



**Kitron**

Your ambition. Our passion.

**Q3**  
2017

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

Norway  
Sweden  
Lithuania  
Germany  
USA  
China

Third  
quarter report

Report third quarter 2017

## Continued strong growth

- Strong revenue growth and solid order backlog
- Profitability affected by restructuring in Norway
- Investments in the US
- Active management of components availability

### Strong revenue growth

Kitron's revenue for the third quarter was NOK 535 million (NOK 463 million), an increase of 16 per cent compared to the same period last year. Growth adjusted for foreign exchange effects in consolidation was 17 per cent.

Growth compared to the same quarter last year was particularly strong in the Industry market sector. Energy/Telecoms also recorded solid growth, while Medical devices was essentially flat and Defence/Aerospace 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 long-term goal of an annual organic growth of approximately 10 per cent.

### Profitability affected by restructuring in Norway

Third quarter EBITDA\* was NOK 42.6 million (NOK 41.3 million), an increase of 3 per cent compared to last year. Operating profit (EBIT)\* for the third quarter ended at NOK 29.2 million (NOK 30.1 million), a decrease of 3 per cent.

Profitability expressed as EBIT margin\* was 5.5 per cent (6.5 per cent). As the company has stated previously, the EBIT margin will vary from quarter to quarter. The margin compression in the third quarter was partly due to restructuring in Norway causing inefficiency in production and partly due to a higher revenue share of products with higher than average material content and therefore lower than average contribution margin.

Accumulated for the first three quarters of 2017, the EBIT margin was 6.0 per cent, compared to 5.5 per cent the same period last year. The company maintains its long-term goal of an EBIT margin of 7 per cent.

Profit after tax was NOK 16.4 million (NOK 17.7 million), a decrease of 8 per cent and corresponding to NOK 0.09 earnings per share (NOK 0.10).

### Solid order backlog

The order backlog ended at NOK 1,008 million, an increase of 3 per cent compared to last year. Growth in order backlog was particularly strong in the Industry sector. The backlog declined in the Defence/Aerospace

sector, while other sectors were little changed. Orders received in the quarter were NOK 535 million.

### Improved capital efficiency

Net working capital\* decreased by 10 per cent from NOK 498 million to NOK 448 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 16 per cent compared to 17 per cent in the same quarter last year. Net working capital R3 as a percentage of revenue was 22 per cent, compared to 26 per cent last year. Cash conversion cycle (CCC) R3\* was 80 days for the quarter. This is down from 99 days last year, an improvement of 19 days.

Operating cash flow was NOK 22.4 million (NOK 36.4 million) for the quarter.

### Investments in the US

Over the past years, Kitron has invested in manufacturing capacity and capabilities, ensuring resources that are modern, highly competitive and able to handle expected growth. During the third quarter Kitron invested in a Surface Mount Technology (SMT) line in Johnstown. This site now has capabilities locally to offer a complete solution to customers, spanning from PCBA, box-build to high-level assembly.

### Active management of component availability

The demand for electronic components increased in 2017, driven especially by the automotive industry and IoT. However, the electronic components manufacturers' capacity has not increased at the same rate.

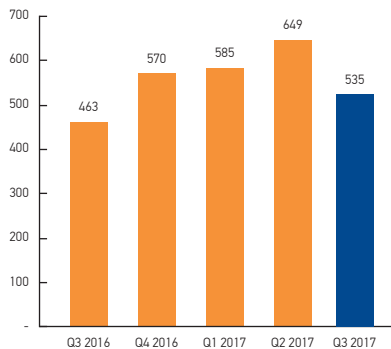
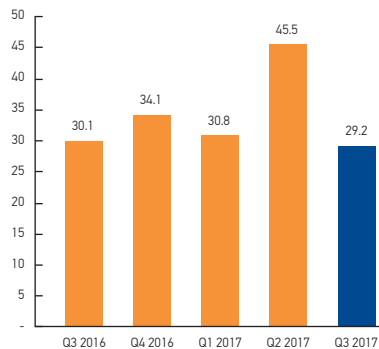
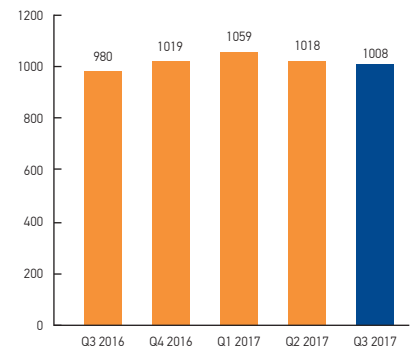
Kitron has not been markedly affected by this situation during the first 3 quarters of the year due to the processes and safety stocks put in place with our supply partners.

