

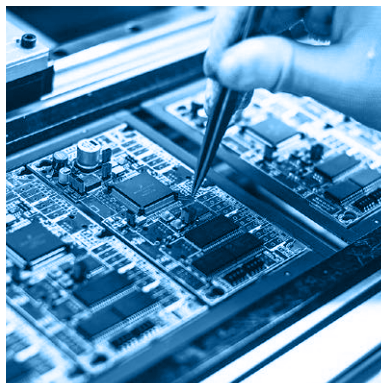
THIRD QUARTER
REPORT 2019

Q3



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

Norway
Sweden
Lithuania
Germany
Poland
China
USA



Your ambition. Our passion.



Report third quarter 2019

Defence/Aerospace and Offshore/Marine continue to gain momentum

- Revenue increased 31 per cent
- EBIT increased 32 per cent
- Order backlog increased 40 per cent
- Working capital stabilized

Strong revenue growth

Kitron's revenue for the third quarter was NOK 738 million (NOK 563 million), an increase of 31 per cent compared to last year. Organic growth, excluding the acquisition of the EMS division of API Technologies Corp. (see note 6), was 21 per cent.

All market sectors grew. In absolute numbers, third quarter revenue growth compared to the same quarter last year was particularly strong in the Defence/Aerospace and Offshore/Marine sector.

Strong order backlog

The order backlog ended at NOK 1 572 million, an increase of 40 per cent compared to last year, and similar to the revenue development the order backlog increase was particularly strong in the Defence/Aerospace and Offshore/ Marine market sectors.

Organic order backlog growth, excluding the acquisition of the EMS division of API Technologies Corp., was 27 per cent.

Orders received in the quarter were NOK 848 million (NOK 669 million), an increase of 27 per cent.

Improved profits

Third quarter EBITDA* was NOK 59.7 million (NOK 42.7 million), an increase of 40 per cent compared to last year. Operating profit (EBIT)* for the third quarter ended at NOK 39.6 million (NOK 30.0 million), an increase of 32 per cent. The effect on third quarter EBITDA and EBIT from implementation of IFRS 16 is an increase of NOK 5.0 million and NOK 0.8 million respectively.

Profitability expressed as EBIT margin* was 5.4 per cent (5.3 per cent).

Profit after tax was NOK 24.6 million (NOK 21.8 million), an increase of 13 per cent and corresponding to NOK 0.14 earnings per share (NOK 0.12).

Inventory build-up to secure deliveries and future growth

Net working capital* was NOK 887 million (NOK 605 million) an increase of 47 per cent compared to the same quarter last year. Net working capital R3 as a percentage of revenue was 29.4 per cent, compared to 25.1 per cent last year.

The increase is primarily related to the deliberate and temporary inventory build-up to avoid supply disruptions in the face of the previously reported electronic components shortages that peaked in late 2018. As previously announced, Kitron expects that a continued gradual improvement in component availability during 2019 will lead to a reduction of working capital, both in absolute numbers and as a percentage of revenue.

Cash conversion cycle (CCC) R3* was 116 days for the quarter. This is up from 94 days last year.

Return on operating capital (ROOC) R3* was 12.2 per cent compared to 14.4 per cent in the same quarter last year. ROOC is affected by implementation of the IFRS 16 accounting standard, see notes 1 and 5, with capitalization of leases in fixed assets of NOK 136 million. ROOC adjusted for this was 13.1 per cent.

The acquisition of the EMS division of API Technologies Corp. increased net working capital by NOK 94 million. In general, the acquisition does not affect performance measures and ratios significantly.

Operating cash flow was NOK 19.2 million (negative NOK 41.0 million) for the quarter.

New factory in Poland

During the third quarter, construction of Kitron's new factory in Grudziądz, Poland, was finalized, and production is ramping up in the fourth quarter, as planned. The start of the Polish operation has contributed to growth in the number of employees during the quarter.

Flooding in the US

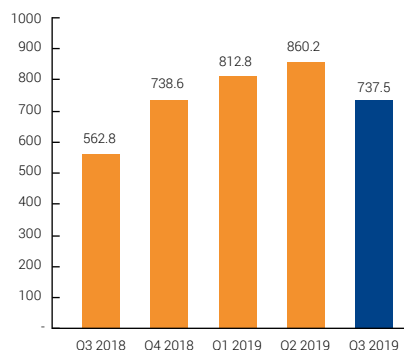
The facility of Kitron Technologies in Windber, Pennsylvania, was damaged by flooding in July and production has been moved to a temporary site. This has led to some inefficiencies in production and increase in net working capital, but the effect on customers has been, and is expected to be, minimal. On a group level we do not expect significant financial impact from this incident.

