# FIRST QUARTER REPORT 2018

# Q1

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

Norway
Sweden
Lithuania
Germany
USA
China

Q1

Report first quarter 2018

# Solid growth and improved profitability

• 11% Revenue growth • 6% Operating profit • More efficient use of capital

**Solid revenue growth**

Kitron's revenue for the first quarter was NOK 651 million (NOK 585 million), an increase of 11 per cent compared to last year. Growth adjusted for foreign exchange effects in consolidation was 9 per cent.

Revenue growth compared to the same quarter last year was particularly strong in the Industry market sector. Energy/Telecoms and Medical devices also recorded solid growth, while Defence/Aerospace declined. Offshore/Marine grew from a very low level.

The order backlog is noticeably affected by the implementation of IFRS 15. Without the effect from implementation of the new accounting standard IFRS 15, the backlog would have been NOK 1 161 million, which results in a growth of 10 per cent. Growth in order backlog was particularly strong in the Industry sector. Due to the IFRS 15 implementation, the booked order backlog ended at NOK 1 025 million.

Orders received in the quarter were NOK 514 million (NOK 620 million), a decrease of 17 per cent, illustrating that there will be variations from quarter to quarter, particularly within Defence/Aerospace, although the underlying trend is intact.

**Improved profitability**

First quarter EBITDA* was NOK 53.0 million (NOK 42.7 million), an increase of 24 per cent compared to last year. Operating profit (EBIT)* for the first quarter ended at NOK 38.8 million (NOK 30.9 million), an increase of 26 per cent.

Profitability expressed as EBIT margin* was 6.0 per cent (5.3 per cent).

Profit after tax was NOK 26.2 million (NOK 21.6 million), an increase of 21 per cent and corresponding to NOK 0.15 earnings per share (NOK 0.12).

**More efficient use of capital**

Net working capital* was NOK 526 million (NOK 553 million) a decrease of 5 per cent compared to the same quarter last year, continuing the trend of decreasing net working capital compared to revenue.

Return on operating capital (ROOC) R3* was 19.8 per cent compared to 16.2 per cent in the same quarter last year. Net working capital R3 as a percentage of revenue was 19.3 per cent, compared to 22.0 per cent last year. Cash conversion cycle (CCC) R3* was 67 days for the quarter. This is down from 80 days last year, an improvement of 13 days.

The improved capital efficiency was a result of improved inventory processes in addition to spend consolidation and improved payment terms.

Due to low operating capital at end of Q4 2017, operating cash flow was negative NOK 19.5 million (negative NOK 15.4 million) for the quarter.

**Active management of component availability**

As previously reported, shortage of electronic components made 2017 a challenging year for many companies in the Electronics Manufacturing Services business. These challenges have continued into 2018 and are expected to last throughout the year.

Kitron's timely and systematic approach combined with its preferred partner program has prevented serious supply disruptions. In spite of challenges in the supply chain Kitron aims to reduce material cost in the same manner as achieved over the past three years.

**Implementation of new accounting standard IFRS 15**

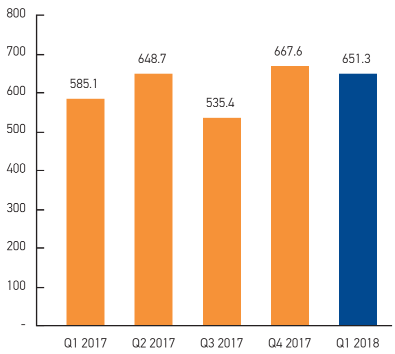
Kitron implemented the new accounting standard IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. In the first quarter, this had minimal effect on revenue and profits, but it reduced the order backlog. It also affected certain balance sheet items. For more information, see notes 1 and 5 to the financial statements.

