



Kitron

Your ambition. Our passion.

Full year and Q4 results 2016

Peter Nilsson, CEO
Cathrin Nylander, CFO

February 16th, 2017

Strong growth

- Strong revenue growth
 - Underlying growth 12.7%






- Strong profitability
 - 6.0% (6.4%)

- Net working capital
 - Higher capital efficiency

- Low financial gearing
 - NIBD / EBITDA 1.3 (1.6)






NOK mill.

Q4 2016 vs Q4 2015

Revenue 570.3		8.7 %
EBIT 34.1		1.5 %
Order backlog 1019.4		4.5 %
Operating cash flow 36.4		-58.6 %
Net working capital 512.2		0.9 %

Growth and margin expansion continue

- Revenue growth continues
- Continued profitability improvement
 - EBIT margin 5.6% (5.3%)
- Order backlog growing
 - Defence gives long-term visibility
- Net working capital
 - Higher capital efficiency
- Low financial gearing
 - NIBD / EBITDA 1.3 (1.6)

NOK mill.		2016 vs 2015
Revenue 2093.0		7.2 %
EBIT 117.8		14.7 %
Order backlog 1019.4		4.5 %
Operating cash flow 108.5		-46.8 %
Net working capital 512.2		0.9 %

Important agreements in the fourth quarter

- **Northrop Grumman awards contracts to Kitron**
 - In November, Kitron was selected by Northrop Grumman Corporation as an international source for manufacturing of the sub-assembly for the Dual Channel Transmit/Receive (DCTR) module for the F-35 Joint Strike Fighter.
 - The potential value for Kitron is more than NOK 1 billion over the lifetime of the agreement, which runs until 2036.
 - The contract covers the initial steps of transferring technical knowhow and manufacturing prototypes for testing and validation.
 - This process will be on-going through 2017. Kitron will then be awarded production contracts with deliveries starting in 2018.

Important agreements in the fourth quarter

- **Kitron signs contract worth NOK 300 million**
 - In December, Kitron signed an agreement with a leading industrial supplier with a potential contract value of NOK 300 million over a three-year period.
 - The agreement covers manufacturing of electronics and related technical services for automation and power technologies.
 - Production will mainly take place at Kitron's plant in Norway.

Highlights:

Facility relocation in Sweden

- The relocation of the Swedish facility in Jönköping to Torsvik is performed according to plan and budget and without significant technical challenges
- All process steps validated and up and running by mid/end January.
- Temporary inefficiencies after startup remain

Kitron now has four modern, high capacity, high capability facilities:

- China built 2010, extended and upgraded 2015
- Lithuania, extended and renovated 2014
- Norway, new factory in 2015
- Sweden, new factory in 2016

Highlights:

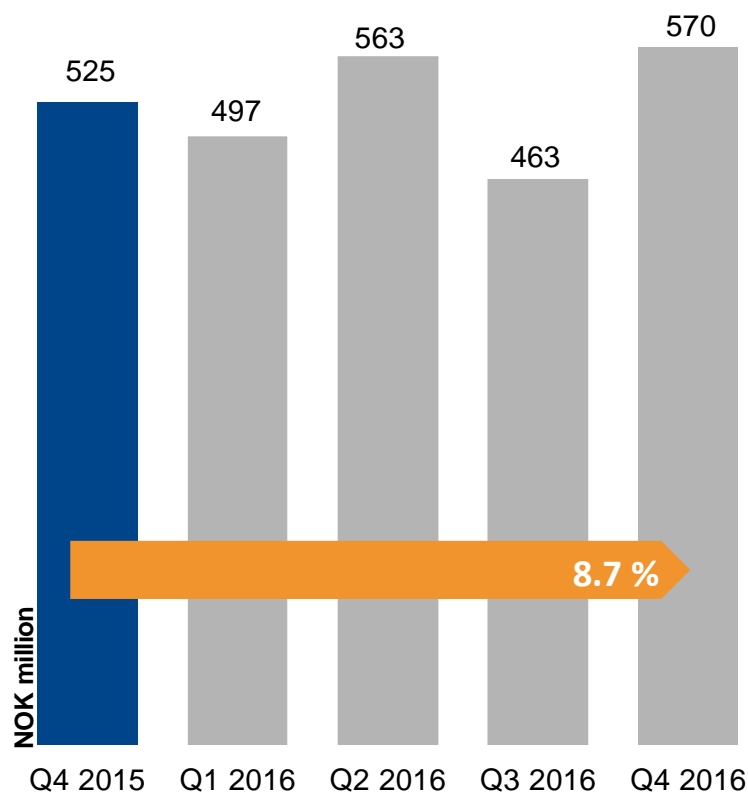
Dividend











- The board proposes that the Annual General Meeting decides on a dividend of NOK 0.25 per share (NOK 0.21).
- This represents 60 per cent of net profit after tax for the group and in line with dividend policy:

“Kitron’s dividend policy is to pay out an annual dividend between dividend between 30 and 60 % of the company’s ordinary net profit after tax. When deciding on the annual payout ratio the company will evaluate the cash requirements and financial flexibility required in the company.”

