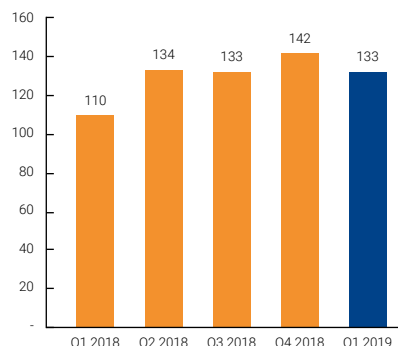
Revenue market sectors

NOK million	Q1 2019	Q1 2018	Change	31.12.2018
Defence/Aerospace	141.9	129.8	12.2	449.7
Energy/Telecoms	136.6	99.6	37.0	414.1
Industry	359.3	303.4	55.8	1 187.7
Medical devices	132.8	109.8	22.9	519.2
Offshore/Marine	42.2	8.6	33.6	48.6
Total group	812.8	651.3	161.6	2 619.3

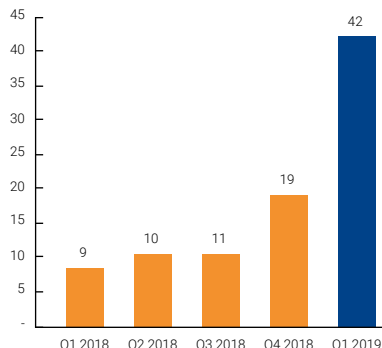
Order Backlog market sectors

NOK million	31.03.2019	31.03.2018	Change	31.12.2018
Defence/Aerospace	589.3	381.8	207.6	433.3
Energy/Telecoms	156.9	162.3	(5.4)	160.1
Industry	463.4	354.1	109.3	454.4
Medical devices	148.8	107.7	41.1	186.6
Offshore/Marine	107.1	18.7	88.4	100.4
Total group	1 465.6	1 024.6	440.9	1 334.8

REVENUE Medical devices NOK million



REVENUE Offshore/Marine NOK million



Medical devices

The Medical device sector consists of three main product areas: ultrasound and cardiology systems, respiratory medical devices and Lab/IVD (In-Vitro Diagnostics).

Revenue in the Medical device sector increased by 20.9 per cent compared to the same period last year. The order backlog is NOK 148.8 million, an increase of NOK 41.1 million from the same period last year, and down NOK 37.8 million (20.3 per cent) compared to the preceding quarter.

Offshore/Marine

Kitron divides the Offshore/Marine sector into three main areas; subsea production systems, oil and gas exploration equipment, as well as navigation, positioning, automation and control systems for the marine sector.

The Offshore/Marine sector revenue was NOK 42.2 million in first quarter, compared to NOK 8.6 million in the same period last year. The order backlog is NOK 107.1 million, an increase of NOK

6.7 million compared to the preceding quarter and NOK 88.4 million higher than the same quarter last year. There are indications that the market bottomed out in 2017. We see growth moving ahead, albeit at comparatively low volumes.

Outlook

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

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

Oslo, 29 April 2019, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q1 2019	Q1 2018	31.12.2018
Revenue	812 839	651 286	2 619 257
Cost of materials	556 770	439 065	1 756 246
Payroll expenses	146 691	124 111	496 911
Other operational expenses	38 595	33 177	153 490
Other gains / (losses)	(2 229)	(1 885)	(3 687)
Operating profit before depreciation and impairments (EBITDA)	68 554	53 048	208 924
Depreciation	17 306	14 286	52 824
Operating profit (EBIT)	51 248	38 762	156 100
Net financial items	(6 002)	(7 410)	(14 882)
Profit (loss) before tax	45 246	31 352	141 218
Tax	7 731	5 142	30 950
Profit (loss) for the period	37 515	26 210	110 267
Earnings per share-basic	0.21	0.15	0.63
Earnings per share-diluted	0.21	0.15	0.61

Condensed balance sheet

NOK 1 000	31.03.2019	31.03.2018	31.12.2018
ASSETS			
Goodwill	32 428	26 786	26 786
Other intangible assets	16 025	8 949	12 601
Tangible fixed assets	402 867	267 258	293 193
Deferred tax assets	73 429	57 179	45 987
Other receivables	2 187	-	-
Total non-current assets	526 937	360 172	378 567
Inventory	550 346	310 313	448 203
Accounts receivable	767 232	544 515	690 598
Contract assets	265 748	168 542	235 201
Other receivables	74 812	57 673	67 864
Cash and cash equivalents	50 327	140 461	45 654
Total current assets	1 708 465	1 221 504	1 487 520
Total assets	2 235 402	1 581 677	1 866 088
LIABILITIES AND EQUITY			
Equity	718 519	687 459	691 459
Total equity	718 519	687 459	691 459
Deferred tax liabilities	2 706	3 398	1 196
Loans	223 545	74 397	40 830
Pension commitments	5 966	6 205	5 966
Total non-current liabilities	232 217	84 000	47 992
Accounts payable	656 402	465 468	594 808
Other payables	131 945	92 375	122 896
Tax payable	9 380	11 047	7 962
Loans	486 939	241 327	400 970
Total current liabilities	1 284 667	810 218	1 126 636
Total liabilities and equity	2 235 402	1 581 677	1 866 088