Key figures

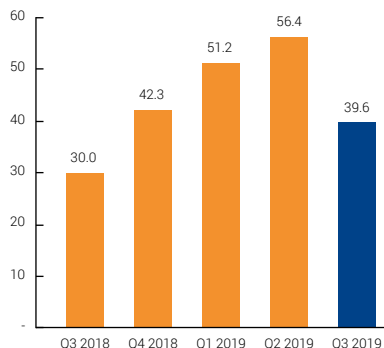
NOK million	Q3 2019	Q3 2018	Change	30.09.2019	30.09.2018	Change	31.12.2018
Revenue	737.5	562.8	174.7	2 410.6	1 880.7	529.9	2 619.3
EBIT	39.6	30.0	9.6	147.3	113.8	33.5	156.1
Order backlog	1 572.4	1 122.0	450.5	1 572.4	1 122.0	450.5	1 334.8
Operating cash flow	19.2	(41.0)	60.2	98.0	(17.7)	115.7	(44.5)
Net working capital	886.7	605.0	281.7	886.7	605.0	281.7	779.2

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

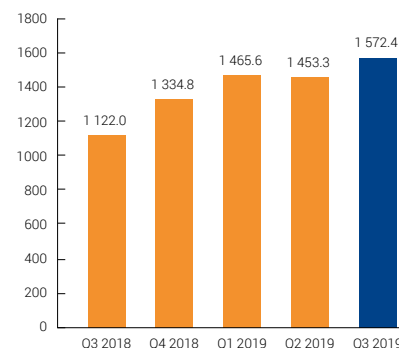
REVENUE Group NOK million



EBIT Group NOK million



ORDER BACKLOG Group NOK million



Acquisition in the United States

In the first quarter, Kitron completed the acquisition of the EMS division of API Technologies Corp., substantially strengthening its position in the US market (hereafter operational unit named Kitron Technologies Inc). Kitron consolidated the acquired business effective 15 February, see note 6 to the financial statements.

Implementation of new accounting standard IFRS 16 "Leases"

Kitron implemented the new accounting standard IFRS 16 "Leases" from 1 January 2019. In the third quarter, this had a minor effect on profits. It affected certain balance sheet items. For more information, see notes 1 and 5 to the financial statements.

Key figures

Revenue from customers in the Swedish market represented a 43.4 per cent share of the total revenue during the third quarter (50.6 per cent). The Norwegian market represented 16.8 per cent of Kitron's total revenue in the third quarter (19.1 per cent), while customers in the US and Canadian market represented 19.4 per cent of Kitron's revenue in the third quarter (6.8 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 third quarter was NOK 39.6 million, which was an increase of NOK 9.6 million compared with the same period last year.

Profit before tax in the third quarter of 2019 was NOK 33.1 million, which was an increase of NOK 5.6 million compared to the same period last year.

The company's total payroll expenses in the third quarter were NOK 22.9 million higher than in the corresponding period in 2018. The relative payroll costs ended at 17.6 per cent, down from 19.0 per cent of revenue in the third quarter last year. Other operating costs were 6.0 per cent of revenue in the third quarter of 2019 (6.2 per cent).

During the quarter, net financial items amounted to a net cost of NOK 6.5 million. The corresponding figure for third quarter last year was a net cost of NOK 2.5 million. The main reason for the change was higher net interest bearing debt and currency effects on intra-group financial loans. Intra-group financial loans to subsidiaries in foreign currencies as of 30 September 2019 are affecting net financial income of total USD 3.6 million and EUR 1.9 million.

Balance sheet

Kitron's gross balance sheet as of 30 September 2019 amounted to NOK 2 232.9 million, compared to NOK 1 590.8 million at the same time in 2018. The increase is due to temporary inventory build-up to avoid supply disruptions, revenue growth, the acquisition of the EMS division of API Technologies Corp. and the implementation of IFRS 16.

Equity was NOK 710.1 million (NOK 641.7 million), corresponding to an equity ratio of 31.8 per cent (40.3 per cent).