## Key figures

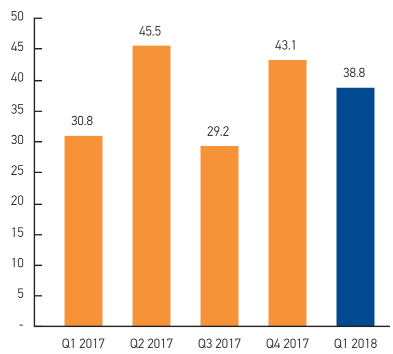
| NOK million | Q1 2018 | Q1 2017 | Change | 31.12.2017 |
|---|---|---|---|---|
| Revenue | 651.3 | 585.1 | 66.2 | 2 436.7 |
| EBIT | 38.8 | 30.8 | 7.9 | 148.7 |
| Order backlog | 1 024.6 | 1 058.7 | (34.1) | 1 306.4 |
| Operating cash flow | (19.5) | (15.5) | (4.0) | 160.8 |
| Net working capital | 525.8 | 553.5 | (27.7) | 486.4 |

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

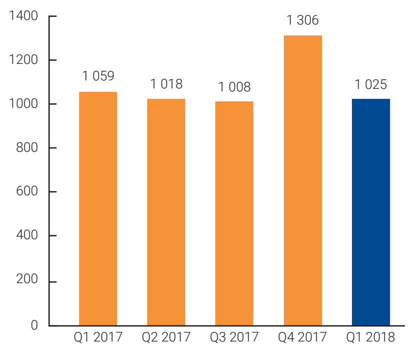
**REVENUE Group**
NOK million




**EBIT Group**
NOK million




**ORDER BACKLOG Group**
NOK million




**Key figures**
Revenue from customers in the Swedish market represented a 41.1 per cent share of the total revenue during the first quarter (43.1 per cent). The Norwegian market represented 17.5 per cent of Kitron's total revenue in the first quarter (24.0 per cent).

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

**Profit**
Kitron's operating profit (EBIT) in the first quarter was NOK 38.8 million, which was an increase of NOK 7.9 million compared with the same period last year.

Profit before tax in the first quarter of 2018 was NOK 31.4 million, which was an increase of NOK 4.6 million compared to the same period last year.

The company's total payroll expenses in the first quarter were NOK 0.4 million higher than in the corresponding period in 2017. The relative payroll costs ended at 19.1 per cent, down from 21.1 per cent of revenue in the first quarter last year. Other operating costs were 5.1 per cent of revenue in the first quarter of 2018 (5.2 per cent).

During the quarter, net financial items amounted to a net cost of NOK 7.4 million. The corresponding figure for first quarter last year was a net cost of NOK 4.1 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 2018 that are affecting net financial income total USD 5.2 million and EUR 1.9 million.

**Balance sheet**
Kitron's gross balance sheet as of 31 March 2018 amounted to NOK 1 581.7 million, compared to NOK 1 413.4 million at the same time in 2017. Equity was NOK 687.5 million (NOK 610.7 million), corresponding to an equity ratio of 43.5 per cent (43.2 per cent). Net gearing* of the company was 0.25 (0.37).

Inventory was NOK 310.3 million as of 31 March 2018 (NOK 448.2 million). NOK 129.0 million of the reduction from the corresponding period last year was due to the implementation of IFRS 15. Inventory turns* was 4.6 in the first quarter 2018, which is an increase compared to first quarter last year (4.2).

Accounts receivables amounted to NOK 544.5 million at the end of the first quarter of 2018. The corresponding amount at the same time in 2017 was NOK 472.9 million.

The implementation of IFRS 15 from 1 January 2018 resulted in a new balance sheet line item "Contract assets". Contract assets was NOK 136.4 million as of 31 March 2018.

The group's reported net interest-bearing debt* amounted to NOK 175.3 million as of 31 March 2018. Net interest-bearing debt at the end of the first quarter 2017 was NOK 228.0 million. Net interest-bearing debt/EBITDA is 0.8 for the first quarter compared to 1.3 at the same time last year.

Cash flow from operating activities for the first quarter of 2018 was negative NOK 19.5 million (negative NOK 15.5 million).

