FOURTH QUARTER REPORT 2018

Q4

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

Norway
Sweden
Lithuania
Germany
USA
China

Report fourth quarter 2018

Strong revenue growth

- All-time high revenue and order backlog
- Proposed dividend NOK 0.40 per share
- Full-year growth and profit improvement

Kitron's revenue for the fourth quarter was NOK 739 million (NOK 668 million), an increase of 11 per cent compared to last year and an all-time high.

Fourth quarter revenue growth compared to the same quarter last year was particularly strong in the Industry market sector. Marine/Offshore is now growing, albeit from a very low level. Defence/Aerospace declined. As previously reported, demand within Defence/Aerospace will fluctuate, and growth is expected to resume at the end of 2019.

Record order backlog
On a comparable level, the order backlog ended at NOK 1518.5 million, an increase of 16.2% compared to last year and an all-time high. As previously mentioned, there are early signs of increasing activity among customers in the oil and gas industry, and this has led to a substantial backlog increase in the Marine/Offshore market sector. Due to IFRS 15 implementation, the booked order backlog ended at NOK 1 335 million, an increase of 2 per cent.

Orders received in the quarter were NOK 918 million (NOK 941 million), a decrease of 2 per cent.

Underlying earnings improved, one-offs impact
Fourth quarter EBITDA* was NOK 54.6 million (NOK 56.9 million). Operating profit (EBIT)* for the fourth quarter ended at NOK 42.3 million (NOK 43.1 million). EBITDA and EBIT are negatively affected by NOK 6.7 million of one-offs. These one-offs are costs for legal and accounting advice relating to the negotiations and due diligence process leading up to the acquisition of the EMS division of API Technologies Corp. All figures below include these one-off costs, unless otherwise noted.

Fourth quarter profitability expressed as EBIT margin* was 5.7 per cent (6.5 per cent). EBIT margin excluding one-offs was 6.6 per cent. Profit after tax was NOK 27.7 million (NOK 29.6 million), a decrease of 6 per cent and corresponding to NOK 0.16 earnings per share (NOK 0.17).

Full-year growth and profit improvement
Full year revenue of NOK 2 619 million (NOK 2 437 million) gave an overall revenue growth of 7.5 per cent for the year. Operating profit (EBIT)* for the year ended at NOK 156.1 million (NOK 148.7 million), resulting in an EBIT margin* of 6.0 per cent (6.1 per cent). EBIT margin excluding fourth quarter one-offs was 6.2 per cent. Profit after tax was NOK 110.3 million (NOK 99.0 million), corresponding to NOK 0.63 earnings per share (NOK 0.57).

The board proposes an ordinary dividend of NOK 0.40 per share. Last year, the ordinary dividend was NOK 0.35 per share, plus an additional dividend of NOK 0.20 per share. The reason for the additional dividend last year was the clearly improved cash flow.

Inventory build-up to secure deliveries and future growth
Net working capital* was NOK 780 million (NOK 486 million) an increase of 60 per cent compared to the same quarter last year. Return on operating capital (ROOC) R3* was 17.5 per cent compared to 23.2 per cent in the same quarter last year. ROOC R3* excluding fourth quarter one-offs was 20.3 per cent.

Net working capital R3 as a percentage of revenue was 23.0 per cent, compared to 17.5 per cent last year. Cash conversion cycle (CCC) R3* was 84 days for the quarter. This is up from 61 days last year. Operating cash flow was negative NOK 26,8 million (positive NOK 90,8 million) for the quarter.

