



**Kitron**

Your ambition. Our passion.

**Q2**  
2017

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

Norway  
Sweden  
Lithuania  
Germany  
USA  
China

Report first half year  
and second quarter

Report first half year and second quarter 2017

## Strong growth and milestone EBIT margin of 7%

- Strong revenue growth
- EBIT margin reached long-term ambition of 7%
- Solid order backlog
- Improved capital efficiency
- Key contracts won in the quarter
- Investing for further growth

### Strong revenue growth

Kitron's revenue for the second quarter was NOK 649 million (NOK 563 million), an increase of 15.2 per cent compared to the same period last year. Growth adjusted for foreign exchange effects in consolidation was 16.1 per cent.

Growth compared to the same quarter last year was particularly strong in the Industry market sector. Defence/Aerospace and Energy/Telecoms also recorded solid growth, while Medical devices showed a slight decline. Offshore/Marine continues to decline, but has reached a level where the impact on group revenue is minimal.

The company maintains its longer-term goal of an annual organic growth of approximately 10 per cent.

### EBIT margin reached long-term ambition of 7%

Second quarter EBITDA\* was NOK 59.0 million (NOK 45.2 million), an increase of 30.6 per cent compared to last year. Operating profit (EBIT)\* for the second quarter ended at NOK 45.5 million (NOK 33.1 million), an increase of 37.5 per cent.

Profitability expressed as EBIT margin\* was 7.0 per cent (5.9 per cent). The margin is in line with the long-term target initially expressed at the Kitron Capital Markets Day in February 2016, and this is the first quarter in which this ambition is achieved.

While the EBIT margin will vary from quarter to quarter, this is an important milestone for the company.

Profit after tax was NOK 31.4 million (NOK 21.4 million), an increase of 46.8 per cent and corresponding to NOK 0.18 earnings per share (NOK 0.12).

### Solid order backlog

The order backlog ended at NOK 1 017.8 million, an increase of 3 per cent compared to last year. Growth in order backlog was particularly strong in the Industry sector, while other sectors were mixed. As in preceding quarters, the order backlog within Offshore/Marine continues to fall due to the general downturn in the oil service market.

Orders received in the quarter were NOK 590.0 million

### Improved capital efficiency

Net working capital\* increased by 8.4 per cent from NOK 521 million to NOK 565 million compared to the same quarter last year, thus continuing the trend of decreasing net working capital compared to revenue.

Return on operating capital (ROOC) R3\* was 23.0 per cent compared to 17.6 per cent in the same quarter last year. Net working capital R3 as a percentage of revenue was 20.6 per cent, compared to 23.4 per cent last year. Cash conversion cycle (CCC) R3\* was 73 days for the quarter. This is down from 86 days last year, an improvement of 13 days.

Operating cash flow was NOK 63.1 million (NOK 61.0 million) for the quarter.

### Key contracts won in the quarter

Kitron signed important contracts with key long-term customers in the second quarter.

In May, Kongsberg Defence Systems awarded Kitron a NOK 34 million order for military communications equipment. The equipment to be supplied is related to an existing contract for deliveries to Hungary. Kitron will supply various communications products, and production will be done by Kitron in Arendal. Deliveries will take place in 2018.

In June, Kitron signed a contract with a potential value of NOK 600 million over a five-year period with Husqvarna Group. The new agreement includes five products for the Husqvarna Robotic Lawn Mowers product range and is in addition to existing manufacturing volumes. Production will take place at Kitron's plant in Lithuania.

### Investing for further growth

Over the past years, Kitron has invested in its facilities, ensuring that they are modern, highly competitive and able to handle expected growth.