Inventory was NOK 498.8 million as of 30 September 2019 (NOK 391.7 million). Inventory turns* was 3.2 in the third quarter 2019, which is a decrease compared to third quarter last year (3.3).

Accounts receivables amounted to NOK 669.2 million at the end of the third quarter of 2019. The corresponding amount at the same time in 2018 was NOK 539.1 million.

Contract assets was NOK 279.5 million as of 30 September 2019, compared to NOK 192.8 million at the same time in 2018.

Tangible fixed assets amounted to NOK 500.8 million at the end of the third quarter, compared to NOK 254.9 million at the same time last year. The increase is mainly due to effects from implementation of IFRS 16 and establishment of the plant in Poland.

The group's reported net interest-bearing debt* amounted to NOK 779.7 million as of 30 September 2019 (NOK 320.2 million). Net gearing* of the company was 1.1 (0.5). Net interest-bearing debt/EBITDA is 3.0 for 12 months rolling compared to 1.5 for the same period last year. The net gearing and net interest-bearing debt/EBITDA exclusive IFRS 16 effects are 0.90 and 2.6 respectively.

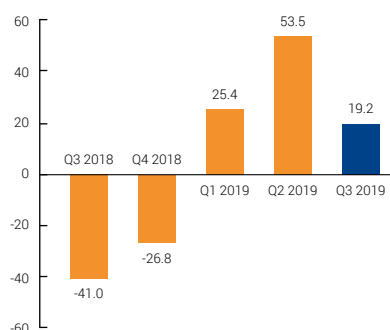
Cash flow from operating activities for the third quarter of 2019 was NOK 19.2 million (negative NOK 41.0 million).

Organisation

The Kitron workforce corresponded to 1760 full-time employees (FTE) on 30 September 2019. This is an increase of 200 FTE since the third quarter of 2018. There is an increase of 36 FTE related to the operations in Norway, an increase of 10 FTE in Sweden, and an increase of the workforce in China of 1 FTE. The number of employees in the Polish operation is 63. There is a reduction in Lithuania of 17 FTE compared to last year. The acquisition of API added 101 FTEs to the workforce per 30 September. The number of FTE in lower-cost regions now accounts for 72 per cent of the total.

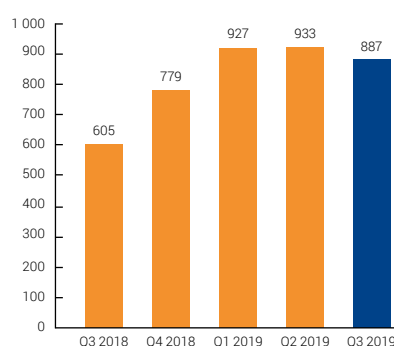
OPERATING CASH FLOW Group

NOK million



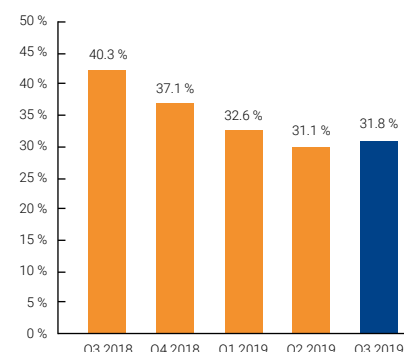
NET WORKING CAPITAL Group

NOK million



EQUITY RATIO Group

Per cent



Revenue business entities

NOK million	Q3 2019	Q3 2018	Change	30.09.2019	30.09.2018	Change	31.12.2018
Norway	177.4	141.4	36.0	607.3	478.9	128.4	666.0
Sweden	142.8	147.7	(4.9)	498.2	478.4	19.7	662.7
Lithuania	243.8	201.3	42.5	843.7	718.1	125.6	1 008.5
USA	85.4	1.9	83.5	214.7	24.4	190.3	35.6
Others	120.0	110.3	9.7	346.0	302.1	43.9	401.4
Group and eliminations	(31.9)	(39.7)	7.9	(99.3)	(121.3)	22.0	(155.0)
Total group	737.5	562.8	174.7	2 410.6	1 880.7	529.9	2 619.3