During the fourth quarter, we see that components availability challenges are escalating. However, we do not currently foresee meaningful loss of revenue. We expect some impact on efficiency as production re-scheduling is likely to be necessary.

## Key figures

NOK million	Q3 2017	Q3 2016	Change	30.09.2017	30.09.2016	Change	31.12.2016
Revenue	535.4	462.6	72.8	1 769.2	1 522.7	246.5	2 093.0
EBIT	29.2	30.1	(0.9)	105.6	83.7	21.9	117.8
Order backlog	1 008.0	979.9	28.1	1 008.0	979.9	28.1	1 019.4
Operating cash flow	22.4	36.4	(14.0)	70.0	72.1	(2.1)	108.5
Net working capital	448.4	497.5	(49.1)	448.4	497.5	(49.1)	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 50.1 per cent share of the total revenue during the third quarter (43.8 per cent). The Norwegian market represented 24.3 per cent of Kitron's total revenue in the third quarter (30.2 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. The margin compression in the third quarter was partly due to restructuring in Norway causing inefficiency in production and partly due to a higher revenue share of products with higher than average material content and therefore lower than average contribution margin.

**Profit**

Kitron's operating profit (EBIT) in the third quarter was NOK 29.2 million, which was a decrease of 0.9 million compared with the same period last year (NOK 30.1 million).

Profit before tax in the third quarter of 2017 was NOK 20.6 million, which was a decrease of NOK 2.1 million compared to the same period last year.

The company's total payroll expenses in the third quarter were NOK 4.6 million higher than in the corresponding period in 2016. The relative payroll costs ended at 17.6 per cent, down from 19.4 per cent of revenue in the third quarter last year. Other operating costs were 5.5 per cent of revenue in the third quarter of 2017 (5.7 per cent).

During the quarter net financial items amounted to a net cost of NOK 8.6 million. The corresponding figure for third quarter last year was a net cost

of NOK 7.4 million. The main reason for the change was currency effects on intra-group financial loans. Intra-group financial loans to subsidiaries in foreign currencies as of 30 September 2017 total USD 11.1 million and EUR 1.9 million.

**Balance sheet**

Kitron's gross balance sheet as of 30 September 2017 amounted to NOK 1 398.5 million, compared to NOK 1 271.7 million at the same time in 2016. Equity was NOK 624.1 million (NOK 568.9 million), corresponding to an equity ratio of 44.6 per cent (44.7 per cent). Net gearing\* of the company was 0.27 (0.36).

Inventory was NOK 436.3 million as of 30 September 2017 (NOK 411.6 million). Inventory turns was 4.0 in the third quarter 2017, which is an increase compared to third quarter last year (3.5).

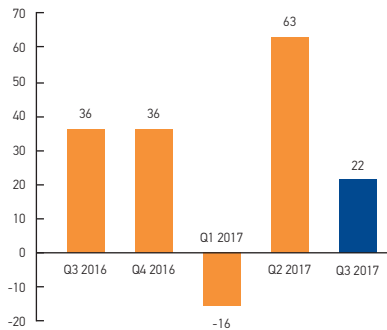
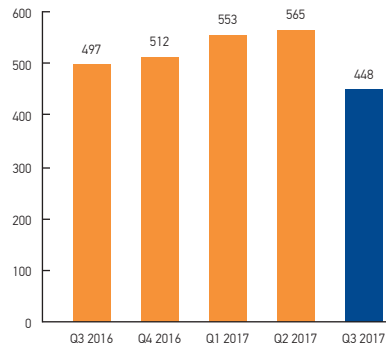
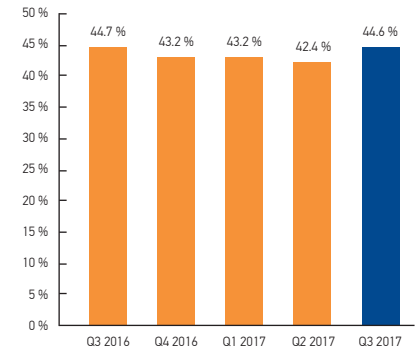
Accounts receivables amounted to NOK 426.6 million at the end of the third quarter of 2017. The corresponding amount at the same time in 2016 was NOK 391.7 million.