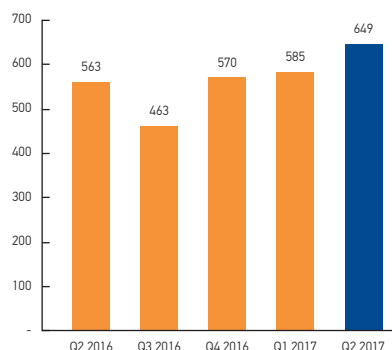
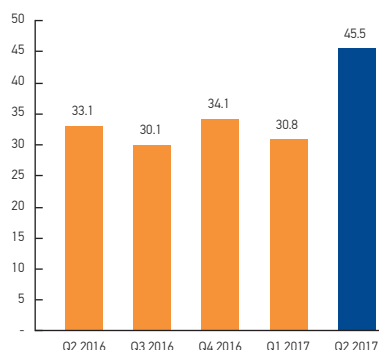
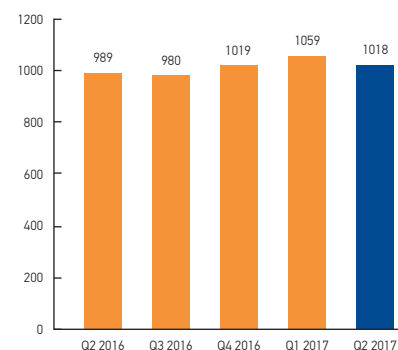
In the second quarter, the move and major upgrade of the Swedish plant in Jönköping was completed, with the official opening being celebrated in May.

In the second half of 2017 Kitron will invest in SMT equipment for increased capacity in the US, Lithuania and China. In addition, further investments in Norway, Sweden and Lithuania will focus on automation and robotics.

## Key figures

NOK million	Q2 2017	Q2 2016	Change	30.06.2017	30.06.2016	Change	31.12.2016
Revenue	648.7	563.1	85.5	1 233.7	1 060.1	173.6	2 093.0
EBIT	45.5	33.1	12.4	76.3	53.6	22.8	117.8
Order backlog	1 017.8	989.4	28.4	1 017.8	989.4	28.4	1 019.4
Operating cash flow	63.1	61.0	2.1	47.6	35.7	11.9	108.5
Net working capital	565.3	521.5	43.9	565.3	521.5	43.9	512.2

\* 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 52.6 per cent share of the total revenue during the second quarter (47.1 per cent). The Norwegian market represented 25.5 per cent of Kitron's total revenue in the second quarter (32.9 per cent).

**Variable contribution**

The variable contribution\*, defined as revenue minus cost of materials and direct payroll expenses, decreased from the same period last year. This is due to increase in material cost as a result of change in production mix.

**Profit**

Kitron's operating profit (EBIT) in the second quarter was NOK 45.5 million, which was an increase of 12.4 million compared with the same period last year (NOK 33.1 million).

Profit before tax in the second quarter of 2017 was NOK 40.4 million, which was an increase of NOK 11.3 million compared to the same period last year.

The company's total payroll expenses in the second quarter were NOK 6.0 million higher than in the corresponding period in 2016. The relative payroll costs ended at 20.1 per cent, down from 22.1 per cent of revenue in the second quarter last year. Other operating costs were 5.7 per cent of revenue in the second quarter of 2017 (5.7 per cent).

During the quarter net financial items amounted to a net cost of NOK 5.1 million. The corresponding figure for second quarter last year was a net

cost of NOK 4.0 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 30 June 2017 total USD 11.1 million and EUR 1.9 million.

**Balance sheet**

Kitron's gross balance sheet as of 30 June 2017 amounted to NOK 1 437.8 million, compared to NOK 1 288.0 million at the same time in 2016. Equity was NOK 609.2 million (NOK 559.5 million), corresponding to an equity ratio of 42.3 per cent (43.4 per cent). Net gearing\* of the company was 0.41 (0.38).