EBIT business entities

NOK million	Q3 2019	Q3 2018	Change	30.09.2019	30.09.2018	Change	31.12.2018
Norway	8.1	5.2	2.9	30.8	21.0	9.8	27.7
Sweden	8.5	8.2	0.3	31.6	23.1	8.4	36.7
Lithuania	14.8	10.2	4.6	63.0	59.1	3.9	84.6
USA	4.8	(4.1)	8.9	5.1	(5.6)	10.6	(8.4)
Others	7.1	11.6	(4.4)	32.5	27.2	5.3	45.2
Group and eliminations	(3.7)	(1.1)	(2.7)	(15.8)	(11.1)	(4.7)	(29.7)
Total group	39.6	30.0	9.6	147.3	113.8	33.5	156.1

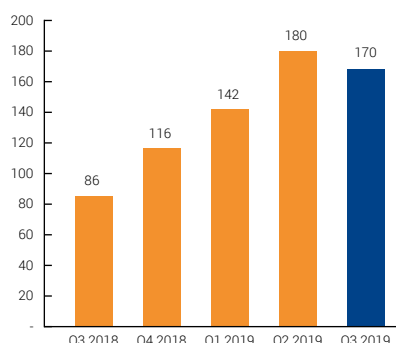
Revenue geographic markets

NOK million	Q3 2019	Q3 2018	Change	30.09.2019	30.09.2018	Change	31.12.2018
Norway	124.1	107.6	16.5	424.8	334.0	90.7	459.5
Sweden	320.1	284.5	35.6	1 010.3	860.5	149.8	1 201.2
Rest of Europe	135.0	115.2	19.8	501.3	458.6	42.7	642.2
USA/Canada	142.8	38.2	104.6	405.8	169.5	236.3	230.1
Others	15.7	17.3	(1.7)	68.4	58.1	10.4	86.3
Total group	737.5	562.8	174.7	2 410.6	1 880.7	529.9	2 619.3

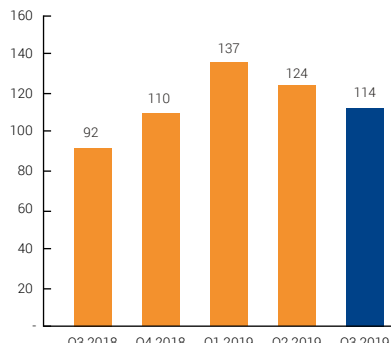
Full time employees

	30.09.2019	30.09.2018	Change	31.12.2018
Norway	300	264	36	279
Sweden	197	187	10	194
Lithuania	846	863	(17)	889
USA	127	20	107	24
Other	290	226	64	221
Total group	1 760	1 560	200	1 606

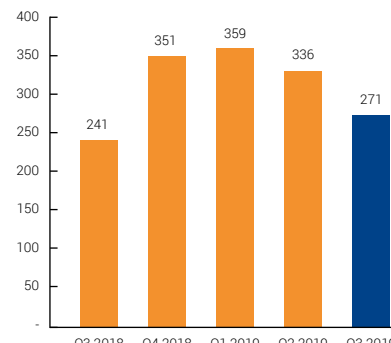
REVENUE Defence/Aerospace NOK million



REVENUE Energy/Telecoms NOK million



REVENUE Industry NOK million



Market

Order intake in the quarter was NOK 847.5 million, which is 26.7 per cent higher than for the third quarter 2018. The order backlog ended at NOK 1 572.4 million, which is 40.1 per cent higher than the same period last year.

Four-quarter moving average order intake was up from NOK 805.4 million at the beginning of the third quarter to NOK 850.1 million at the end of the quarter. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery.

Defence/Aerospace

The Defence/Aerospace sector consists of three main product divisions: Military and civil avionics, military communication and weapon control systems.

The Defence/Aerospace sector revenue increased by 96.5 per cent compared to last year. The order backlog at NOK 657.6 million decreased by NOK 17.0 million during the quarter. Compared to last year, the order backlog increased by NOK 275.4 million (72.1 per cent). Of this NOK 132.1 million is from the acquisition.

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 25.0 per cent compared to last year. The order backlog is NOK 174.7 million, an increase of NOK 42.3 million compared to the second quarter in 2019, and NOK 21.5 million higher than a year ago.