The group's reported net interest-bearing debt\* amounted to NOK 169.8 million as of 30 September 2017. Net interest-bearing debt at the end of the third quarter 2016 was NOK 204.3 million. Net interest-bearing debt / EBITDA is 0.9 for the third quarter compared to 1.3 at the same time last year.

Cash flow from operating activities for the third quarter of 2017 was NOK 22.4 million (NOK 36.4 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	Q3 2017	Q3 2016	Change	30.09.2017	30.09.2016	Change	31.12.2016
Norway	150.1	156.2	(6.1)	546.1	564.6	(18.5)	766.5
Sweden	157.3	139.7	17.6	514.3	416.1	98.2	592.5
Lithuania	174.3	129.5	44.9	596.1	475.5	120.6	635.9
Others	104.0	103.1	1.0	288.4	272.9	15.5	356.7
Group and eliminations	(50.3)	(65.8)	15.5	(175.7)	(206.3)	30.7	(258.7)
<b>Total group</b>	<b>535.4</b>	<b>462.6</b>	<b>72.8</b>	<b>1 769.2</b>	<b>1 522.7</b>	<b>246.5</b>	<b>2 093.0</b>

**EBIT business entities**

NOK million	Q3 2017	Q3 2016	Change	30.09.2017	30.09.2016	Change	31.12.2016
Norway	1.9	5.7	(3.8)	21.9	16.5	5.4	27.5
Sweden	6.9	8.1	(1.1)	19.7	23.5	(3.8)	28.5
Lithuania	10.3	8.1	2.2	47.4	38.5	8.9	48.3
Others	9.4	10.6	(1.3)	25.5	21.5	4.0	34.6
Group and eliminations	0.7	(2.4)	3.1	(8.9)	(16.2)	7.3	(21.1)
<b>Total group</b>	<b>29.2</b>	<b>30.1</b>	<b>(0.9)</b>	<b>105.6</b>	<b>83.7</b>	<b>21.9</b>	<b>117.8</b>

**Order backlog business entities and market sectors**

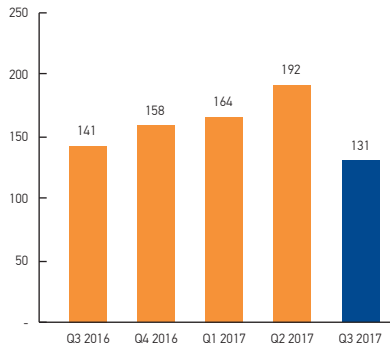
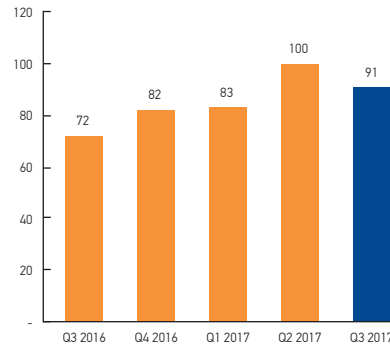
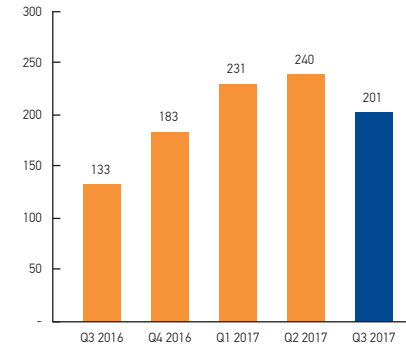
NOK million	Defence/ Aerospace	Energy/ Telecoms	Industry	Medical devices	Offshore/ Marine	Total
Norway	286.5	-	32.6	64.9	16.0	400.0
Sweden	47.5	81.7	37.4	70.3	-	236.9
Lithuania	2.6	18.1	248.7	17.8	-	287.3
Other	10.5	5.7	38.8	28.9	-	83.9
<b>Total group</b>	<b>347.2</b>	<b>105.5</b>	<b>357.4</b>	<b>181.9</b>	<b>16.0</b>	<b>1 008.0</b>