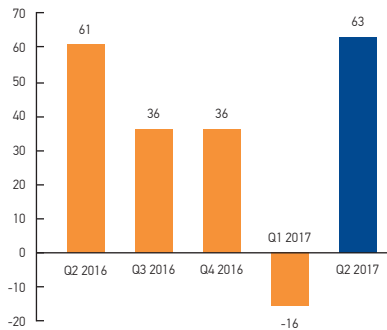
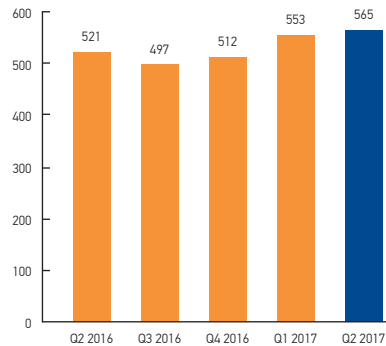
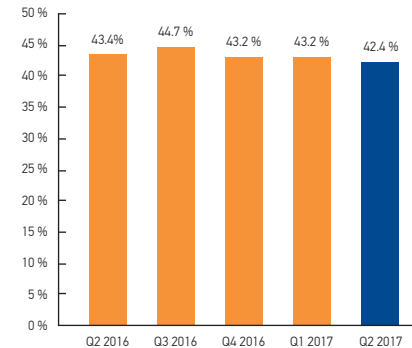
Inventory was NOK 425.0 million as of 30 June 2017 (NOK 401.6 million). Inventory turns was 4.5 in the second quarter 2017, which is an increase compared to second quarter last year (4.1).

Accounts receivables amounted to NOK 515.9 million at the end of the second quarter of 2017. The corresponding amount at the same time in 2016 was NOK 424.3 million.

The group's reported net interest-bearing debt\* amounted to NOK 250.1 million as of 30 June 2017. Net interest-bearing debt at the end of the second quarter 2016 was NOK 212.9 million. Net interest-bearing debt / EBITDA is 1.3 for the second quarter compared to 1.4 at the same time last year.

Cash flow from operating activities for the second quarter of 2017 was NOK 63.1 million (NOK 61.0 million).

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

**OPERATING CASH FLOW Group**  
NOK million

**NET WORKING CAPITAL Group**  
NOK million

**EQUITY RATIO Group**  
Per cent

**Revenue business entities**

NOK million	Q2 2017	Q2 2016	Change	30.06.2017	30.06.2016	Change	31.12.2016
Norway	212.0	224.2	(12.2)	396.0	408.3	(12.4)	766.5
Sweden	195.0	146.6	48.4	357.0	276.4	80.6	592.5
Lithuania	209.2	172.6	36.6	421.8	346.0	75.8	635.9
Others	95.7	93.6	2.1	184.4	169.9	14.5	356.7
Group and eliminations	(63.2)	(73.8)	10.6	(125.4)	(140.5)	15.1	(258.7)
<b>Total group</b>	<b>648.7</b>	<b>563.1</b>	<b>85.5</b>	<b>1 233.7</b>	<b>1 060.1</b>	<b>173.6</b>	<b>2 093.0</b>

**EBIT business entities**

NOK million	Q2 2017	Q2 2016	Change	30.06.2017	30.06.2016	Change	31.12.2016
Norway	12.0	10.2	1.8	20.0	10.8	9.2	27.5
Sweden	11.2	5.1	6.1	12.8	15.4	(2.6)	28.5
Lithuania	17.2	15.0	2.2	37.0	30.3	6.7	48.3
Others	8.9	7.5	1.4	16.1	10.8	5.3	34.6
Group and eliminations	(3.7)	(4.7)	0.9	(9.6)	(13.8)	4.2	(21.1)
<b>Total group</b>	<b>45.5</b>	<b>33.1</b>	<b>12.4</b>	<b>76.3</b>	<b>53.6</b>	<b>22.8</b>	<b>117.8</b>