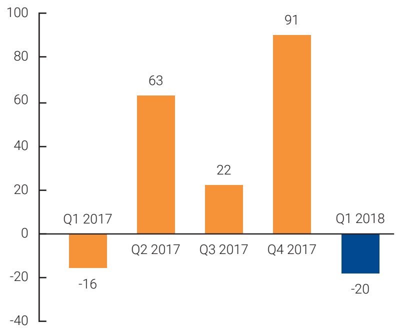
**Organisation**
The Kitron workforce corresponded to 1 529 full-time employees (FTE) on 31 March 2018. This is an increase of 71 FTE since the first quarter of 2017. There is a decrease of 62 FTE related to the operations in Norway, a decrease of 17 FTE in Sweden, while there is an increase of the workforce in Lithuania and China of 109 FTE and 46 FTE respectively. The number of FTE in low-cost regions now accounts for 71 per cent of the total.

**Market**
Order intake in the quarter was NOK 514.3 million, which is 17.0 per cent lower than for the first quarter 2017. The order backlog ended at NOK 1 024.6 million, which is 3.2 per cent lower than the same period last year.

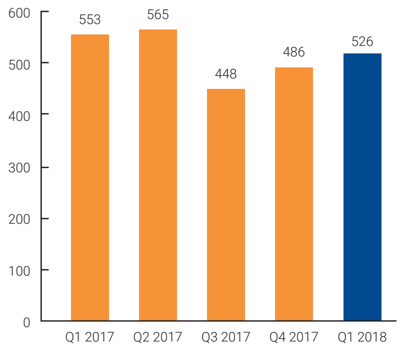
Four-quarter moving average order intake was down from NOK 671.5 million at the beginning of the first quarter to NOK 645.1 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

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

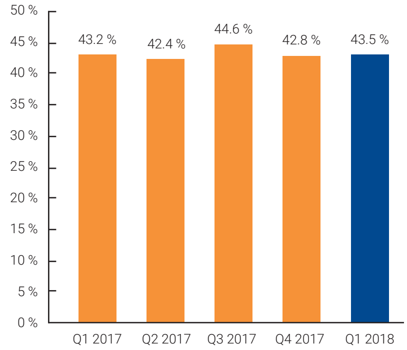
OPERATING CASH FLOW Group
NOK million




NET WORKING CAPITAL Group
NOK million




EQUITY RATIO Group
Per cent




## Revenue business entities

| NOK million | Q1 2018 | Q1 2017 | Change | 31.12.2017 |
|---|---|---|---|---|
| Norway | 159.3 | 184.0 | (24.7) | 737.6 |
| Sweden | 156.3 | 162.0 | (5.8) | 707.6 |
| Lithuania | 266.4 | 212.6 | 53.8 | 818.3 |
| Others | 95.4 | 88.7 | 6.7 | 394.8 |
| Group and eliminations | (26.1) | (62.1) | 36.1 | (221.7) |
| **Total group** | **651.3** | **585.1** | **66.2** | **2 436.7** |

## EBIT business entities

| NOK million | Q1 2018 | Q1 2017 | Change | 31.12.2017 |
|---|---|---|---|---|
| Norway | 6.4 | 8.1 | (1.6) | 31.7 |
| Sweden | 5.2 | 1.6 | 3.6 | 26.7 |
| Lithuania | 27.4 | 19.9 | 7.5 | 69.1 |
| Others | 4.0 | 7.2 | (3.2) | 38.8 |
| Group and eliminations | (4.2) | (5.9) | 1.6 | (17.6) |
| **Total group** | **38.8** | **30.9** | **7.9** | **148.7** |

