

FIRST HALF YEAR AND
SECOND QUARTER

REPORT 2018

Q2

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

Norway
Sweden
Lithuania
Germany
USA
China

 Kitron

Report first half year and second quarter 2018

Continued growth and solid profitability

- Highest second quarter revenue ever
- Q2 earnings per share NOK 0.20
- Q2 EBIT margin 6.8 per cent
- Effective actions to counter component shortages

Continued revenue growth

Kitron's revenue for the second quarter was NOK 667 million (NOK 649 million), an increase of 3 per cent compared to last year and the highest second quarter revenue ever. First half year revenue was NOK 1 318 million (NOK 1 234 million), an increase of 7 per cent.

Second quarter revenue growth compared to the same quarter last year was particularly strong in the Industry market sector. Medical devices also recorded solid growth, while Defence/Aerospace declined as predicted. Marine/Offshore was unchanged at a very low level, but there are early signs of increasing activity among customers.

The order backlog is noticeably affected by the implementation of the new accounting standard IFRS 15. Without the effect from implementation of IFRS 15, the backlog would have been NOK 1 141 million, which equals a growth of 12.1 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 1 009 million.

Orders received in the quarter were NOK 648 million (NOK 590 million), an increase of 10 per cent.

Solid profitability

Second quarter EBITDA* was NOK 58.6 million (NOK 59.0 million). Operating profit (EBIT)* for the second quarter ended at NOK 45.0 million (NOK 45.5 million).

Profitability expressed as EBIT margin* was 6.8 per cent (7.0 per cent).

Profit after tax was NOK 34.5 million (NOK 31.4 million), an increase of 10 per cent and corresponding to NOK 0.20 earnings per share (NOK 0.18).

First half EBITDA* was NOK 111.7 million (NOK 101.7 million), an increase of 10 per cent from last year. Operating profit (EBIT)* for the first half year ended at NOK 83.8 million (NOK 76.3 million), an increase of 10 per cent.

Profitability expressed as EBIT margin* was 6.4 per cent (6.2 per cent).

Profit after tax was NOK 60.7 million (NOK 53.0 million), an increase of 15 per cent and corresponding to NOK 0.35 earnings per share (NOK 0.31).

Effective actions to counter component shortages

Net working capital* was NOK 603 million (NOK 565 million) an increase of 7 per cent compared to the same quarter last year. Return on operating capital (ROOC) R3* was 21.3 per cent compared to 23.0 per cent in the same quarter last year. Net working capital R3 as a percentage of revenue was 21.6 per cent, compared to 20.6 per cent last year. Cash conversion cycle (CCC) R3* was 75 days for the quarter. This is up from 73 days last year.

Operating cash flow was NOK 42.7 million (NOK 63.1 million) for the quarter.

The increase in working capital is partly related 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 Electronics Manufacturing Services business since last year, and the situation is expected to be challenging throughout the year and into 2019. 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.

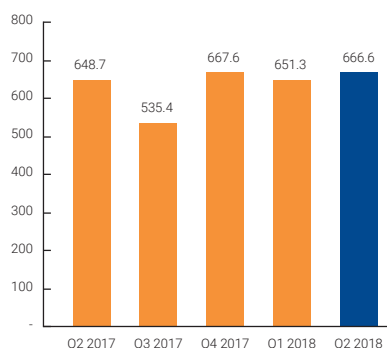
Implementation of new accounting standard IFRS 15

Kitron implemented the new accounting standard IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. In the second 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.

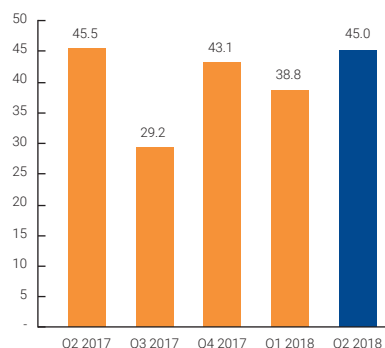
Key figures

NOK million	Q2 2018	Q2 2017	Change	30.06.2018	30.06.2017	Change	31.12.2017
Revenue	666.6	648.7	18.0	1 317.9	1 233.7	84.2	2 436.7
EBIT	45.0	45.5	(0.4)	83.8	76.3	7.5	148.7
Order backlog	1 008.9	1 017.8	(8.9)	1 008.9	1 017.8	(8.9)	1 306.4
Operating cash flow	42.7	63.1	(20.4)	23.2	47.6	(24.4)	160.8
Net working capital	602.7	565.3	37.4	602.7	565.3	37.4	486.4