**Order backlog business entities and market sectors**

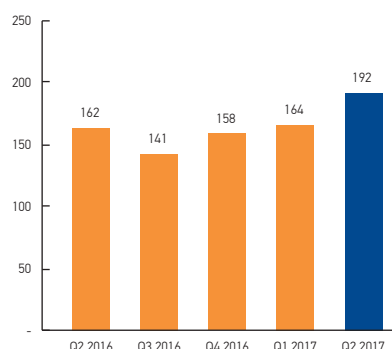
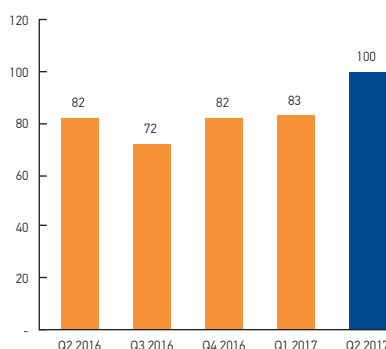
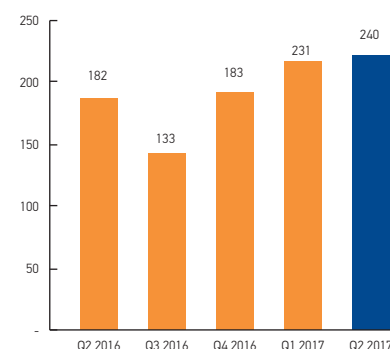
NOK million	Defence/ Aerospace	Energy/ Telecoms	Industry	Medical devices	Offshore/ Marine	Total
Norway	323.2	-	40.3	41.8	11.8	417.1
Sweden	43.9	88.3	31.9	94.3	-	258.3
Lithuania	2.7	29.1	203.3	22.3	-	257.4
Other	33.4	5.9	42.1	3.6	-	85.0
<b>Total group</b>	<b>403.3</b>	<b>123.2</b>	<b>317.5</b>	<b>162.0</b>	<b>11.8</b>	<b>1 017.8</b>

**Revenue geographic markets**

NOK million	Q2 2017	Q2 2016	Change	30.06.2017	30.06.2016	Change	31.12.2016
Norway	165.5	185.4	(19.9)	328.1	354.3	(26.2)	662.3
Sweden	341.3	265.5	75.9	644.8	528.5	116.3	1 014.4
Rest of Europe	48.1	22.9	25.2	88.2	42.0	46.2	119.8
USA/Canada	90.4	90.1	0.3	166.7	128.2	38.4	283.5
Others	3.3	(0.6)	3.9	6.0	7.1	(1.1)	13.1
<b>Total group</b>	<b>648.7</b>	<b>563.1</b>	<b>85.5</b>	<b>1 233.7</b>	<b>1 060.1</b>	<b>173.6</b>	<b>2 093.0</b>

**Full time employees**

	30.06.2017	30.06.2016	Change	31.12.2016
Norway	356	380	(23)	334
Sweden	176	142	34	182
Lithuania	694	535	158	679
Other	187	187	-	182
<b>Total group</b>	<b>1 413</b>	<b>1 244</b>	<b>169</b>	<b>1 377</b>

**REVENUE Defence/Aerospace**  
NOK million

**REVENUE Energy/Telecoms**  
NOK million

**REVENUE Industry**  
NOK million

**Organisation**

The Kitron workforce corresponded to 1 413 full-time employees on 30 June 2017. This is an increase of 169 since the second quarter of 2016. There is a decrease of 23 related to the operations in Norway, while there is an increase of the workforce in Lithuania and Sweden of 158 and 34 respectively. The number of full-time employees in low-cost regions now accounts for 62 per cent of the total.

**Market**

Order intake in the quarter was NOK 590.0 million, which is 10.4 per cent lower than for the second quarter 2016. The order backlog ended at NOK 1 17.8 million, which is 2.9 per cent higher than the same period last year.

Four-quarter moving average order intake was down from NOK 589.0 million at the beginning of the second quarter to NOK 571.8 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

**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 18.1 per cent compared to last year. The order backlog at NOK 403.3 million decreased

by NOK 62.9 million during the quarter. Compared to last year, the order backlog decreased by NOK 76.6 million (15.9 per cent).

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.