Condensed cash flow statement

NOK 1 000	Q1 2019	Q1 2018	31.12.2018
Profit before tax	45 246	31 352	141 218
Depreciations	17 306	14 286	52 824
Change in inventory, accounts receivable, contract assets and accounts payable	(47 974)	(39 417)	(261 569)
Change in net other current assets and other operating related items	(33 696)	1 399	13 088
Change in factoring debt	44 489	(27 101)	9 982
Net cash flow from operating activities	25 371	(19 480)	(44 458)
Net cash flow from investing activities	(148 457)	(7 158)	(55 859)
Net cash flow from financing activities	124 407	(8 170)	(126 387)
Change in cash and bank credit	1 321	(34 809)	(226 704)
Cash and bank credit opening balance	(107 548)	108 738	118 765
Currency conversion of cash and bank credit	870	(572)	391
Cash and bank credit closing balance	(105 357)	73 357	(107 548)

Consolidated statement of comprehensive income

NOK 1 000	Q1 2019	Q1 2018	31.12.2018
Profit (loss) for the period	37 515	26 210	110 267
Actuarial gain / losses pensions	-	-	(113)
Exchange differences on translation of foreign operations	(1 020)	(1 987)	2 218
Currency translation differences	(11 300)	(4 203)	(583)
Total comprehensive income for the period	25 195	20 020	111 789
Allocated to shareholders	25 195	20 020	111 789

Changes in equity

NOK 1 000	31.03.2019	31.03.2018	31.12.2018
Equity opening balance	691 459	663 565	663 565
Profit (loss) for the period	37 515	26 210	110 267
Paid dividends	-	-	(96 906)
Employee share schemes	1 865	1 887	7 650
Implementation IFRS15	-	5 361	5 361
Other comprehensive income for the period	(12 320)	(9 564)	1 522
Equity closing balance	718 519	687 459	691 459

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the first quarter of 2019 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Kitron has applied the same accounting policies as in the consolidated financial statements for 2018, except for principles for lease accounting. Information about accounting principles, implementation effects and method for implementation for lease accounting is stated in note 27 to the consolidated financial statements for 2018. The interim financial statements do not include all the information required for a full financial report and should therefore be read in conjunction with the consolidated financial statements for 2018, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2018 are available upon request from the company and at www.kitron.com.

Note 2 - Estimates

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the same for the interim financial statements as for the consolidated statements for 2018.

Note 3 – Financial risk management

Kitron's business exposes the company to financial risks. The purpose of the company's procedures for risk management is to minimise possibly negative effects caused by the company's financial

arrangements. There has been no change of impact or material incidents in 2019.

Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses

Note 5 – Implementation of IFRS 16 "Leases"

The Kitron group implemented new IFRS 16 "Leases" from 1 January 2019. Information about accounting principles, implementation effects and method for implementation for lease accounting is stated in note 27 to the consolidated financial statements for 2018.

The tables below show impact from IFRS 16 on condensed profit and loss statement and on condensed cash flow statement for first quarter 2019, and on condensed balance sheet per 31 March 2019.

Note 5 – Implementation of IFRS 16 “Leases” (Cont.)

Condensed profit and loss statement

	Old principles 31.03.2019	Effects from IFRS 16	New principles 31.03.2019
NOK 1 000			
Revenue	812 839	-	812 839
Cost of materials	556 770	-	556 770
Payroll expenses	146 691	-	146 691
Other operational expenses	42 445	(3 850)	38 595
Other gains / (losses)	(2 229)	-	(2 229)
Operating profit before depreciation and impairments (EBITDA)	64 705	3 850	68 554
Depreciation	14 425	2 882	17 306
Operating profit (EBIT)	50 280	968	51 248
Net financial items	(4 708)	(1 295)	(6 002)
Profit (loss) before tax	45 572	(327)	45 246
Tax	7 796	(65)	7 731
Profit (loss) for the period	37 776	(261)	37 515
Earnings per share-basic	0.21		0.21
Earnings per share-diluted	0.21		0.21

Condensed balance sheet

	Old principles 31.03.2019	Effects from IFRS 16	New principles 31.03.2019
NOK 1 000			
ASSETS			
Goodwill	32 428	-	32 428
Other intangible assets	16 025	-	16 025
Tangible fixed assets	307 489	95 378	402 867
Deferred tax assets	73 364	65	73 429
Other receivables	2 187	-	2 187
Total non-current assets	431 494	95 444	526 937
Inventory	550 346	-	550 346
Accounts receivable	767 232	-	767 232
Contract assets	265 748	-	265 748
Other receivables	74 812	-	74 812
Cash and cash equivalents	50 327	-	50 327
Total current assets	1 708 465	-	1 708 465
Total assets	2 139 959	95 444	2 235 402
LIABILITIES AND EQUITY			
Equity	718 780	(261)	718 519
Total equity	718 780	(261)	718 519
Deferred tax liabilities	2 706	-	2 706
Loans	145 572	77 973	223 545
Pension commitments	5 966	-	5 966
Total non-current liabilities	154 244	77 973	232 217
Accounts payable	656 402	-	656 402
Other payables	131 945	-	131 945
Tax payable	9 380	-	9 380
Loans	469 208	17 732	486 939
Total current liabilities	1 266 935	17 732	1 284 667
Total liabilities and equity	2 139 959	95 444	2 235 402

Note 5 – Implementation of IFRS 16 “Leases” (Cont.)