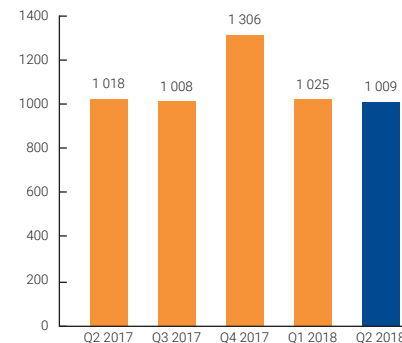
REVENUE Group NOK million



EBIT Group NOK million



ORDER BACKLOG Group NOK million



Key figures

Revenue from customers in the Swedish market represented a 46.3 per cent share of the total revenue during the second quarter (52.6 per cent). The Norwegian market represented 16.9 per cent of Kitron's total revenue in the second quarter (25.5 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 second quarter was NOK 45.0 million, which was a decrease of NOK 0.4 million compared with the same period last year.

Profit before tax in the second quarter of 2018 was NOK 42.8 million, which was an increase of NOK 2.4 million compared to the same period last year.

The company's total payroll expenses in the second quarter were NOK 4.0 million lower than in the corresponding period in 2017. The relative payroll costs ended at 19.0 per cent, down from 20.1 per cent of revenue in the second quarter last year. Other operating costs were 5.2 per cent of revenue in the second quarter of 2018 (5.7 per cent).

During the quarter, net financial items amounted to a net cost of NOK 2.2 million. The corresponding figure for second quarter last year was a net cost of NOK 5.1 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 30 June 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 30 June 2018 amounted to NOK 1 574.5 million, compared to NOK 1 437.8 million at the same time in 2017. Equity was NOK 621.4 million (NOK 609.2 million), corresponding to an equity ratio of 39.5 per cent (42.3 per cent). Net gearing* of the company was 0.45 (0.41).

Inventory was NOK 326.3 million as of 30 June 2018 (NOK 425.0 million). NOK 124.6 million of the reduction from the corresponding period last year was due to the implementation of IFRS 15. Inventory turns* was 4.2 in the second quarter 2018, which is a decrease compared to second quarter last year (4.5).

Accounts receivables amounted to NOK 630.4 million at the end of the second quarter of 2018. The corresponding amount at the same time in 2017 was NOK 515.9 million.

The implementation of IFRS 15 from 1 January 2018 resulted in a new balance sheet line item "Contract assets". Contract assets was NOK 131.8 million as of 30 June 2018.

The group's reported net interest-bearing debt* amounted to NOK 278.3 million as of 30 June 2018. Net interest-bearing debt at the end of the second quarter 2017 was NOK 250.1 million. Net interest-bearing debt/EBITDA is 1.3 for the second quarter compared to 1.3 at the same time last year.

Cash flow from operating activities for the second quarter of 2018 was NOK 42.7 million (NOK 63.1 million).

Organisation

The Kitron workforce corresponded to 1 530 full-time employees (FTE) on 30 June 2018. This is an increase of 117 FTE since the second quarter of 2017. There is a decrease of 54 FTE related to the operations in Norway, an increase of 3 FTE in Sweden and an increase of the workforce in Lithuania and China of 124 FTE and 45 FTE respectively. The number of FTE in lower-cost regions now accounts for 69 per cent of the total.

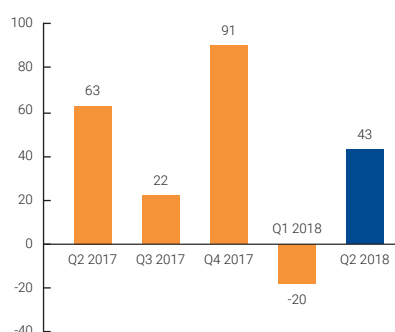
Market

Order intake in the quarter was NOK 648.5 million, which is 9.9 per cent higher than for the second quarter 2017. The order backlog ended at NOK 1 008.9 million, which is 0.9 per cent lower than the same period last year.