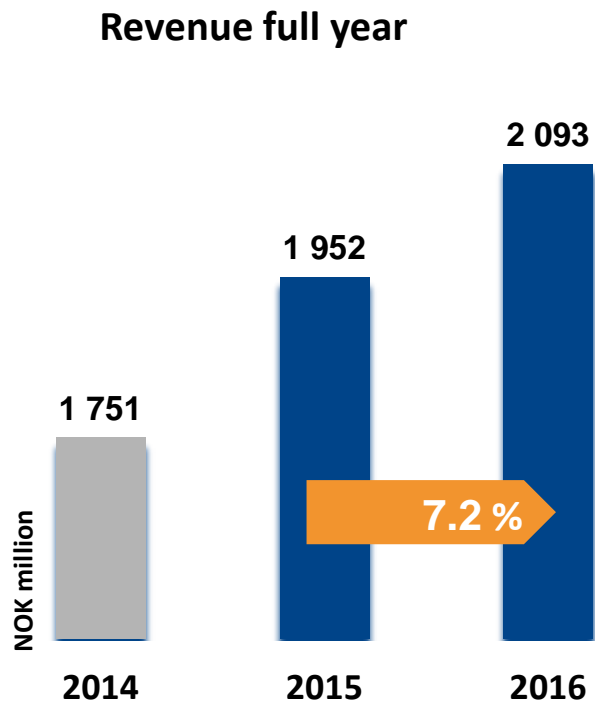
Financial statements Q4 2016

Strong growth in several sectors











	Q4 2016 vs Q4 2015	Share of total revenue
Offshore/Marine	-78.9 % 	1.3 % 
Medical devices	-3.6 % 	24.6 % 
Defence/Aerospace	20.5 % 	27.8 % 
Energy/Telecoms	20.2 % 	14.3 % 
Industry	26.8 % 	32.0 % 

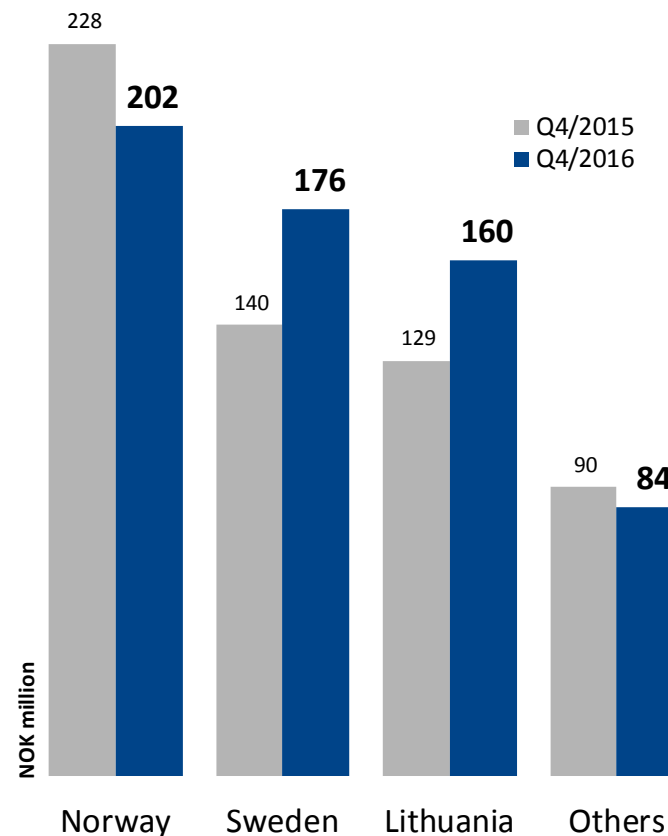
Growth driven by Industry sector – robust mix



	2016 vs 2015	Share of total revenue
Offshore/Marine	-68.0 %	2.1 %
Medical devices	2.6 %	23.2 %
Defence/Aerospace	7.3 %	27.4 %
Energy/Telecoms	12.3 %	14.5 %
Industry	27.7 %	32.9 %