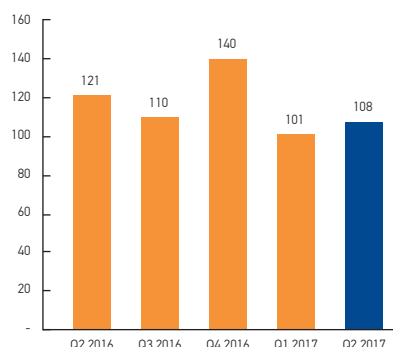
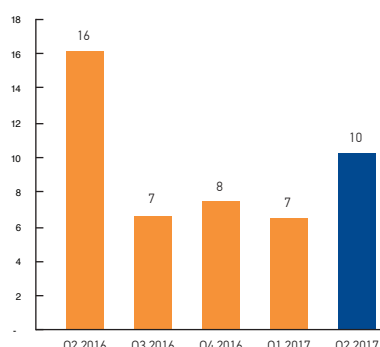
The Energy/Telecoms sector revenues increased by 21.6 per cent compared to last year. The order backlog is NOK 123.2 million, a decrease of NOK 17.2 million compared to the first quarter in 2017, and NOK 14.7 million (13.5 per cent) higher than a year ago.

**Revenue market sectors**

NOK million	Q2 2017	Q2 2016	Change	30.06.2017	30.06.2016	Change	31.12.2016
Defence/Aerospace	191.5	162.3	29.3	356.0	274.7	81.3	574.1
Energy/Telecoms	99.6	81.9	17.7	182.1	148.9	33.3	302.7
Industry	239.5	182.0	57.5	470.0	372.4	97.6	687.8
Medical devices	107.8	120.8	(12.9)	208.9	234.9	(26.0)	484.9
Offshore/Marine	10.2	16.2	(5.9)	16.7	29.3	(12.6)	43.5
<b>Total group</b>	<b>648.7</b>	<b>563.1</b>	<b>85.5</b>	<b>1 233.7</b>	<b>1 060.1</b>	<b>173.6</b>	<b>2 093.0</b>

**Order Backlog market sectors**

NOK million	30.06.2017	30.06.2016	Change	31.12.2016
Defence/Aerospace	403.3	479.8	(76.6)	449.2
Energy/Telecoms	123.2	108.5	14.7	116.5
Industry	317.5	217.0	100.5	302.3
Medical devices	162.0	167.4	(5.4)	139.7
Offshore/Marine	11.8	16.6	(4.8)	11.6
<b>Total group</b>	<b>1 017.8</b>	<b>989.4</b>	<b>28.4</b>	<b>1 019.4</b>

**REVENUE Medical devices**  
NOK million

**REVENUE Offshore/Marine**  
NOK million

**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 (ECU) and automation.

The industry sector showed a revenue increase of 31.6 per cent compared to the second quarter last year, and an increase of 3.9 per cent from the first quarter of 2017. The order backlog increased by NOK 100.5 million (46.3 per cent) compared to the same period last year and increased by NOK 22.0 million from the preceding quarter (7.4 per cent).

The industry sector continues to grow due to strong growth in Lithuania. Order backlog is affected by seasonality.

**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 decreased by 10.8 per cent compared to the same period last year. The order backlog is NOK 162.0 million, down NOK 5.4 million (3.2 per cent) from the same period last year, and up NOK 18.9 million (13.2 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 and navigation, positioning, automation and control systems for the marine sector.

The Offshore/Marine sector revenue decreased by 36.4 per cent compared to the same period last year. The order backlog is NOK 11.8 million, a decrease of NOK 1.8 million compared to the preceding quarter and a reduction of NOK 4.8 million compared to the same period last year (28.9 per cent). The decline in revenue is due to the previously announced reduction in the Norwegian market, which is connected to the general adjustment in the oil service market.

**Outlook**

For 2017, Kitron expects revenue to grow to between NOK 2 150 and 2 350 million. The EBIT margin is expected to be between 5.6 and 6.4 per cent. Revenue is now expected to be in the higher end of the indicated range. The growth is primarily driven by customers in the Industry sector. The profitability increase 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, 13 July 2017, Board of directors, Kitron ASA