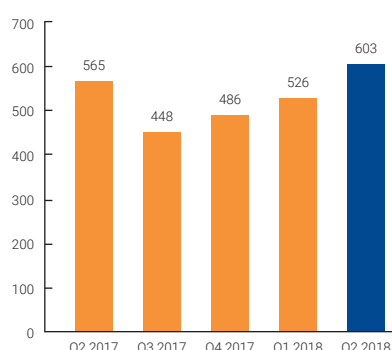
Four-quarter moving average order intake was up from NOK 645.1 million at the beginning of the second quarter to NOK 659.8 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

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

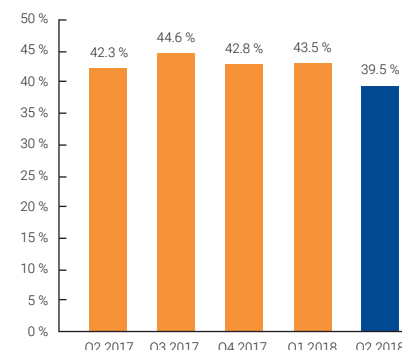
OPERATING CASH FLOW Group NOK million



NET WORKING CAPITAL Group NOK million



EQUITY RATIO Group Per cent



Revenue business entities

NOK million	Q2 2018	Q2 2017	Change	30.06.2018	30.06.2017	Change	31.12.2017
Norway	178.2	212.0	(33.8)	337.5	396.0	(58.5)	737.6
Sweden	174.5	195.0	(20.5)	330.8	357.0	(26.3)	707.6
Lithuania	250.5	209.2	41.3	516.9	421.8	95.1	818.3
Others	119.0	95.7	23.3	214.3	184.4	30.0	394.8
Group and eliminations	(55.5)	(63.2)	7.7	(81.6)	(125.4)	43.8	(221.7)
Total group	666.6	648.7	18.0	1 317.9	1 233.7	84.2	2 436.7

EBIT business entities

NOK million	Q2 2018	Q2 2017	Change	30.06.2018	30.06.2017	Change	31.12.2017
Norway	9.3	12.0	(2.7)	15.7	20.0	(4.3)	31.7
Sweden	9.7	11.2	(1.5)	14.9	12.8	2.1	26.7
Lithuania	21.6	17.2	4.4	49.0	37.0	11.9	69.1
Others	10.1	8.9	1.3	14.2	16.1	(1.9)	38.8
Group and eliminations	(5.7)	(3.7)	(2.0)	(10.0)	(9.6)	(0.4)	(17.6)
Total group	45.0	45.5	(0.4)	83.8	76.3	7.5	148.7

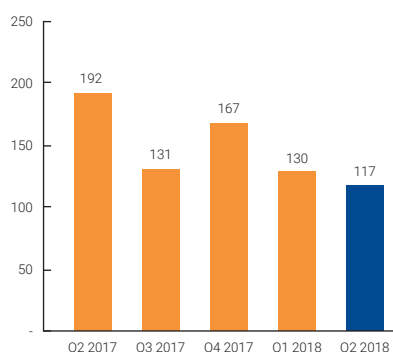
Revenue geographic markets

NOK million	Q2 2018	Q2 2017	Change	30.06.2018	30.06.2017	Change	31.12.2017
Norway	112.4	149.2	(36.8)	226.4	289.7	(63.2)	529.5
Sweden	308.4	318.8	(10.4)	576.0	570.9	5.1	1 171.3
Rest of Europe	154.8	96.6	58.2	343.4	211.7	131.7	390.9
USA/Canada	68.6	60.2	8.4	131.3	122.5	8.8	273.2
Others	22.5	23.8	(1.4)	40.7	38.9	1.8	71.8
Total group	666.6	648.7	18.0	1 317.9	1 233.7	84.2	2 436.7

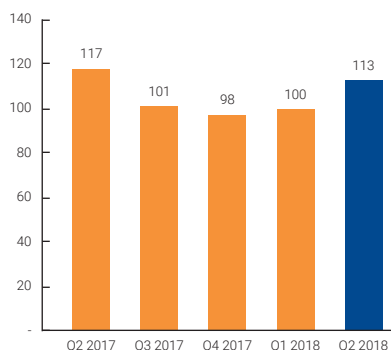
Full time employees

	30.06.2018	30.06.2017	Change	31.12.2017
Norway	302	356	(54)	270
Sweden	179	176	3	180
Lithuania	817	694	124	798
Other	232	187	45	203
Total group	1 530	1 413	117	1 451