Continued strong growth in Lithuania and Sweden

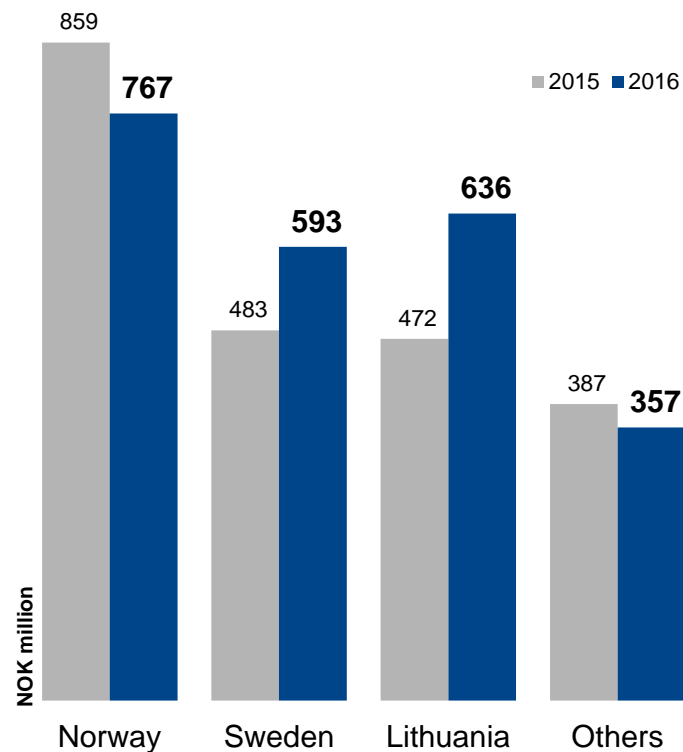
	Q4 2016 vs Q4 2015	Share of total revenue
Norway	-11.3 % 	32.4 % 
Sweden	25.9 % 	28.3 % 
Lithuania	24.3 % 	25.8 % 
Others	-6.7 % 	13.4 % 



* Before group entities and eliminations

Continued strong growth in Lithuania and Sweden

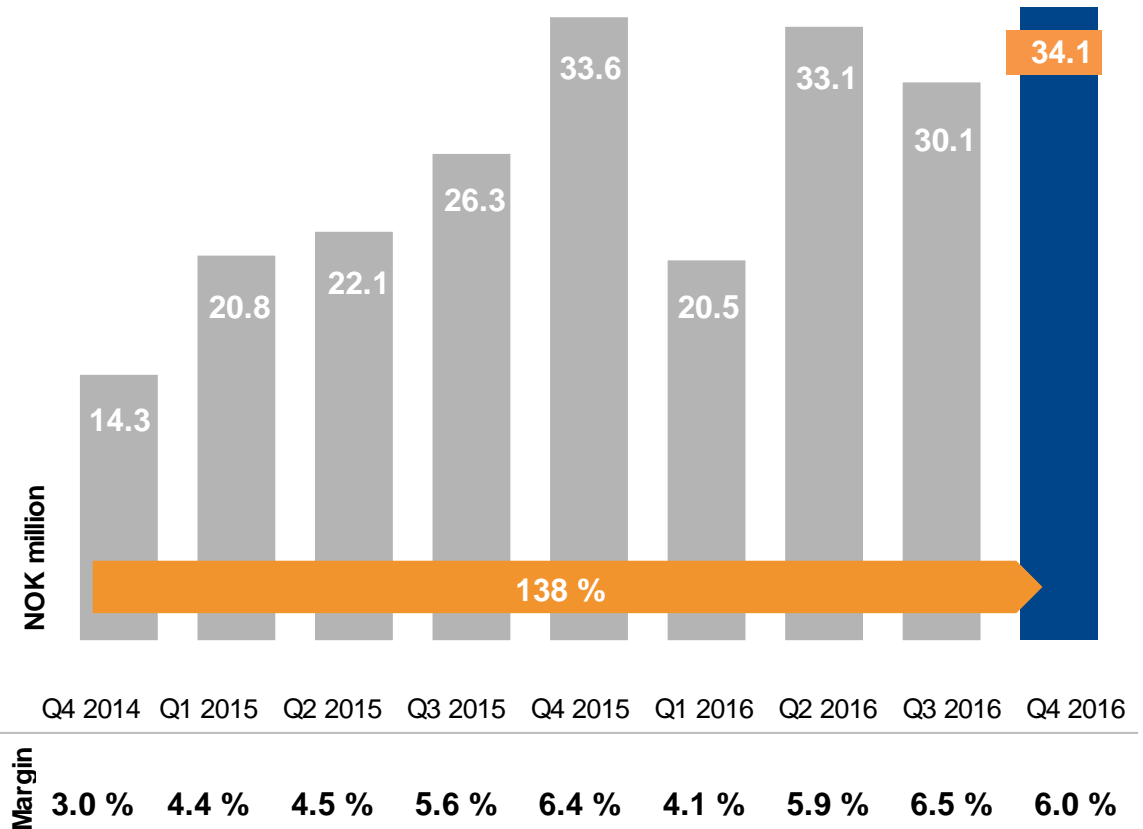
	2016 vs 2015	Share of total revenue
Norway	-10.8 % 	32.6 % 
Sweden	22.6 % 	25.2 % 
Lithuania	34.7 % 	27.0 % 
Others	-7.9 % 	15.2 % 