**Revenue geographic markets**

NOK million	Q3 2017	Q3 2016	Change	30.09.2017	30.09.2016	Change	31.12.2016
Norway	130.0	139.9	(9.9)	458.0	494.2	(36.1)	662.3
Sweden	268.4	202.7	65.8	913.3	731.2	182.1	1 014.4
Rest of Europe	50.6	41.5	9.1	138.9	83.6	55.3	119.8
USA/Canada	74.5	75.6	(1.1)	241.2	203.8	37.4	283.5
Others	11.8	2.9	8.9	17.8	10.0	7.8	13.1
<b>Total group</b>	<b>535.4</b>	<b>462.6</b>	<b>72.8</b>	<b>1 769.2</b>	<b>1 522.7</b>	<b>246.5</b>	<b>2 093.0</b>

**Full time employees**

	30.09.2017	30.09.2016	Change	31.12.2016
Norway	334	336	(2)	334
Sweden	185	164	21	182
Lithuania	716	578	138	679
Other	202	190	12	182
<b>Total group</b>	<b>1 437</b>	<b>1 268</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 1 437 full-time employees on 30 September 2017. This is an increase of 169 since the third quarter of 2016. There is a decrease of 2 related to the operations in Norway, while there is an increase of the workforce in Lithuania and Sweden of 138 and 21 respectively. The number of full-time employees in low-cost regions now accounts for 64 per cent of the total.

**Market**

Order intake in the quarter was NOK 535.4 million, which is 11.8 per cent higher than for the third quarter 2016. The order backlog ended at NOK 1 008.0 million, which is 2.9 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 571.8 million at the beginning of the third quarter to NOK 585.9 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 7.2 per cent compared to last year. The order backlog at NOK 347.2 million decreased

by NOK 56.1 million during the quarter. Compared to last year, the order backlog decreased by NOK 70.6 million (16.9 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.

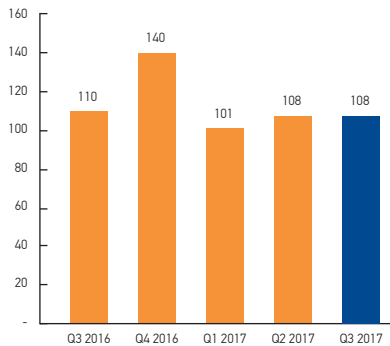
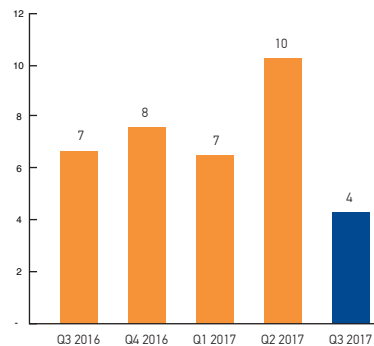
The Energy/Telecoms sector revenues increased by 25.8 per cent compared to last year. The order backlog is NOK 105.5 million, a decrease of NOK 17.7 million compared to the second quarter in 2017, and NOK 5.2 million (4.6 per cent) lower than a year ago.