## Condensed profit and loss statement

NOK 1 000	Q2 2017	Q2 2016	30.06.2017	30.06.2016	31.12.2016
Revenue	648 658	563 112	1 233 740	1 060 117	2 093 001
Cost of materials	422 904	358 793	810 420	675 364	1 348 087
Payroll expenses	130 665	124 672	254 386	240 420	450 708
Other operational expenses	36 899	32 307	67 571	65 517	127 517
Other gains / (losses)	807	(2 164)	374	(2 114)	(2 737)
<b>Operating profit before depreciation and impairments (EBITDA)</b>	<b>58 996</b>	<b>45 175</b>	<b>101 736</b>	<b>76 703</b>	<b>163 952</b>
Depreciation and impairments	13 507	12 082	25 398	23 116	46 124
<b>Operating profit (EBIT)</b>	<b>45 489</b>	<b>33 094</b>	<b>76 338</b>	<b>53 586</b>	<b>117 828</b>
Net financial items	(5 077)	(3 979)	(9 147)	(14 104)	(19 016)
<b>Profit (loss) before tax</b>	<b>40 412</b>	<b>29 115</b>	<b>67 192</b>	<b>39 482</b>	<b>98 812</b>
Tax	8 964	7 694	14 163	8 030	24 261
<b>Profit (loss) for the period</b>	<b>31 447</b>	<b>21 421</b>	<b>53 028</b>	<b>31 452</b>	<b>74 551</b>
Earnings per share-basic	0.18	0.12	0.31	0.18	0.43
Earnings per share-diluted	0.18	0.12	0.30	0.18	0.41

## Condensed balance sheet

NOK 1 000	30.06.2017	30.06.2016	31.12.2016
<b>ASSETS</b>			
Goodwill	26 786	26 786	26 786
Other intangible assets	14 124	21 782	17 736
Tangible fixed assets	244 005	199 082	232 301
Deferred tax assets	64 516	79 115	70 380
<b>Total non-current assets</b>	<b>349 431</b>	<b>326 766</b>	<b>347 204</b>
Inventory	425 022	401 556	384 869
Accounts receivable	515 853	424 325	442 459
Other receivables	57 084	38 210	44 060
Cash and cash equivalents	90 449	97 130	134 413
<b>Total current assets</b>	<b>1 088 408</b>	<b>961 221</b>	<b>1 005 801</b>
<b>Total assets</b>	<b>1 437 838</b>	<b>1 287 987</b>	<b>1 353 005</b>
<b>LIABILITIES AND EQUITY</b>			
Equity	609 171	559 531	584 799
<b>Total equity</b>	<b>609 171</b>	<b>559 531</b>	<b>584 799</b>
Deferred tax liabilities	994	1 032	944
Loans	58 427	54 988	61 462
Pension commitments	6 343	6 502	6 343
<b>Total non-current liabilities</b>	<b>65 764</b>	<b>62 522</b>	<b>68 749</b>
Accounts payable	375 526	304 426	315 133
Other payables	105 286	105 078	95 522
Loans	282 092	255 044	288 802
Other provisions	-	1 386	-
<b>Total current liabilities</b>	<b>762 904</b>	<b>665 934</b>	<b>699 457</b>
<b>Total liabilities and equity</b>	<b>1 437 838</b>	<b>1 287 987</b>	<b>1 353 005</b>

## Condensed cash flow statement

NOK 1 000	Q2 2017	Q2 2016	30.06.2017	30.06.2016	31.12.2016
Profit before tax	40 412	29 115	67 192	39 482	98 812
Depreciations	13 507	12 081	25 398	23 116	46 124
Change in inventory, accounts receivable and accounts payable	(11 854)	636	(53 153)	(13 855)	(4 595)
Change in net other current assets and other operating related items	(6 209)	12 628	6 854	5 865	(40 435)
Change in factoring debt	27 234	6 560	1 307	(18 904)	8 576
<b>Net cash flow from operating activities</b>	<b>63 091</b>	<b>61 019</b>	<b>47 598</b>	<b>35 704</b>	<b>108 482</b>
<b>Net cash flow from investing activities</b>	<b>(13 528)</b>	<b>(5 182)</b>	<b>(27 500)</b>	<b>(11 685)</b>	<b>(43 823)</b>
<b>Net cash flow from financing activities</b>	<b>(47 707)</b>	<b>(41 782)</b>	<b>(55 100)</b>	<b>(48 642)</b>	<b>(57 677)</b>
Change in cash and bank credit	1 857	14 055	(35 002)	(24 623)	6 983
Cash and bank credit opening balance	16 416	8 750	53 523	43 645	43 645
Currency conversion of cash and bank credit	738	(126)	490	3 657	2 896
<b>Cash and bank credit closing balance</b>	<b>19 011</b>	<b>22 679</b>	<b>19 011</b>	<b>22 679</b>	<b>53 523</b>