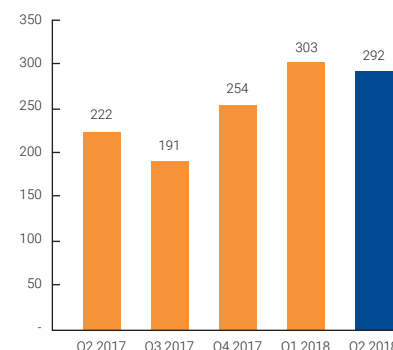
REVENUE Defence/Aerospace NOK million



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 38.7 per cent compared to last year. The order backlog at NOK 359.3 million decreased by NOK 22.5 million during the quarter. Compared to last year, the order backlog decreased by NOK 44.0 million (10.9 per cent).

The level of activity in the defence sector, driven by roll-out of military communications equipment in Norway and supported by 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 decreased by 4.0 per cent compared to last year. The order backlog is NOK 110.7 million, a decrease of NOK 51.6 million compared to the first quarter in 2018, and NOK 35.4 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.

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.

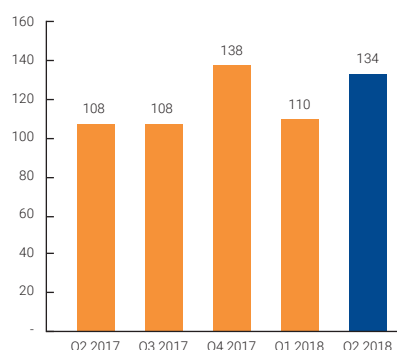
Revenue market sectors

NOK million	Q2 2018	Q2 2017	Change	30.06.2018	30.06.2017	Change	31.12.2017
Defence/Aerospace	117.4	191.5	(74,1)	247.2	356.0	(108.7)	654.3
Energy/Telecoms	112.7	117.4	(4,8)	212.3	206.3	6.0	404.5
Industry	291.6	221.6	70,0	595.1	445.8	149.2	890.8
Medical devices	134.4	107.8	26,6	244.3	208.9	35.3	455.2
Offshore/Marine	10.4	10.2	0,2	19.0	16.7	2.3	32.0
Total group	666.6	648.7	18,0	1 317.9	1 233.7	84.2	2 436.7

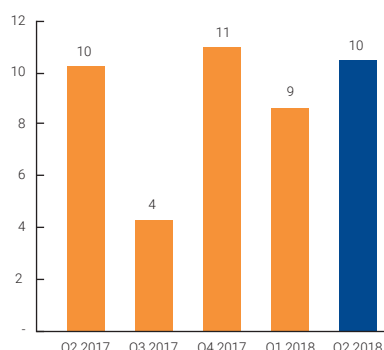
Order Backlog market sectors

NOK million	30.06.2018	30.06.2017	Change	31.12.2017
Defence/Aerospace	359.3	403.3	(44.0)	504.3
Energy/Telecoms	110.7	146.0	(35.4)	167.8
Industry	364.6	294.7	69.9	455.6
Medical devices	147.6	162.0	(14.4)	157.7
Offshore/Marine	26.8	11.8	15.0	21.0
Total group	1 008.9	1 017.8	(8.9)	1 306.4