**Revenue market sectors**

NOK million	Q3 2017	Q3 2016	Change	30.09.2017	30.09.2016	Change	31.12.2016
Defence/Aerospace	130.9	141.1	(10.2)	486.8	415.8	71.0	574.1
Energy/Telecoms	90.7	72.1	18.7	272.9	220.9	51.9	302.7
Industry	201.2	132.9	68.3	671.2	505.2	166.0	687.8
Medical devices	108.4	109.9	(1.6)	317.3	344.8	(27.5)	484.9
Offshore/Marine	4.2	6.6	(2.4)	21.0	35.9	(14.9)	43.5
<b>Total group</b>	<b>535.4</b>	<b>462.6</b>	<b>72.8</b>	<b>1 769.2</b>	<b>1 522.7</b>	<b>246.5</b>	<b>2 093.0</b>

**Order Backlog market sectors**

NOK million	30.09.2017	30.09.2016	Change	31.12.2016
Defence/Aerospace	347.2	417.7	(70.6)	449.2
Energy/Telecoms	105.5	110.6	(5.2)	116.5
Industry	357.4	255.0	102.3	302.3
Medical devices	181.9	182.5	(0.6)	139.7
Offshore/Marine	16.0	14.0	2.0	11.6
<b>Total group</b>	<b>1 008.0</b>	<b>979.9</b>	<b>28.1</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 51.4 per cent compared to the third quarter last year, and a decrease of 16.0 per cent from the second quarter of 2017. The order backlog increased by NOK 102.3 million (40.2 per cent) compared to the same period last year and increased by NOK 39.9 million from the preceding quarter (12.6 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 1.4 per cent compared to the same period last year. The order backlog is NOK 181.9 million, down NOK 0.6 million from the same period last year, and up NOK 19.9 million (12.3 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 4.2 million in third quarter, compared to NOK 6.6 million in the same period last year. The order backlog is NOK 16.0 million, an increase of NOK 4.2 million compared to the preceding quarter and NOK 2.0 million higher than the same quarter last year. 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 or slightly above 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, 23 October 2017, Board of directors, Kitron ASA

## Condensed profit and loss statement

NOK 1 000	Q3 2017	Q3 2016	30.09.2017	30.09.2016	31.12.2016
Revenue	535 415	462 582	1 769 155	1 522 699	2 093 001
Cost of materials	367 100	304 675	1 177 521	980 039	1 348 087
Payroll expenses	94 463	89 905	348 849	330 325	450 708
Other operational expenses	29 631	26 155	97 203	91 672	127 517
Other gains / (losses)	(1 667)	(514)	(1 293)	(2 628)	(2 737)
<b>Operating profit before depreciation and impairments (EBITDA)</b>	<b>42 554</b>	<b>41 333</b>	<b>144 290</b>	<b>118 035</b>	<b>163 952</b>
Depreciation and impairments	13 337	11 239	38 734	34 356	46 124
<b>Operating profit (EBIT)</b>	<b>29 217</b>	<b>30 093</b>	<b>105 556</b>	<b>83 680</b>	<b>117 828</b>
Net financial items	(8 620)	(7 417)	(17 766)	(21 521)	(19 016)
<b>Profit (loss) before tax</b>	<b>20 597</b>	<b>22 677</b>	<b>87 789</b>	<b>62 159</b>	<b>98 812</b>
Tax	4 241	4 962	18 405	12 992	24 261
<b>Profit (loss) for the period</b>	<b>16 356</b>	<b>17 715</b>	<b>69 384</b>	<b>49 167</b>	<b>74 551</b>
Earnings per share-basic	0.09	0.10	0.40	0.28	0.43
Earnings per share-diluted	0.09	0.10	0.39	0.28	0.41