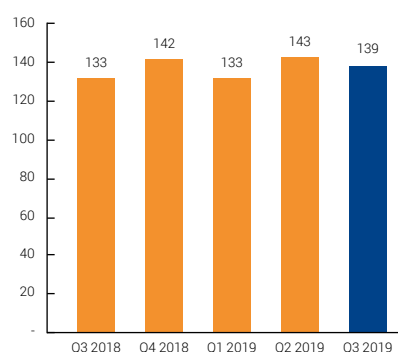
Revenue market sectors

NOK million	Q3 2019	Q3 2018	Change	30.09.2019	30.09.2018	Change	31.12.2018
Defence/Aerospace	169.5	86.3	83.2	491.7	333.5	158.2	449.7
Energy/Telecoms	114.5	91.6	22.9	389.6	303.9	85.7	414.1
Industry	270.9	241.3	29.7	951.9	836.3	115.5	1 187.7
Medical devices	139.5	133.1	6.4	415.3	377.4	37.9	519.2
Offshore/Marine	43.1	10.6	32.5	162.0	29.6	132.4	48.6
Total group	737.5	562.8	174.7	2 410.6	1 880.7	529.9	2 619.3

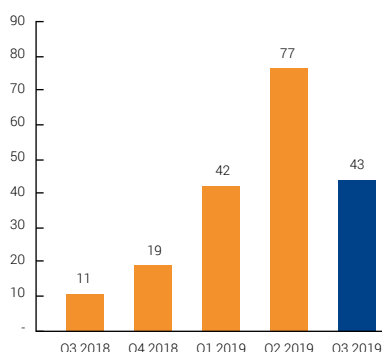
Order Backlog market sectors

NOK million	30.09.2019	30.09.2018	Change	31.12.2018
Defence/Aerospace	657.6	382.2	275.4	433.3
Energy/Telecoms	174.7	153.3	21.5	160.1
Industry	399.6	394.8	4.8	454.4
Medical devices	207.1	152.6	54.5	186.6
Offshore/Marine	133.4	39.0	94.3	100.4
Total group	1 572.4	1 122.0	450.5	1 334.8

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 12.3 per cent compared to the third quarter last year, and a decrease of 19.4 per cent from the second quarter of 2019. The order backlog increased by NOK 4.8 million (1.2 per cent) compared to the same period last year and increased by NOK 38.5 million from the preceding quarter (10.7 per cent).

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 4.8 per cent compared to the same period last year. The order backlog is NOK 207.1 million, an increase of NOK 54.5 million from the same period last year, and up NOK 32.7 million (18.8 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, as well as navigation, positioning, automation and control systems for

the marine sector. Current customer mix within the Offshore/Marine segment are more project related than historically.

The Offshore/Marine sector revenue was NOK 43.1 million in third quarter, compared to NOK 10.6 million in the same period last year. The order backlog is NOK 133.4 million, an increase of NOK 22.7 million compared to the preceding quarter and NOK 94.3 million higher than the same quarter last year.

Outlook

For 2019, Kitron expects revenue to grow to between NOK 3 200 and NOK 3 400 million.

Earnings in value are above previous outlook, however EBIT margin is expected to be between 5.9 and 6.3 per cent. Ramp-ups of new customer programs due to strong growth temporarily result in lower efficiencies in existing facilities. Start-up of the Polish facility is also expected to affect margins. We expect the margin challenges to be resolved as we move into 2020.

Growth is primarily driven by the acquisition of the EMS division of API Technologies Corp. and growth for customers in the Defence/ Aerospace, Industry and Offshore/ Marine sectors.

The board emphasizes that every assessment of future conditions necessarily involves an element of uncertainty.

Oslo, 23 October 2019, Board of directors, Kitron ASA

Condensed profit and loss statement

NOK 1 000	Q3 2019	Q3 2018	30.09.2019	30.09.2018	31.12.2018
Revenue	737 530	562 796	2 410 572	1 880 693	2 619 257
Cost of materials	503 868	379 569	1 642 289	1 264 707	1 756 246
Payroll expenses	129 824	106 918	435 714	357 739	496 911
Other operational expenses	44 590	34 793	126 053	102 425	153 490
Other gains / (losses)	449	1 133	(3 208)	(1 475)	(3 687)
Operating profit before depreciation and impairments (EBITDA)	59 696	42 650	203 308	154 347	208 924
Depreciation	20 117	12 642	56 043	40 534	52 824
Operating profit (EBIT)	39 579	30 007	147 266	113 813	156 100
Net financial items	(6 494)	(2 545)	(22 129)	(12 156)	(14 882)
Profit (loss) before tax	33 085	27 463	125 137	101 657	141 218
Tax	8 454	5 642	26 668	19 103	30 950
Profit (loss) for the period	24 631	21 821	98 468	82 555	110 267
Earnings per share-basic	0.14	0.12	0.55	0.47	0.63
Earnings per share-diluted	0.14	0.12	0.55	0.46	0.61