## Consolidated statement of comprehensive income

NOK 1 000	Q2 2017	Q2 2016	30.06.2017	30.06.2016	31.12.2016
Profit (loss) for the period	31 447	21 421	53 028	31 452	74 551
Actuarial gain / losses pensions	-	-	-	-	(134)
Gain / losses forward contract	-	264	-	264	672
Currency translation differences	10 339	(1 453)	13 802	(5 959)	(15 634)
<b>Total comprehensive income for the period</b>	<b>41 786</b>	<b>20 232</b>	<b>66 830</b>	<b>25 757</b>	<b>59 455</b>
<b>Allocated to shareholders</b>	<b>41 786</b>	<b>20 232</b>	<b>66 830</b>	<b>25 757</b>	<b>59 455</b>

## Changes in equity

NOK 1 000	30.06.2017	30.06.2016	31.12.2016
Equity opening balance	584 799	566 510	566 510
Profit (loss) for the period	53 028	31 452	74 551
Paid dividends	(44 048)	(36 322)	(36 322)
Effect from options	1 589	3 585	4 534
Issue of ordinary shares	-	-	323
Termination of options against cash consideration	-	-	(9 703)
Other comprehensive income for the period	13 802	(5 695)	(15 094)
<b>Equity closing balance</b>	<b>609 171</b>	<b>559 531</b>	<b>584 799</b>

## Notes to the financial statements

### Note 1 – General information and principles

The condensed consolidated financial statements for the second quarter of 2017 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 2016. 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 2016, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2016 are available upon request from the company and at [www.kitron.com](http://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 2016.

### 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 2017.


### Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses.


## Responsibility statement

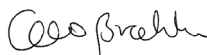
We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2017 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, 13 July 2017

  
Tuomo Lähdsmäki  
Chairman

  
Päivi Marttila  
Employee elected board member

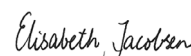
  
Espen Gundersen  
Employee elected board member

  
Gro Brækken  
Deputy chairman

  
Tanja Rørheim  
Employee elected board member

  
Bjørn Gottschlich  
Employee elected board member

  
Stefan Charette  
Employee elected board member

  
Elisabeth Jacobsen  
Employee elected board member

  
Lars Peter Nilsson  
CEO



## Appendix

### Definition of Alternative Performance Measures

#### Order backlog

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

#### Foreign exchange effects

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

#### EBITDA

Operating profit (EBIT) + Depreciation and Impairments

#### EBIT

Operating profit

#### EBIT margin (%)

Operating profit (EBIT) / Revenue

#### Net working capital

Inventory + Accounts Receivables – Accounts Payable

#### Operating capital

Other intangible assets + Tangible fixed assets + Net working capital

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

Annualised Operating profit (EBIT) / Operating Capital

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

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

#### Direct Cost

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

#### Days of Inventory Outstanding

360/ (Annualised Direct Costs/Inventory)

#### Days of Inventory Outstanding R3

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

#### Days of Receivables Outstanding

360/ (Annualised Revenue/Trade Receivables)

#### Days of Receivables Outstanding R3

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

#### Days of Payables outstanding

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

#### Days of Payables Outstanding (R3)

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

#### Cash conversion cycle (CCC)

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

#### Cash conversion cycle (CCC) R3

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

#### Net Interest-bearing debt

- Cash and cash equivalents + Loans (Non-current liabilities) + Loans (Current liabilities)