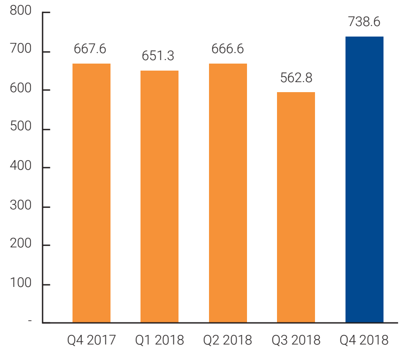
The increase in working capital is partly related to postponed production programs and partly to a deliberate and temporary inventory build-up to avoid supply disruptions in the face of previously reported electronic components shortages. Component shortages have been an ongoing issue for the EMS business since last year. The situation is expected to be challenging throughout 2019 but has entered a more stable phase. The component shortages negatively impact production flexibility and make planning challenging. Kitron works closely with its customers to alleviate the situation and its timely and systematic approach combined with its preferred partner program has prevented serious supply disruptions.

Acquisition in the United States
In November, Kitron announced an agreement with API Technologies Corp. to acquire its EMS division in the United States. The acquisition marks a substantial strengthening of Kitron's position in the US market. Closing is expected to take place in the first quarter of 2019, subject to necessary governmental approvals.

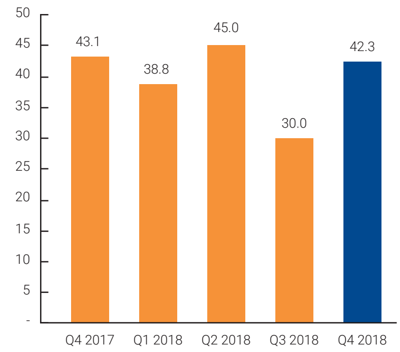
Key figures

NOK million	Q4 2018	Q4 2017	Change	31.12.2018	31.12.2017	Change
Revenue	738.6	667.6	71.0	2 619.3	2 436.7	182.5
EBIT	42.3	43.1	(0.8)	156.1	148.7	7.4
Order backlog	1 334.8	1 306.4	28.4	1 334.8	1 306.4	28.4
Operating cash flow	(26.8)	90.8	(117.6)	(44.5)	160.8	(205.3)
Net working capital	779.2	486.4	292.8	779.2	486.4	292.8

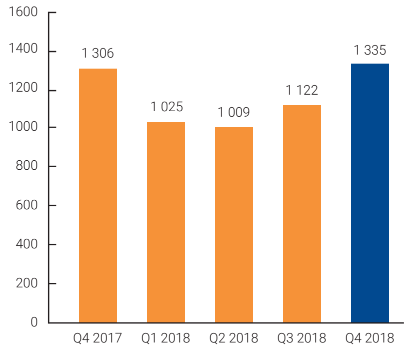
REVENUE Group
NOK million



EBIT Group
NOK million



ORDER BACKLOG Group
NOK million



Key figures
Revenue from customers in the Swedish market represented a 46.1 per cent share of the total revenue during the fourth quarter (49.3 per cent). The Norwegian market represented 17.0 per cent of Kitron's total revenue in the fourth quarter (19.7 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 fourth quarter was NOK 42.3 million, which was a decrease of NOK 0.8 million compared with the same period last year.

Profit before tax in the fourth quarter of 2018 was NOK 39.6 million, which was a decrease of NOK 5.1 million compared to the same period last year.

The company's total payroll expenses in the fourth quarter were NOK 7.3 million higher than in the corresponding period in 2018. The relative payroll costs ended at 18.8 per cent, down from 19.8 per cent of revenue in the fourth quarter last year. Other operating costs were 6.9 per cent of revenue in the fourth quarter of 2018 (5.5 per cent).

During the quarter, net financial items amounted to a net cost of NOK 2.7 million. The corresponding figure for fourth quarter last year was a net income of NOK 1.6 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 December 2018 that are affecting net financial income total USD 3.4 million and EUR 1.9 million.

Tax expense and deferred tax assets are influenced by a change in the tax rate in Norway, resulting in a increase in tax expense in the fourth quarter.

Balance sheet
Kitron's gross balance sheet as of 31 December 2018 amounted to NOK 1 866.1 million, compared to NOK 1 548.7 million at the same time in 2017. Equity was NOK 691.5 million (NOK 663.6 million), corresponding to an equity ratio of 37.1 per cent (42.8 per cent). Net gearing* of the company was 0.57 (0.26).