Condensed balance sheet

NOK 1 000	30.09.2019	30.09.2018	31.12.2018
ASSETS			
Goodwill	32 428	26 786	26 786
Other intangible assets	12 130	13 891	12 601
Tangible fixed assets	500 832	254 936	293 193
Deferred tax assets	75 299	52 966	45 987
Other receivables	2 391	-	-
Total non-current assets	623 082	348 580	378 567
Inventory	498 848	391 695	448 203
Accounts receivable	669 246	539 093	690 598
Contract assets	279 470	192 784	235 201
Other receivables	100 245	65 036	67 864
Cash and cash equivalents	62 050	53 567	45 654
Total current assets	1 609 860	1 242 176	1 487 520
Total assets	2 232 941	1 590 756	1 866 088
LIABILITIES AND EQUITY			
Equity	710 084	641 723	691 459
Total equity	710 084	641 723	691 459
Deferred tax liabilities	6 804	4 209	1 196
Loans	299 379	68 928	40 830
Pension commitments	5 966	6 205	5 966
Total non-current liabilities	312 149	79 341	47 992
Accounts payable	560 833	482 384	594 808
Other payables	94 558	71 239	122 896
Tax payable	12 911	11 252	7 962
Loans	542 407	304 816	400 970
Total current liabilities	1 210 708	869 691	1 126 636
Total liabilities and equity	2 232 941	1 590 756	1 866 088

Condensed cash flow statement

NOK 1 000	Q3 2019	Q3 2018	30.09.2019	30.09.2018	31.12.2018
Profit before tax	33 085	27 463	125 137	101 657	141 218
Depreciations	20 117	12 642	56 043	40 534	52 824
Change in inventory, accounts receivable, contract assets and accounts payable	46 073	(2 301)	(7 782)	(87 414)	(261 569)
Change in net other current assets and other operating related items	(55 083)	(68 340)	(77 445)	(75 924)	13 088
Change in factoring debt	(24 989)	(10 451)	2 087	3 461	9 982
Net cash flow from operating activities	19 203	(40 987)	98 040	(17 686)	(44 458)
Net cash flow from investing activities	(72 166)	(13 242)	(239 545)	(29 160)	(55 859)
Net cash flow from financing activities	14 941	(6 847)	56 417	(120 023)	(126 387)
Change in cash and bank credit	(38 023)	(61 075)	(85 088)	(166 869)	(226 704)
Cash and bank credit opening balance	(153 344)	13 320	(107 548)	118 765	118 765
Currency conversion of cash and bank credit	(3 965)	1 878	(2 695)	2 227	391
Cash and bank credit closing balance	(195 331)	(45 877)	(195 331)	(45 877)	(107 548)

Consolidated statement of comprehensive income

NOK 1 000	Q3 2019	Q3 2018	30.09.2019	30.09.2018	31.12.2018
Profit (loss) for the period	24 631	21 821	98 468	82 555	110 267
Actuarial gain / losses pensions	-	-	-	-	(113)
Exchange differences on translation of foreign operations	5 988	(189)	4 322	(559)	2 218
Currency translation differences	10 529	(3 254)	(2 593)	(18 014)	(583)
Total comprehensive income for the period	41 148	18 378	100 198	63 982	111 789
Allocated to shareholders	41 148	18 378	100 198	63 982	111 789

Changes in equity

NOK 1 000	30.09.2019	30.09.2018	31.12.2018
Equity opening balance	691 459	663 565	663 565
Profit (loss) for the period	98 468	82 555	110 267
Paid dividends	(70 477)	(96 906)	(96 906)
Issue of ordinary shares	291	-	-
Employee share schemes	(11 387)	5 722	7 650
Implementation IFRS15	-	5 361	5 361
Other comprehensive income for the period	1 729	(18 573)	1 522
Equity closing balance	710 084	641 723	691 459

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the third quarter of 2019 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 2018, except for principles for lease accounting. Information about accounting principles, implementation effects and method for implementation for lease accounting is stated in note 27 to the consolidated financial statements for 2018. 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 2018, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU.