#### Interest-bearing debt

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

#### Inventory turns

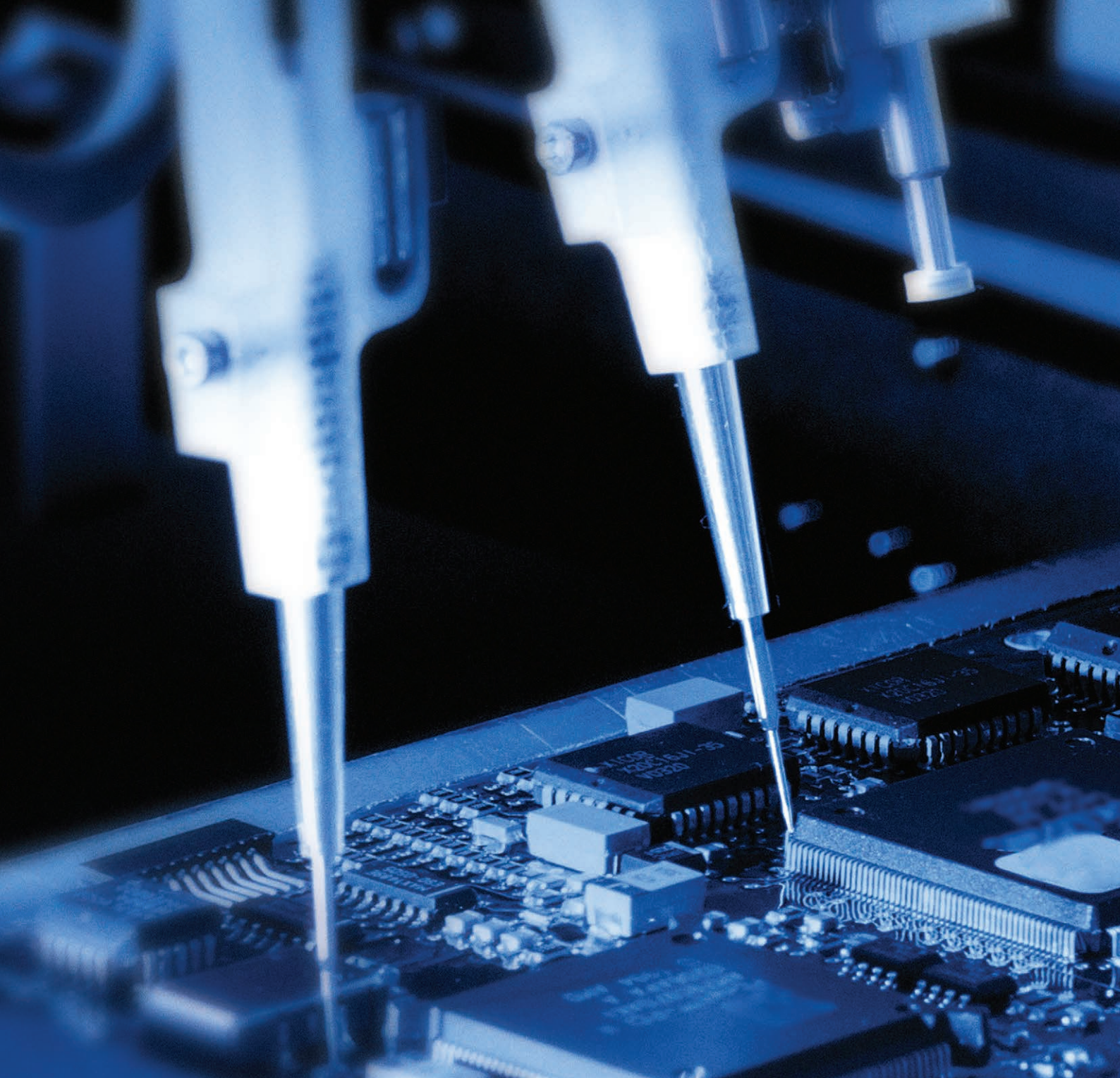
Annualised direct costs / Inventory

#### Variable contribution

Revenue - Direct cost

#### Net gearing

Net interest - bearing debt / Equity



**Kitron**

Your ambition. Our passion.

**Q2**  
2017

**Kitron** is an international Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1.350 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.