Inventory was NOK 448.2 million as of 31 December 2018 (NOK 398.9 million). Inventory was reduced by NOK 172.6 million from the corresponding period last year due to the implementation of IFRS 15. Inventory turns* was 3.6 in the fourth quarter 2018, which is a decrease compared to fourth quarter last year (4.2).

Accounts receivables amounted to NOK 690.6 million at the end of the fourth quarter of 2018. The corresponding amount at the same time in 2017 was NOK 516.3 million.

The implementation of IFRS 15 from 1 January 2018 resulted in a new balance sheet line item "Contract assets". Contract assets was NOK 235.2 million as of 31 December 2018.

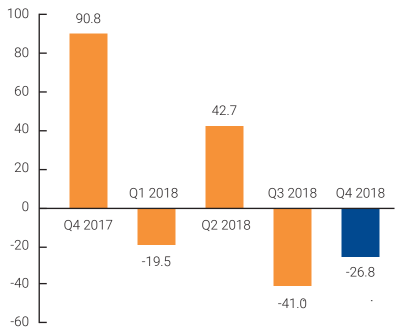
The group's reported net interest-bearing debt* amounted to NOK 396.1 million as of 31 December 2018. Net interest-bearing debt at the end of the fourth quarter 2017 was NOK 175.2 million. Net interest-bearing debt/EBITDA is 1.9 for the 12 months rolling compared to 0.9 at the same time last year.

Cash flow from operating activities for the fourth quarter of 2018 was NOK -26.8 million (NOK 90.8 million).

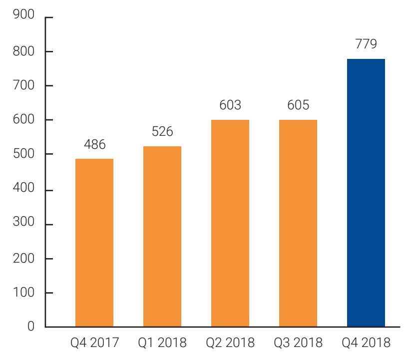
Organisation
The Kitron workforce corresponded to 1 606 full-time employees (FTE) on 31 December 2018. This is an increase of 155 FTE since the fourth quarter of 2017. There is an increase of 46 FTE related to the operations in Norway, an increase of 8 FTE in Sweden and an increase of the workforce in Lithuania and China of 62 FTE and 40 FTE respectively. The number of FTE in low-cost regions now accounts for 69 per cent of the total.

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

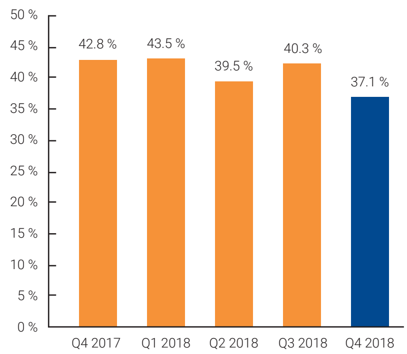
OPERATING CASH FLOW Group
NOK million



NET WORKING CAPITAL Group
NOK million



EQUITY RATIO Group
Per cent



Revenue business entities

NOK million	Q4 2018	Q4 2017	Change	31.12.2018	31.12.2017	Change
Norway	187.1	191.6	(4.5)	666.0	737.6	(71.6)
Sweden	184.3	193.3	(9.0)	662.7	707.6	(44.9)
Lithuania	290.4	222.2	68.2	1 008.5	818.3	190.2
Others	110.4	106.4	4.0	437.0	394.8	42.2
Group and eliminations	(33.7)	(46.0)	12.3	(155.0)	(221.7)	66.6
Total group	**738.6**	**667.6**	**71.0**	**2 619.3**	**2 436.7**	**182.5**