The consolidated financial statements for 2018 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 2018.

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 2019.

Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses

Note 5 – Implementation of IFRS 16 "Leases"

The Kitron group implemented new IFRS 16 "Leases" from 1 January 2019. Information about accounting principles, implementation effects and method for implementation for lease accounting is stated in note 27 to the consolidated financial statements for 2018.

The tables below show impact from IFRS 16 on condensed profit and loss statement and on condensed cash flow statement for third quarter, and on condensed balance sheet per 30 September 2019.

Note 5 – Implementation of IFRS 16 “Leases” (Cont.)

Condensed profit and loss statement

	Old principles Q3 2019	Effects from IFRS 16	New principles Q3 2019	Old principles 30.09.2019	Effects from IFRS 16	New principles 30.09.2019
NOK 1 000						
Revenue	737 530	-	737 530	2 410 572	-	2 410 572
Cost of materials	503 868	-	503 868	1 642 289	-	1 642 289
Payroll expenses	129 824	-	129 824	435 714	-	435 714
Other operational expenses	49 587	(4 996)	44 590	139 290	(13 237)	126 053
Other gains / (losses)	449	-	449	(3 208)	-	(3 208)
Operating profit before depreciation and impairments (EBITDA)	54 700	4 996	59 696	190 072	13 237	203 308
Depreciation	15 922	4 195	20 117	45 073	10 970	56 043
Operating profit (EBIT)	38 778	802	39 579	144 998	2 267	147 266
Net financial items	(4 894)	(1 600)	(6 494)	(17 714)	(4 415)	(22 129)
Profit (loss) before tax	33 883	(798)	33 085	127 284	(2 148)	125 137
Tax	8 614	(160)	8 454	27 098	(430)	26 668
Profit (loss) for the period	25 269	(639)	24 631	100 187	(1 718)	98 468
Earnings per share-basic	0.14		0.14	0.56		0.55
Earnings per share-diluted	0.14		0.14	0.56		0.55

Condensed balance sheet

	Old principles 30.09.2019	Effects from IFRS 16	New principles 30.09.2019
NOK 1 000			
ASSETS			
Goodwill	32 428	-	32 428
Other intangible assets	12 130	-	12 130
Tangible fixed assets	365 204	135 629	500 832
Deferred tax assets	74 870	430	75 299
Other receivables	2 391	-	2 391
Total non-current assets	487 023	136 058	623 082
Inventory	498 848	-	498 848
Accounts receivable	669 246	-	669 246
Contract assets	279 470	-	279 470
Other receivables	100 245	-	100 245
Cash and cash equivalents	62 050	-	62 050
Total current assets	1 609 860	-	1 609 860
Total assets	2 096 883	136 058	2 232 941
LIABILITIES AND EQUITY			
Equity	711 802	(1 718)	710 084
Total equity	711 802	-1 718	710 084
Deferred tax liabilities	6 804	-	6 804
Loans	184 725	114 654	299 379
Pension commitments	5 966	-	5 966
Total non-current liabilities	197 495	114 654	312 149
Accounts payable	560 833	-	560 833
Other payables	94 558	-	94 558
Tax payable	12 911	-	12 911
Loans	519 285	23 122	542 407
Total current liabilities	1 187 586	23 122	1 210 708
Total liabilities and equity	2 096 883	136 058	2 232 941

Note 5 – Implementation of IFRS 16 “Leases” (Cont.)

Condensed cash flow statement

	Old principles Q3 2019	Effects from IFRS 16	New principles Q3 2019	Old principles 30.09.2019	Effects from IFRS 16	New principles 30.09.2019
NOK 1 000						
Net cash flow from operating activities	14 206	4 996	19 203	84 803	13 237	98 040
Net cash flow from investing activities	(72 166)	-	(72 166)	(239 545)	-	(239 545)
Net cash flow from financing activities	19 938	(4 996)	14 941	69 654	(13 237)	56 417
Change in cash and bank credit	(38 023)	-	(38 023)	(85 088)	-	(85 088)
Cash and bank credit opening balance	(153 344)	-	(153 344)	(107 548)	-	(107 548)
Currency conversion of cash and bank credit	(3 965)	-	(3 965)	2 695	-	2 695
Cash and bank credit closing balance	(195 331)	-	(195 331)	(195 331)	-	(195 331)

Note 6 – Business combinations

On 15 February 2019 the US subsidiary Kitron Inc completed the acquisition of the EMS division of API Technologies Corp. The acquisition marks a substantial strengthening of Kitron's position in the US market.