REVENUE Medical devices NOK million



REVENUE Offshore/Marine NOK million



The industry sector showed a revenue increase of 31.6 per cent compared to the second quarter last year, and a decrease of 3.9 per cent from the first quarter of 2018. The order backlog increased by NOK 69.9 million (23.7 per cent) compared to the same period last year and increased by NOK 10.5 million from the preceding quarter (3.0 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 24.7 per cent compared to the same period last year. The order backlog is NOK 147.6 million, a decrease of NOK 14.4 million from the same period last year, and up NOK 39.9 million (37.0 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 10.4 million in second quarter, compared to NOK 10.2 million in the same period last year. The order backlog is NOK 26.8 million, an increase of NOK 8.1 million compared to the preceding quarter and NOK 15.0 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, 12 July 2018, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Revenue	666 611	648 658	1 317 897	1 233 740	2 436 729
Cost of materials	446 074	422 904	885 138	810 420	1 620 014
Payroll expenses	126 710	130 665	250 821	254 386	480 751
Other operational expenses	34 455	36 899	67 632	67 571	133 957
Other gains / (losses)	(723)	807	(2 608)	374	(861)
Operating profit before depreciation and impairments (EBITDA)	58 649	58 996	111 698	101 736	201 146
Depreciation	13 605	13 507	27 892	25 398	52 464
Operating profit (EBIT)	45 044	45 489	83 806	76 338	148 683
Net financial items	(2 202)	(5 077)	(9 611)	(9 147)	(16 183)
Profit (loss) before tax	42 842	40 412	74 195	67 192	132 499
Tax	8 319	8 964	13 461	14 163	33 502
Profit (loss) for the period	34 524	31 447	60 734	53 028	98 997
Earnings per share-basic	0.20	0.18	0.35	0.31	0.57
Earnings per share-diluted	0.19	0.18	0.34	0.30	0.57

Condensed balance sheet

NOK 1 000	30.06.2018	30.06.2017	31.12.2017
ASSETS			
Goodwill	26 786	26 786	26 786
Other intangible assets	11 631	14 124	10 773
Tangible fixed assets	257 238	244 005	277 869
Deferred tax assets	54 378	64 516	58 024
Total non-current assets	350 034	349 431	373 451
Inventory	326 319	425 022	398 901
Accounts receivable	630 379	515 853	516 251
Contract assets	131 836	-	-
Other receivables	66 046	57 084	83 372
Cash and cash equivalents	69 900	90 449	176 725
Total current assets	1 224 480	1 088 408	1 175 248
Total assets	1 574 514	1 437 838	1 548 699
LIABILITIES AND EQUITY			
Equity	621 417	609 171	663 565
Total equity	621 417	609 171	663 565
Deferred tax liabilities	4 205	994	3 417
Loans	70 850	58 427	76 434
Pension commitments	6 205	6 343	6 205
Total non-current liabilities	81 260	65 764	86 056
Accounts payable	485 795	375 526	428 801
Other payables	98 927	98 575	86 282
Tax payable	9 787	6 711	8 515
Loans	277 327	282 092	275 481
Total current liabilities	871 836	762 904	799 079
Total liabilities and equity	1 574 514	1 437 838	1 548 699

Condensed cash flow statement

NOK 1 000	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Profit before tax	42 842	40 412	74 195	67 192	132 499
Depreciations	13 605	13 507	27 892	25 398	52 464
Change in inventory, accounts receivable, contract assets and accounts payable	(76 971)	(11 854)	(116 389)	(53 153)	25 845
Change in net other current assets and other operating related items	22 172	(6 209)	23 571	6 854	(29 808)
Change in factoring debt	41 013	27 234	13 912	1 307	(20 200)
Net cash flow from operating activities	42 662	63 091	23 181	47 598	160 800
Net cash flow from investing activities	(8 760)	(13 528)	(15 918)	(27 500)	(35 150)
Net cash flow from financing activities	(105 006)	(47 707)	(113 176)	(55 100)	(70 294)
Change in cash and bank credit	(71 105)	1 857	(105 913)	(35 002)	55 357
Cash and bank credit opening balance	73 357	16 416	108 738	53 523	53 523
Currency conversion of cash and bank credit	990	738	418	490	(142)
Cash and bank credit closing balance	3 242	19 011	3 242	19 011	108 738

Consolidated statement of comprehensive income

NOK 1 000	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Profit (loss) for the period	34 524	31 447	60 734	53 028	98 997
Actuarial gain / losses pensions	-	-	-	-	(176)
Gain / losses forward contract	-	-	-	-	420
Exchange differences on translation of foreign operations	1 617	-	(370)	-	(1 870)
Currency translation differences	(10 557)	10 339	(14 760)	13 802	22 195
Total comprehensive income for the period	25 584	41 786	45 604	66 830	119 566
Allocated to shareholders	25 584	41 786	45 604	66 830	119 566

Changes in equity

NOK 1 000	30.06.2018	30.06.2017	31.12.2017
Equity opening balance	663 565	584 799	584 799
Profit (loss) for the period	60 734	53 028	98 997
Paid dividends	(96 906)	(44 048)	(44 048)
Effect from options	3 794	1 589	3 247
Implementation of IFRS 15	5 361	-	-
Other comprehensive income for the period	(15 130)	13 802	20 569
Equity closing balance	621 417	609 171	663 565

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the second 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 second quarter and first half year 2018, on condensed balance sheet and order backlog per 30 June 2018.