Condensed cash flow statement

	Old principles 31.03.2019	Effects from IFRS 16	New principles 31.03.2019
NOK 1 000			
Net cash flow from operating activities	21 521	3 850	25 371
Net cash flow from investing activities	(148 457)		(148 457)
Net cash flow from financing activities	128 257	(3 850)	124 407
Change in cash and bank credit	1 321	-	1 321
Cash and bank credit opening balance	(107 548)	-	(107 548)
Currency conversion of cash and bank credit	870	-	870
Cash and bank credit closing balance	(105 357)		(105 357)

Note 6 Business combinations

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

The operations of the EMS division are highly complementary to Kitron's existing operations and are expected to provide added value to current operations, in particular in the United States. The division's main focus is on defence, aerospace, medical/industrial, and communications/consumer, and it is well aligned with Kitron's overall strategy. The business is located in Windber, Pennsylvania, close to Kitron's current US facility in Johnstown, Pennsylvania, with approximately 100 employees operating a total of six production lines and a facility of approximately 10 000 square meters. Total revenues in 2018 amounted to approximately USD 23.5 million.

The purchase price to be paid, after certain post-signing adjustments, is NOK 135.6 million (USD 15.6 million), subject to post-closing adjustments, if any.

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

Fair value

NOK 1000	15.02.2019
Tangible fixed assets	49 678
Other intangible assets: customer contracts	3 149
Deferred tax assets	28 365
Inventory	70 985
Accounts receivable	24 327
Contract assets	30 122
Other receivables	4 156
Cash and cash equivalents	(1 449)
Loans	(36 872)
Accounts payable	(25 680)
Other payables	(16 770)
Net identifiable assets acquired	130 011
Add: goodwill	5 635
Net assets acquired	135 646

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

Revenue and profit contribution

The acquired business contributed revenues of NOK 34.4 million and net profit of NOK 1.1 million to the group for the period from 15 February 2019 to 31 March 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the period ended 31 March 2019 would have been NOK 833.2 million and NOK 38.8 million respectively.

Appendix

Definition of Alternative Performance Measures

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

Our definitions and explanations of these terms follow below.

<p>Order backlog All firm orders and 4 months of committed customers forecast at revenue value as at balance sheet date.</p>	<p>Return on operating capital (ROOC) % Annualised Operating profit (EBIT) / Operating Capital</p>	<p>Days of Payables Outstanding (R3) 360/ (((Last 3 months (Cost of Material + other operational expenses)*4) / (Last 3 months Trade Payables)/3))</p>
<p>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.</p>	<p>Return on operating capital (ROOC) R3 % (Last 3 months Operating profit (EBIT))*4) / (Last 3 months Operating Capital /3)</p>	<p>Cash conversion cycle (CCC) Days of inventory outstanding + Days of receivables outstanding – Days of payables outstanding</p>
<p>EBITDA Operating profit (EBIT) + Depreciation and Impairments</p>	<p>Direct Cost Cost of material + Direct wages (subset of personnel expenses only to include personnel directly involved in production)</p>	<p>Cash conversion cycle (CCC) R3 Days of inventory outstanding (R3) + Days of receivables outstanding (R3) – Days of payables outstanding (R3)</p>
<p>EBIT Operating profit</p>	<p>Days of Inventory Outstanding 360/ (Annualised Direct Costs/(Inventory + Contract assets))</p>	<p>Net Interest-bearing debt - Cash and cash equivalents + Loans (Non- current liabilities) + Loans (Current liabilities)</p>
<p>EBIT margin (%) Operating profit (EBIT) / Revenue</p>	<p>Days of Inventory Outstanding R3 360/ ((Last 3 months Direct Costs *4) / (Last 3 months Inventory and Contract assets/3))</p>	<p>Interest-bearing debt Loans (non-current liabilities) + Loans (current liabilities)</p>
<p>Net working capital Inventory + Contract assets + Accounts Receivables – Accounts Payable</p>	<p>Days of Receivables Outstanding 360/ (Annualised Revenue/Trade Receivables)</p>	<p>Inventory turns Annualised direct costs / (Inventory + Contract assets)</p>
<p>Operating capital Other intangible assets + Tangible fixed assets + Net working capital</p>	<p>Days of Receivables Outstanding R3 360/ ((Last 3 months Revenue*4)/(Last 3 months Trade Receivables/3))</p>	<p>Variable contribution Revenue - Direct cost</p>
	<p>Days of Payables outstanding 360/ ((Annualised Cost of Material + Annualised other operational expenses) / Trade Payables)</p>	<p>Net gearing Net interest - bearing</p>
		<p>Equity Ratio The ratio of Equity to Total Assets</p>

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



Kitron is an international Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1 700 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

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

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