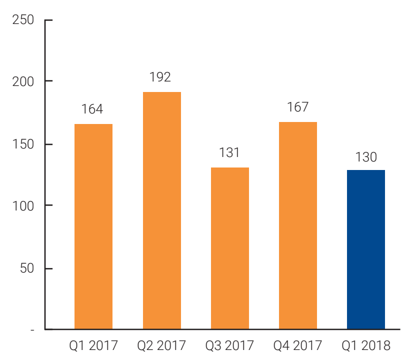
## Revenue geographic markets

| NOK million | Q1 2018 | Q1 2017 | Change | 31.12.2017 |
|---|---|---|---|---|
| Norway | 114.0 | 140.5 | (26.5) | 529.5 |
| Sweden | 267.6 | 252.1 | 15.5 | 1 171.3 |
| Rest of Europe | 188.6 | 115.1 | 73.5 | 390.1 |
| USA/Canada | 62.7 | 62.2 | 0.5 | 273.2 |
| Others | 18.2 | 15.1 | 3.1 | 71.8 |
| **Total group** | **651.3** | **585.1** | **66.2** | **2 436.7** |

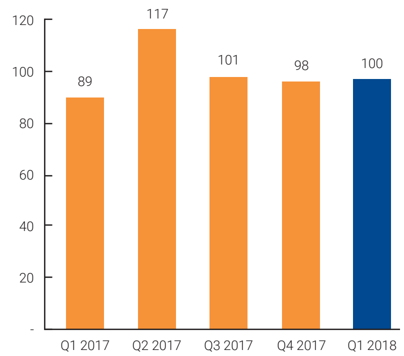
## Full time employees

| | 31.03.2018 | 31.03.2017 | Change | 31.12.2017 |
|---|---|---|---|---|
| Norway | 274 | 336 | (62) | 270 |
| Sweden | 169 | 186 | (17) | 180 |
| Lithuania | 858 | 748 | 109 | 798 |
| Other | 228 | 187 | 41 | 203 |
| **Total group** | **1 529** | **1 458** | **71** | **1 451** |

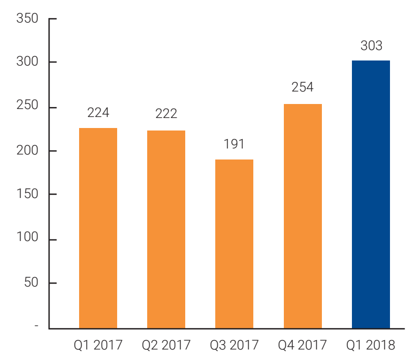
REVENUE Defence/Aerospace
NOK million




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 decreased by 21.0 per cent compared to last year. The order backlog at NOK 381.8 million decreased by NOK 122.5 million during the quarter. Compared to last year, the order backlog increased by NOK 84.5 million (18.1 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 12.0 per cent compared to last year. The order backlog is NOK 162.3 million, a decrease of NOK 5.5 million compared to the fourth quarter in 2017, and equal to 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.

**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.

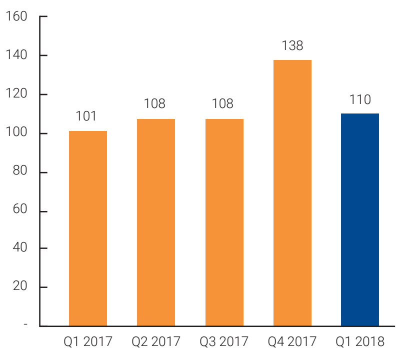
## Revenue market sectors

| NOK million | Q1 2018 | Q1 2017 | Change | 31.12.2017 |
|---|---|---|---|---|
| Defence/Aerospace | 129.8 | 164.4 | (34.7) | 654.2 |
| Energy/Telecoms | 99.6 | 88.9 | 10.8 | 404.5 |
| Industry | 303.5 | 224.2 | 79.3 | 890.8 |
| Medical devices | 109.8 | 101.1 | 8.8 | 455.2 |
| Offshore/Marine | 8.6 | 6.5 | 2.1 | 32.0 |
| **Total group** | **651.3** | **585.1** | **66.2** | **2 436.7** |