EBIT business entities

NOK million	Q4 2018	Q4 2017	Change	31.12.2018	31.12.2017	Change
Norway	6.7	9.7	(3.1)	27.7	31.7	(4.0)
Sweden	13.6	7.0	6.6	36.7	26.7	10.0
Lithuania	25.4	21.8	3.7	84.6	69.1	15.4
Others	15.2	13.3	1.8	36.9	38.8	(1.9)
Group and eliminations	(18.6)	(8.7)	(9.9)	(29.7)	(17.6)	(12.1)
Total group	**42.3**	**43.1**	**(0.8)**	**156.1**	**148.7**	**7.4**

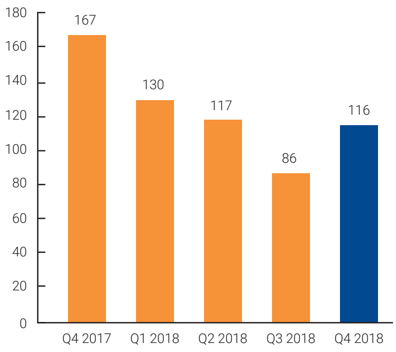
Revenue geographic markets

NOK million	Q4 2018	Q4 2017	Change	31.12.2018	31.12.2017	Change
Norway	125.5	131.2	(5.8)	459.5	529.5	(70.0)
Sweden	340.7	329.3	11.5	1 201.2	1 171.3	29.9
Rest of Europe	183.6	111.9	71.6	642.2	390.9	251.2
USA/Canada	60.6	80.1	(19.5)	230.1	273.2	(43.1)
Others	28.2	15.0	13.2	86.3	71.8	14.5
Total group	**738.6**	**667.6**	**71.0**	**2 619.3**	**2 436.7**	**182.5**

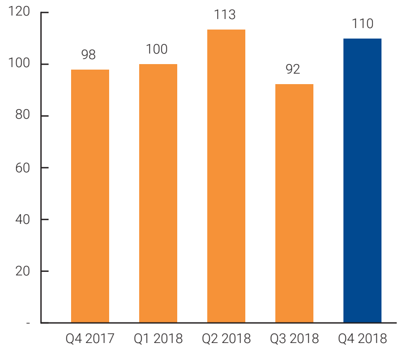
Full time employees

	31.12.2018	31.12.2017	Change
Norway	316	270	46
Sweden	188	180	8
Lithuania	860	798	62
Other	243	203	40
Total group	**1 606**	**1 451**	**155**

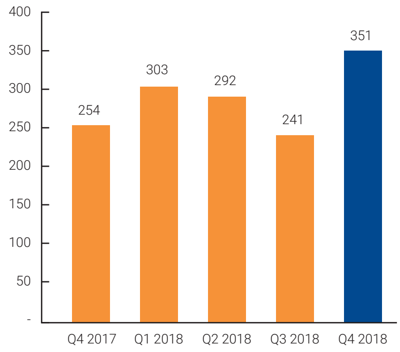
REVENUE Defence/Aerospace
NOK million



REVENUE Energy/Telecoms
NOK million



REVENUE Industry
NOK million



Market
Order intake in the quarter was NOK 918.4 million, which is 2.4 per cent lower than for the fourth quarter 2017. The order backlog ended at NOK 1 334.8 million, which is 2.2 per cent higher than the same period last year.

Four-quarter moving average order intake was down from NOK 693.1 million at the beginning of the third quarter to NOK 687.5 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 decreased by 30.6 per cent compared to last year. The order backlog at NOK 433.3 million increased by NOK 51.1 million during the quarter. Compared to last year, the order backlog decreased by NOK 71.0 million (14.1 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 revenue increased by 12.8 per cent compared to last year. The order backlog is NOK 160.1 million, an increase of NOK 6.8 million compared to the third quarter in 2018, and NOK 7.7 million lower than the order backlog a year ago.