## Condensed balance sheet

NOK 1 000	30.09.2017	30.09.2016	31.12.2016
<b>ASSETS</b>			
Goodwill	26 786	26 786	26 786
Other intangible assets	12 118	19 677	17 736
Tangible fixed assets	241 461	201 774	232 301
Deferred tax assets	62 920	73 630	70 380
<b>Total non-current assets</b>	<b>343 285</b>	<b>321 868</b>	<b>347 204</b>
Inventory	436 285	411 556	384 869
Accounts receivable	426 598	391 735	442 459
Other receivables	80 623	40 979	44 060
Cash and cash equivalents	111 728	105 610	134 413
<b>Total current assets</b>	<b>1 055 233</b>	<b>949 879</b>	<b>1 005 801</b>
<b>Total assets</b>	<b>1 398 518</b>	<b>1 271 747</b>	<b>1 353 005</b>
<b>LIABILITIES AND EQUITY</b>			
Equity	624 071	568 874	584 799
<b>Total equity</b>	<b>624 071</b>	<b>568 874</b>	<b>584 799</b>
Deferred tax liabilities	977	998	944
Loans	73 203	50 018	61 462
Pension commitments	6 343	6 502	6 343
<b>Total non-current liabilities</b>	<b>80 523</b>	<b>57 518</b>	<b>68 749</b>
Accounts payable	414 528	305 798	315 133
Other payables	71 085	78 337	95 522
Loans	208 311	259 919	288 802
Other provisions	-	1 302	-
<b>Total current liabilities</b>	<b>693 924</b>	<b>645 355</b>	<b>699 457</b>
<b>Total liabilities and equity</b>	<b>1 398 518</b>	<b>1 271 747</b>	<b>1 353 005</b>

## Condensed cash flow statement

NOK 1 000	Q3 2017	Q3 2016	30.09.2017	30.09.2016	31.12.2016
Profit before tax	20 597	22 677	87 789	62 159	98 812
Depreciations	13 337	11 240	38 734	34 356	46 124
Change in inventory, accounts receivable and accounts payable	116 993	23 962	63 840	10 108	(4 595)
Change in net other current assets and other operating related items	(60 058)	(31 786)	(53 204)	(25 921)	(40 435)
Change in factoring debt	(68 478)	10 312	(67 171)	(8 593)	8 576
<b>Net cash flow from operating activities</b>	<b>22 391</b>	<b>36 404</b>	<b>69 989</b>	<b>72 109</b>	<b>108 482</b>
<b>Net cash flow from investing activities</b>	<b>(11 203)</b>	<b>(17 924)</b>	<b>(38 704)</b>	<b>(29 610)</b>	<b>(43 823)</b>
<b>Net cash flow from financing activities</b>	<b>11 313</b>	<b>(8 108)</b>	<b>(43 787)</b>	<b>(56 750)</b>	<b>(57 677)</b>
Change in cash and bank credit	22 501	10 372	(12 502)	(14 251)	6 983
Cash and bank credit opening balance	19 011	22 679	53 523	43 645	43 645
Currency conversion of cash and bank credit	544	1 446	1 034	5 103	2 896
<b>Cash and bank credit closing balance</b>	<b>42 055</b>	<b>34 497</b>	<b>42 055</b>	<b>34 497</b>	<b>53 523</b>

## Consolidated statement of comprehensive income

NOK 1 000	Q3 2017	Q3 2016	30.09.2017	30.09.2016	31.12.2016
Profit (loss) for the period	16 356	17 715	69 384	49 167	74 551
Actuarial gain / losses pensions	-	-	-	-	(134)
Gain / losses forward contract	-	631	-	895	672
Currency translation differences	(2 360)	(9 503)	11 442	(15 461)	(15 634)
<b>Total comprehensive income for the period</b>	<b>13 996</b>	<b>8 843</b>	<b>80 826</b>	<b>34 600</b>	<b>59 455</b>
<b>Allocated to shareholders</b>	<b>13 996</b>	<b>8 843</b>	<b>80 826</b>	<b>34 600</b>	<b>59 455</b>

## Changes in equity

NOK 1 000	30.09.2017	30.09.2016	31.12.2016
Equity opening balance	584 799	566 510	566 510
Profit (loss) for the period	69 384	49 167	74 551
Paid dividends	(44 048)	(36 322)	(36 322)
Effect from options	2 493	4 085	4 534
Issue of ordinary shares	-	-	323
Termination of options against cash consideration	-	-	(9 703)
Other comprehensive income for the period	11 442	(14 566)	(15 094)
<b>Equity closing balance</b>	<b>624 071</b>	<b>568 874</b>	<b>584 799</b>

## Notes to the financial statements

### Note 1 – General information and principles

The condensed consolidated financial statements for the third 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.