The operations of the EMS division are highly complementary to Kitron's existing operations and are expected to provide added value to current operations, in particular in the United States. The division's main focus is on defence, aerospace, medical/industrial, and communications/consumer, and it is well aligned with Kitron's overall strategy. The business is located in Windber, Pennsylvania, close to Kitron's current US facility in Johnstown, Pennsylvania, with approximately 100 employees operating a total of six production lines and a facility of approximately 10 000 square meters. Total revenues in 2018 amounted to approximately USD 23.5 million.

The purchase price to be paid, after certain post-signing adjustments, is NOK 135.6 million (USD 15.6 million), subject to post-closing adjustments, if any.

The preliminary fair value assessment of the assets and liabilities recognized as a result of the acquisition is as follows:

Fair value

	15.02.2019
NOK 1000	
Tangible fixed assets	49 678
Other intangible assets: customer contracts	3 149
Deferred tax assets	28 365
Inventory	70 985
Accounts receivable	24 327
Contract assets	30 122
Other receivables	4 156
Cash and cash equivalents	(1 449)
Loans	(36 872)
Accounts payable	(25 680)
Other payables	(16 770)
Net identifiable assets acquired	130 011
Add: goodwill	5 635
Net assets acquired	135 646

The goodwill is attributable to workforce and synergies. It will not be deductible for tax purposes.

Revenue and profit contribution

The acquired business contributed revenues of NOK 60.2 million and net profit of NOK 4.6 million to the group for the third quarter 2019. The corresponding figures for the period 15 February to 30 September were NOK 161.1 million and NOK 7.5 million respectively. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for first three quarters of 2019 would have been NOK 2 431.0 million and NOK 99.8 million respectively.

Appendix

Definition of Alternative Performance Measures

Kitron uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. As being an Electronics Manufacturing Services company, Kitron uses Alternative Performance Measures which are relevant for understanding and evaluation of performance within manufacturing.

Our definitions and explanations of these terms follow below.

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) %
 $\text{Annualised Operating profit (EBIT) / Operating Capital}$

Return on operating capital (ROOC) R3 %
 $\text{(Last 3 months Operating profit (EBIT))*4 / (Last 3 months Operating Capital /3)}$

Direct Cost

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

Days of Inventory Outstanding

$360 / \text{(Annualised Direct Costs / (Inventory + Contract assets))}$

Days of Inventory Outstanding R3

$360 / \text{((Last 3 months Direct Costs *4) / (Last 3 months Inventory and Contract assets/3))}$

Days of Receivables Outstanding

$360 / \text{(Annualised Revenue / Trade Receivables)}$

Days of Receivables Outstanding R3

$360 / \text{((Last 3 months Revenue*4) / (Last 3 months Trade Receivables/3))}$

Days of Payables outstanding

$360 / \text{((Annualised Cost of Material + Annualised other operational expenses) / Trade Payables)}$

Days of Payables Outstanding (R3)

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

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

$\text{Annualised direct costs / (Inventory + Contract assets)}$

Variable contribution

Revenue - Direct cost

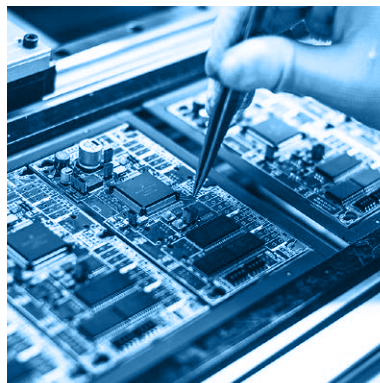
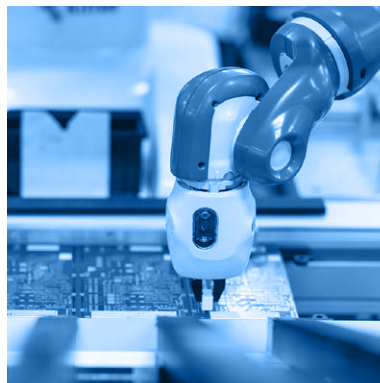
Net gearing

Net interest - bearing

Equity Ratio

The ratio of Equity to Total Assets

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



Kitron is an international Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Poland, China and the US and has about 1 700 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.