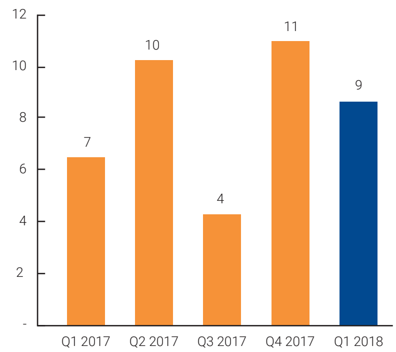
## Order Backlog market sectors

| NOK million | 31.03.2018 | 31.03.2017 | Change | 31.12.2017 |
|---|---|---|---|---|
| Defence/Aerospace | 381.8 | 466.2 | (84.5) | 504.3 |
| Energy/Telecoms | 162.3 | 162.3 | 0.0 | 167.8 |
| Industry | 354.1 | 273.6 | 80.6 | 455.6 |
| Medical devices | 107.7 | 143.1 | (35.3) | 157.7 |
| Offshore/Marine | 18.7 | 13.6 | 5.1 | 21.0 |
| **Total group** | **1 024.6** | **1 058.7** | **(34.1)** | **1 306.4** |

**REVENUE Medical devices**
NOK million




**REVENUE Offshore/Marine**
NOK million




The industry sector showed a revenue increase of 35.3 per cent compared to the first quarter last year, and an increase of 19.8 per cent from the fourth quarter of 2017. The order backlog increased by NOK 80.6 million (29.5 per cent) compared to the same period last year and decreased by NOK 101.5 million from the preceding quarter (22.3 per cent).

The industry sector continues to grow, primarily 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 increased by 8.6 per cent compared to the same period last year. The order backlog is NOK 107.7 million, a decrease of NOK 35.3 million from the same period last year, and down NOK 50.0 million (31.7 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 8.6 million in first quarter, compared to NOK 6.5 million in the same period last year. The order backlog is NOK 18.7 million, a decrease of NOK 2.3 million compared to the preceding quarter and NOK 5.1 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 2018, Kitron expects revenue to grow to between NOK 2 500 and 2 700 million. EBIT margin is expected to be between 6.1 and 6.5 per cent. Growth is primarily driven by customers in the Industry and Energy 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, 19 April 2018, Board of directors, Kitron ASA

## Condensed profit and loss statement

| NOK 1 000 | Q1 2018 | Q1 2017 | 31.12.2017 |
|---|---|---|---|
| Revenue | 651 286 | 585 082 | 2 436 729 |
| Cost of materials | 439 065 | 387 517 | 1 620 014 |
| Payroll expenses | 124 111 | 123 720 | 480 751 |
| Other operational expenses | 33 177 | 30 672 | 133 957 |
| Other gains / (losses) | (1 885) | (433) | (861) |
| **Operating profit before depreciation and impairments (EBITDA)** | **53 048** | **42 740** | **201 146** |
| Depreciation | 14 286 | 11 890 | 52 464 |
| **Operating profit (EBIT)** | **38 762** | **30 850** | **148 683** |
| Net financial items | (7 410) | (4 069) | (16 183) |
| **Profit (loss) before tax** | **31 352** | **26 780** | **132 499** |
| Tax | 5 142 | 5 199 | 33 502 |
| **Profit (loss) for the period** | **26 210** | **21 581** | **98 997** |
| Earnings per share-basic | 0.15 | 0.12 | 0.57 |
| Earnings per share-diluted | 0.15 | 0.12 | 0.57 |