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

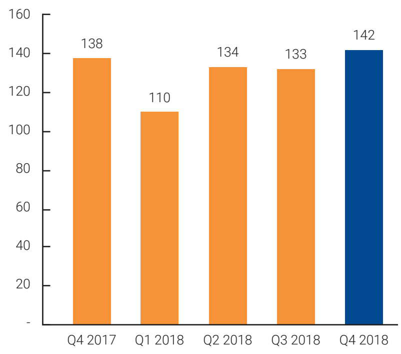
Revenue market sectors

NOK million	Q4 2018	Q4 2017	Change	31.12.2018	31.12.2017	Change
Defence/Aerospace	116.2	167.5	(51.3)	449.7	654.3	(204.6)
Energy/Telecoms	110.2	97.7	12.6	414.1	404.5	9.6
Industry	351.4	253.5	97.8	1 187.7	890.8	296.9
Medical devices	141.8	137.9	3.9	519.2	455.2	64.0
Offshore/Marine	19.0	11.0	8.0	48.6	32.0	16.7
Total group	**738.6**	**667.6**	**71.0**	**2 619.3**	**2 436.7**	**182.5**

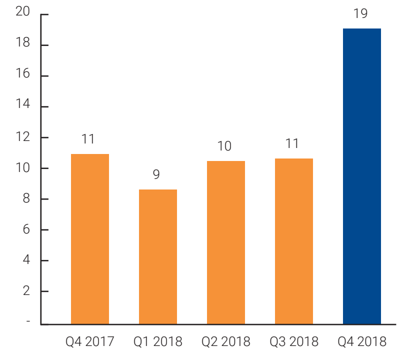
Order Backlog market sectors

NOK millionS	31.12.2018	31.12.2017	Change
Defence/Aerospace	433.3	504.3	(71.0)
Energy/Telecoms	160.1	167.8	(7.7)
Industry	454.4	455.6	(1.2)
Medical devices	186.6	157.,7	28.8
Offshore/Marine	100.4	21.0	79.4
Total group	**1 334.8**	**1 306.4**	**28.4**

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 and automation.

The industry sector showed a revenue increase of 38.6 per cent compared to the fourth quarter last year, and an increase of 45.6 per cent from the third quarter of 2018. The order backlog decreased by NOK 1.2 million (0.2 per cent) compared to the same period last year and increased by NOK 59.6 million from the preceding quarter (15.1 per cent).

The industry sector continues to grow. 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 increased by 2.8 per cent compared to the same period last year. The order backlog is NOK 186.6 million, an increase of NOK 28.8 million from the same period last year, and up NOK 34.0 million (22.3 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 and navigation, positioning, automation and control systems for the marine sector.

The Offshore/Marine sector revenue was NOK 19.0 million in fourth quarter, compared to NOK 11.0 million in the same period last year. The order backlog is NOK 100.4 million, an increase of NOK 61.4 million compared to the preceding quarter and NOK 79.4 million higher than the same quarter last year.

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, 13 February 2019, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q4 2018	Q4 2017	31.12.2018	31.12.2017
Revenue	738 564	667 574	2 619 257	2 436 729
Cost of materials	491 539	442 493	1 756 246	1 620 014
Payroll expenses	139 172	131 902	496 911	480 751
Other operational expenses	51 065	36 754	153 490	133 957
Other gains / (losses)	(2 212)	432	(3 687)	(861)
Operating profit before depreciation and impairments (EBITDA)	**54 577**	**56 856**	**208 924**	**201 146**
Depreciation	12 290	13 729	52 824	52 464
Operating profit (EBIT)	**42 287**	**43 127**	**156 100**	**148 683**
Net financial items	(2 726)	1 583	(14 882)	(16 183)
Profit (loss) before tax	**39 561**	**44 710**	**141 218**	**132 499**
Tax	11 848	15 097	30 950	33 502
Profit (loss) for the period	**27 713**	**29 613**	**110 267**	**98 997**
Earnings per share-basic	0.16	0.17	0.63	0.57
Earnings per share-diluted	0.15	0.17	0.61	0.57