## 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

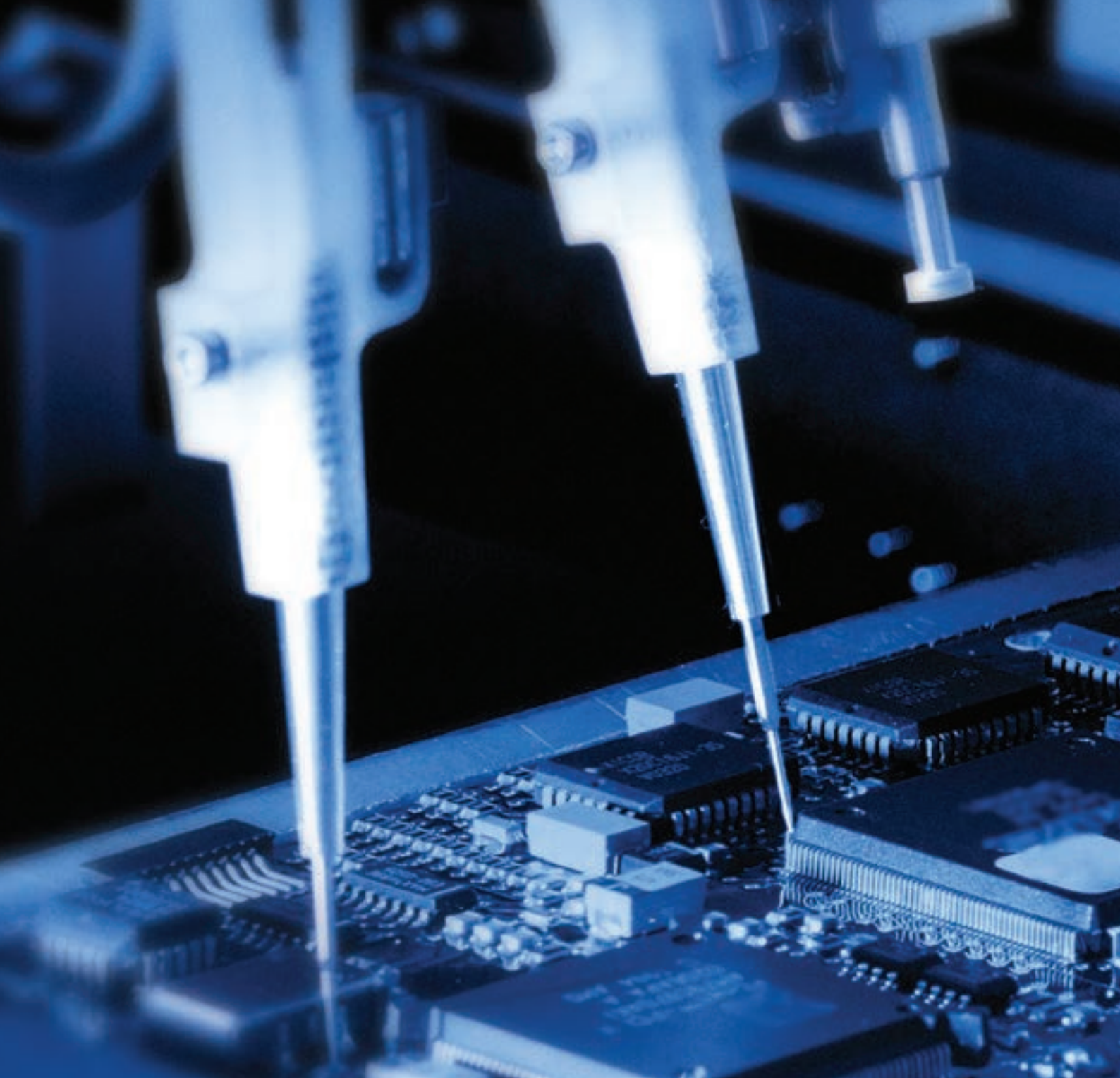
Annualised direct costs / Inventory

#### Variable contribution

Revenue - Direct cost

#### Net gearing

Net interest - bearing debt / Equity



**Kitron**

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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.