## Condensed balance sheet

| NOK 1 000 | 31.03.2018 | 31.03.2017 | 31.12.2017 |
|---|---|---|---|
| ASSETS | | | |
| Goodwill | 26 786 | 26 786 | 26 786 |
| Other intangible assets | 8 949 | 16 091 | 10 773 |
| Tangible fixed assets | 267 258 | 237 218 | 277 869 |
| Deferred tax assets | 57 179 | 69 302 | 58 024 |
| **Total non-current assets** | **360 172** | **349 398** | **373 451** |
| Inventory | 310 313 | 448 177 | 398 901 |
| Accounts receivable | 544 515 | 472 889 | 516 251 |
| Contract assets | 136 407 | - | - |
| Other receivables | 89 809 | 47 561 | 83 372 |
| Cash and cash equivalents | 140 461 | 95 373 | 176 725 |
| **Total current assets** | **1 221 505** | **1 064 000** | **1 175 248** |
| | | | |
| **Total assets** | **1 581 677** | **1 413 398** | **1 548 699** |
| | | | |
| LIABILITIES AND EQUITY | | | |
| Equity | 687 459 | 610 719 | 663 565 |
| **Total equity** | **687 459** | **610 719** | **663 565** |
| | | | |
| Deferred tax liabilities | 3 398 | 953 | 3 417 |
| Loans | 74 397 | 59 399 | 76 434 |
| Pension commitments | 6 205 | 6 343 | 6 205 |
| **Total non-current liabilities** | **84 000** | **66 694** | **86 056** |
| | | | |
| Accounts payable | 465 468 | 367 572 | 428 801 |
| Other payables | 92 375 | 97 343 | 86 282 |
| Tax payable | 11 047 | 7 099 | 8 515 |
| Loans | 241 327 | 263 970 | 275 481 |
| **Total current liabilities** | **810 218** | **735 985** | **799 079** |
| | | | |
| **Total liabilities and equity** | **1 581 677** | **1 413 398** | **1 548 699** |

## Condensed cash flow statement

| NOK 1 000 | Q1 2018 | Q1 2017 | 31.12.2017 |
|---|---|---|---|
| Profit before tax | 31 352 | 26 780 | 132 499 |
| Depreciations | 14 286 | 11 890 | 52 464 |
| Change in inventory, accounts receivable, contract assets and accounts payable | (39 417) | (41 299) | 25 845 |
| Change in net other current assets and other operating related items | 1 399 | 13 062 | (29 808) |
| Change in factoring debt | (27 101) | (25 927) | (20 200) |
| **Net cash flow from operating activities** | **(19 480)** | **(15 494)** | **160 800** |
| **Net cash flow from investing activities** | **(7 158)** | **(13 972)** | **(35 150)** |
| **Net cash flow from financing activities** | **(8 170)** | **(7 393)** | **(70 294)** |
| Change in cash and bank credit | (34 809) | (36 859) | 55 357 |
| Cash and bank credit opening balance | 108 738 | 53 523 | 53 523 |
| Currency conversion of cash and bank credit | (572) | (248) | (142) |
| **Cash and bank credit closing balance** | **73 357** | **16 416** | **108 738** |

## Consolidated statement of comprehensive income

| NOK 1 000 | Q1 2018 | Q1 2017 | 31.12.2017 |
|---|---|---|---|
| Profit (loss) for the period | 26 210 | 21 581 | 98 997 |
| Actuarial gain / losses pensions | - | - | (176) |
| Gain / losses forward contract | - | - | 420 |
| Exchange differences on translation of foreign operations | (1 987) | - | (1 870) |
| Currency translation differences | (4 203) | 3 463 | 22 195 |
| **Total comprehensive income for the period** | **20 020** | **25 044** | **119 566** |
| **Allocated to shareholders** | **20 020** | **25 044** | **119 566** |

## Changes in equity

| NOK 1 000 | 31.03.2018 | 31.03.2017 | 31.12.2017 |
|---|---|---|---|
| **Equity opening balance** | **663 565** | **584 799** | **584 799** |
| Profit (loss) for the period | 26 210 | 21 581 | 98 997 |
| Paid dividends | - | - | (44 048) |
| Effect from options | 1 887 | 875 | 3 247 |
| Implementation of IFRS 15 | 5 361 | - | - |
| Other comprehensive income for the period | (9 564) | 3 463 | 20 569 |
| **Equity closing balance** | **687 459** | **610 719** | **663 565** |

## Notes to the financial statements

**Note 1 – General information and principles**
The condensed consolidated financial statements for the first 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 first quarter 2018, on condensed balance sheet and order backlog per 31 March 2018.