Condensed balance sheet

NOK 1 000	31.12.2018	31.12.2017
ASSETS		
Goodwill	26 786	26 786
Other intangible assets	12 601	10 773
Tangible fixed assets	293 193	277 869
Deferred tax assets	45 987	58 024
Total non-current assets	**378 567**	**373 451**
Inventory	448 203	398 901
Accounts receivable	690 598	516 251
Contract assets	235 201	31 275
Other receivables	67 864	52 097
Cash and cash equivalents	45 654	176 725
Total current assets	**1 487 520**	**1 175 248**
Total assets	**1 866 088**	**1 548 699**
LIABILITIES AND EQUITY		
Equity	691 459	663 565
Total equity	**691 459**	**663 565**
Deferred tax liabilities	1 196	3 417
Loans	40 830	76 434
Pension commitments	5 966	6 205
Total non-current liabilities	**47 992**	**86 056**
Accounts payable	594 808	428 801
Other payables	122 896	86 282
Tax payable	7 962	8 515
Loans	400 970	275 481
Total current liabilities	**1 126 636**	**799 079**
Total liabilities and equity	**1 866 088**	**1 548 699**

Condensed cash flow statement

NOK 1 000	Q4 2018	Q4 2017	31.12.2018	31.12.2017
Profit before tax	39 561	44 710	141 218	132 499
Depreciations	12 290	13 729	52 824	52 464
Change in inventory, accounts receivable, contract assets and accounts payable	(174 155)	(37 995)	(261 569)	25 845
Change in net other current assets and other operating related items	89 012	9 505	13 088	(43 700)
Change in factoring debt	6 520	46 971	9 982	(20 200)
Net cash flow from operating activities	**(26 772)**	**76 920**	**(44 458)**	**146 908**
Net cash flow from investing activities	**(26 698)**	**3 554**	**(55 859)**	**(35 150)**
Net cash flow from financing activities	**(6 364)**	**(26 507)**	**(126 387)**	**(70 294)**
Change in cash and bank credit	(59 835)	53 967	(226 704)	41 465
Cash and bank credit opening balance	(45 877)	65 974	118 765	77 442
Currency conversion of cash and bank credit	(1 836)	(1 176)	391	(142)
Cash and bank credit closing balance	**(107 548)**	**118 765**	**(107 548)**	**118 765**

Consolidated statement of comprehensive income

NOK 1 000	Q4 2018	Q4 2017	31.12.2018	31.12.2017
Profit (loss) for the period	27 713	29 613	110 267	98 997
Actuarial gain / losses pensions	(113)	(176)	(113)	(176)
Gain / losses forward contract	-	420	-	420
Exchange differences on translation of foreign operations	2 777	(1 870)	2 218	(1 870)
Currency translation differences	17 431	10 753	(583)	22 195
Total comprehensive income for the period	**47 808**	**38 740**	**111 789**	**119 566**
Allocated to shareholders	**47 808**	**38 740**	**111 789**	**119 566**

Changes in equity

NOK 1 000	31.12.2018	31.12.2017
Equity opening balance	663 565	584 799
Profit (loss) for the period	110 267	98 997
Paid dividends	(96 906)	(44 048)
Employee share schemes	7 650	3 247
Implementation IFRS15	5 361	-
Other comprehensive income for the period	1 522	20 569
Equity closing balance	**691 459**	**663 565**

Notes to the financial statements

Note 1 – General information and principles
The condensed consolidated financial statements for the fourth quarter of 2018 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 2017, except for principles for revenue recognition. Information about accounting principles, implementation effects and method for implementation for revenue recognition is stated in note 30 to the consolidated financial statements for 2017. 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 2017, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2017 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 2017.

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 2018.

Note 4 – Other gains and losses
Other gains and losses consist of net currency gains and losses

Note 5 – Implementation of IFRS 15 "Revenue from Contracts with Customers"
The Kitron group implemented new IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. Information about accounting principles, implementation effects and method for implementation for revenue recognition is stated in note 30 to the consolidated financial statements for 2017.