Condensed profit and loss statement

	Old principles Q2 2018	Effects from IFRS 15	New principles Q2 2018	Old principles 30.06.2018	Effects from IFRS 15	New principles 30.06.2018
NOK 1 000						
Revenue	669 018	(2 408)	666 611	1 306 001	11 896	1 317 897
Cost of materials	447 895	(1 821)	446 074	876 828	8 311	885 138
Payroll expenses	126 912	(202)	126 710	249 448	1 373	250 821
Other operational expenses	34 794	(339)	34 455	66 214	1 418	67 632
Other gains / (losses)	(723)	-	(723)	(2 608)	-	(2 608)
Operating profit before depreciation and impairments (EBITDA)	58 694	(45)	58 649	110 903	795	111 698
Depreciation	13 605	-	13 605	27 892	-	27 892
Operating profit (EBIT)	45 089	(45)	45 044	83 011	795	83 806
Net financial items	(2 202)	-	(2 202)	(9 611)	-	(9 611)
Profit (loss) before tax	42 887	(45)	42 842	73 400	795	74 195
Tax	8 325	(6)	8 319	13 295	166	13 461
Profit (loss) for the period	34 563	(39)	34 524	60 105	629	60 734
Earnings per share-basic	0.20		0.20	0.34		0.35
Earnings per share-diluted	0.19		0.19	0.33		0.34

Condensed balance sheet

	Old principles 30.06.2018	Effects from IFRS 15*	New principles 30.06.2018
NOK 1 000			
ASSETS			
Goodwill	26 786	-	26 786
Other intangible assets	11 631	-	11 631
Tangible fixed assets	257 238	-	257 238
Deferred tax assets	55 844	(1 466)	54 378
Total non-current assets	351 500	(1 466)	350 034
Inventory	450 955	(124 636)	326 319
Accounts receivable	630 379	-	630 379
Contract assets	-	131 836	131 836
Other receivables	66 046	-	66 046
Cash and cash equivalents	69 900	-	69 900
Total current assets	1 217 280	7 200	1 224 480
Total assets	1 568 779	5 734	1 574 514
LIABILITIES AND EQUITY			
Equity	615 683	5 734	621 417
Total equity	615 683	5 734	621 417
Deferred tax liabilities	4 205	-	4 205
Loans	70 850	-	70 850
Pension commitments	6 205	-	6 205
Total non-current liabilities	81 260	-	81 260
Accounts payable	485 795	-	485 795
Other payables	98 927	-	98 927
Tax payable	9 787	-	9 787
Loans	277 327	-	277 327
Total current liabilities	871 836	-	871 836
Total liabilities and equity	1 568 779	5 734	1 574 514

* 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 first half year 2018.


Order backlog market sectors


NOK million	Old principles 30.06.2018	Effects from IFRS 15	New principles 30.06.2018
Defence/Aerospace	397.8	(38.5)	359.3
Energy/Telecoms	132.6	(21.9)	110.7
Industry	410.3	(45.6)	364.6
Medical devices	171.5	(23.9)	147.6
Offshore/Marine	28.6	(1.8)	26.8
Total group	1 140.7	(131.8)	1 008.9

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, 12 July 2018

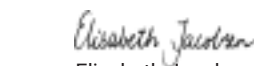

Tuomo Lähdesmäki
Chairman


Gro Brækken
Deputy chairman



Christian Jebesen


Espen Gundersen


Tanja Rørheim
Employee elected board member


Elisabeth Jacobsen
Employee elected board member


Maalfrid Brath


Bjørn Gottschlich
Employee elected board member


Lars Peter Nilsson
CEO

Appendix

Definition of Alternative Performance Measures

Order backlog

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

Foreign exchange effects

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

EBITDA

Operating profit (EBIT) + Depreciation and Impairments

EBIT

Operating profit

EBIT margin (%)

Operating profit (EBIT) / Revenue

Net working capital

Inventory + 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.