## Condensed profit and loss statement

| NOK 1 000 | Old principles Q1 2018 | Effects from IFRS 15 | New principles Q1 2018 |
|---|---|---|---|
| Revenue | 636 982 | 14 304 | 651 286 |
| Cost of materials | 428 933 | 10 132 | 439 065 |
| Payroll expenses | 122 536 | 1 575 | 124 111 |
| Other operational expenses | 31 420 | 1 757 | 33 177 |
| Other gains / (losses) | (1 885) | - | (1 885) |
| **Operating profit before depreciation and impairments (EBITDA)** | **52 208** | **840** | **53 048** |
| Depreciation | 14 286 | - | 14 286 |
| **Operating profit (EBIT)** | **37 922** | **840** | **38 762** |
| Net financial items | (7 410) | - | (7 410) |
| **Profit (loss) before tax** | **30 512** | **840** | **31 352** |
| Tax | 4 970 | 172 | 5 142 |
| **Profit (loss) for the period** | **25 542** | **668** | **26 210** |
| | | | |
| Earnings per share-basic | 0.14 | | 0.15 |
| Earnings per share-diluted | 0.14 | | 0.15 |

## Condensed balance sheet

| NOK 1 000 | Old principles 31.03.2018 | Effects from IFRS 15* | New principles 31.03.2018 |
|---|---|---|---|
| ASSETS | | | |
| Goodwill | 26 786 | - | 26 786 |
| Other intangible assets | 8 949 | - | 8 949 |
| Tangible fixed assets | 267 258 | - | 267 258 |
| Deferred tax assets | 58 675 | (1 497) | 57 179 |
| **Total non-current assets** | **361 669** | **(1 497)** | **360 172** |
| | | | |
| Inventory | 439 354 | (129 041) | 310 313 |
| Accounts receivable | 544 515 | - | 544 515 |
| Contract assets | - | 136 407 | 136 407 |
| Other receivables | 89 809 | - | 89 809 |
| Cash and cash equivalents | 140 461 | - | 140 461 |
| **Total current assets** | **1 214 138** | **7 367** | **1 221 505** |
| | | | |
| **Total assets** | **1 575 807** | **5 870** | **1 581 677** |
| | | | |
| LIABILITIES AND EQUITY | | | |
| Equity | 681 589 | 5 870 | 687 459 |
| **Total equity** | **681 589** | **5 870** | **687 459** |
| | | | |
| Deferred tax liabilities | 3 398 | - | 3 398 |
| Loans | 74 397 | - | 74 397 |
| Pension commitments | 6 205 | - | 6 205 |
| **Total non-current liabilities** | **84 000** | **-** | **84 000** |
| | | | |
| Accounts payable | 465 468 | - | 465 468 |
| Other payables | 92 375 | - | 92 375 |
| Tax payable | 11 047 | - | 11 047 |
| Loans | 241 327 | - | 241 327 |
| **Total current liabilities** | **810 218** | **-** | **810 218** |
| | | | |
| **Total liabilities and equity** | **1 575 807** | **5 870** | **1 581 677** |

* 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 Q1 2018.

## Order backlog market sectors

| NOK million | Old principles 31.03.2018 | Effects from IFRS 15 | New principles 31.03.2018 |
|---|---|---|---|
| Defence/Aerospace | 421.6 | (39.9) | 381.8 |
| Energy/Telecoms | 184.1 | (21.8) | 162.3 |
| Industry | 402.4 | (48.3) | 354.1 |
| Medical devices | 132.4 | (24.7) | 107.7 |
| Offshore/Marine | 20.5 | (1.8) | 18.7 |
| **Total group** | **1 161.0** | **(136.4)** | **1 024.6** |

## 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 Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, China and the US and has about 1 450 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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