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

Note 6 – Implementation of IFRS 16 "Leases"
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term (less than 12 months) and low-value leases.

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

Kitron has made a preliminary analysis where the group has non-cancellable operating lease commitments of NOK 72 million at 1 January 2019. Of these commitments, NOK 8 million relate to short-term leases and NOK 1 million relate to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

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

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

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

Condensed profit and loss statement

NOK 1 000	Old principles Q4 2018	Effects from IFRS 15	New principles Q4 2018	Old principles 31.12.2018	Effects from IFRS 15	New principles 31.12.2018
Revenue	717 877	20 687	738 564	2 561 765	57 492	2 619 257
Cost of materials	477 531	14 008	491 539	1 715 932	40 314	1 756 246
Payroll expenses	137 414	1 757	139 172	492 044	4 866	496 911
Other operational expenses	48 027	3 038	51 065	145 602	7 888	153 490
Other gains / (losses)	(2 212)	-	(2 212)	(3 687)	-	(3 687)
Operating profit before depreciation and impairments (EBITDA)	**52 692**	**1 884**	**54 577**	**204 499**	**4 424**	**208 924**
Depreciation	12 290	-	12 290	52 824	-	52 824
Operating profit (EBIT)	**40 402**	**1 884**	**42 287**	**151 675**	**4 424**	**156 100**
Net financial items	(2 726)	-	(2 726)	(14 882)	-	(14 882)
Profit (loss) before tax	**37 677**	**1 884**	**39 561**	**136 794**	**4 424**	**141 218**
Tax	11 538	310	11 848	30 164	787	30 950
Profit (loss) for the period	**26 138**	**1 575**	**27 713**	**106 630**	**3 638**	**110 267**
Earnings per share-basic	0.15		0.16	0.61		0.63
Earnings per share-diluted	0.14		0.15	0.59		0.61

Condensed balance sheet

NOK 1 000	Old principles 31.12.2018	Effects from IFRS 15 *	New principles 31.12.2018
ASSETS			
Goodwill	26 786	-	26 786
Other intangible assets	12 601	-	12 601
Tangible fixed assets	293 193	-	293 193
Deferred tax assets	48 142	(2 155)	45 987
Total non-current assets	**380 722**	**(2 155)**	**378 567**
Inventory	620 757	(172 553)	448 203
Accounts receivable	690 598	-	690 598
Contract assets	51 445	183 756	235 201
Other receivables	67 864	-	67 864
Cash and cash equivalents	45 654	-	45 654
Total current assets	**1 476 317**	**11 203**	**1 487 520**
Total assets	**1 857 040**	**9 048**	**1 866 088**
LIABILITIES AND EQUITY			
Equity	682 411	9 048	691 459
Total equity	**682 411**	**9 048**	**691 459**
Deferred tax liabilities	1 196	-	1 196
Loans	40 830	-	40 830
Pension commitments	5 966	-	5 966
Total non-current liabilities	**47 992**	**-**	**47 992**
Accounts payable	594 808	-	594 808
Other payables	122 896	-	122 896
Tax payable	7 962	-	7 962
Loans	400 970	-	400 970
Total current liabilities	**1 126 636**	**-**	**1 126 636**
Total liabilities and equity	**1 857 040**	**9 048**	**1 866 088**

* The effect from IFRS 15 presented in this column is the implementation effects presented in note 30 to the consolidated financial statements for 2017 in addition to the effects for the full year of 2018.

Order backlog market sectors

NOK million	Old principles 31.12.2018	Effects from IFRS 15	New principles 31.12.2018
Defence/Aerospace	472.4	(39.1)	433.3
Energy/Telecoms	185.9	(25.8)	160.1
Industry	541.5	(87.0)	454.4
Medical devices	215.4	(28.9)	186.6
Offshore/Marine	103.3	(2.9)	100.4
Total group	**1 518.5**	**(183.8)**	**1 334.8**

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 + 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 (Non- current 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

Kitron is an international Electronics Manu- facturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1 600 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.

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