* Before group entities and eliminations

Profitability level stabilised at a higher level

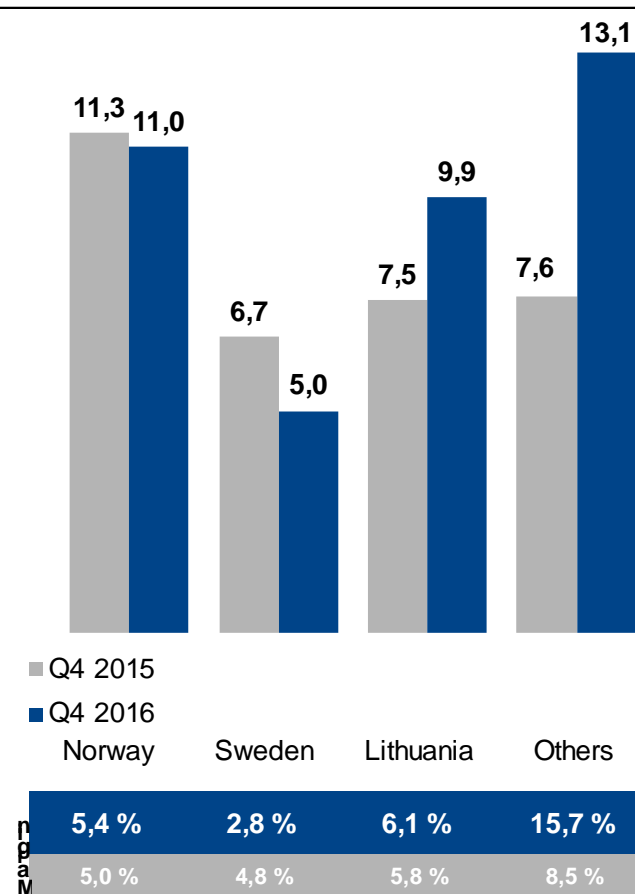
- Cost reductions take effect
- Inefficiencies due to relocations in Q1 and Q4 2016
- Profitability in Q1 2016 includes one-offs in of MNOK 5



Lithuania, China and US drives profitability

- **Norway**
 - Cost reductions drives margin improvement
- **Sweden**
 - Efficiency challenges and relocation
- **Lithuania**
 - EBIT improvement driven by strong Revenue growth
- **Other**
 - Revenue growth and improved profitability in China, US has improved profitability due to cost reductions

EBIT*

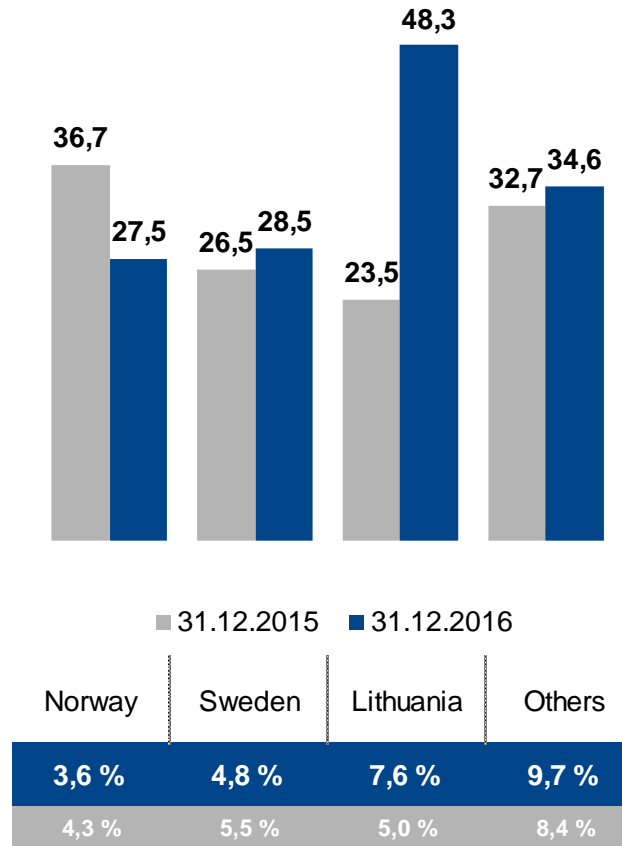


* Before group entities and eliminations

Lithuania, China and US drives profitability

- **Norway**
 - Volume reduction and inefficiencies
- **Sweden**
 - Efficiency challenges and relocation
- **Lithuania**
 - EBIT improvement driven by strong Revenue growth
- **Other**
 - Revenue growth and improved profitability in China, US has improved profitability due to cost reductions

EBIT*

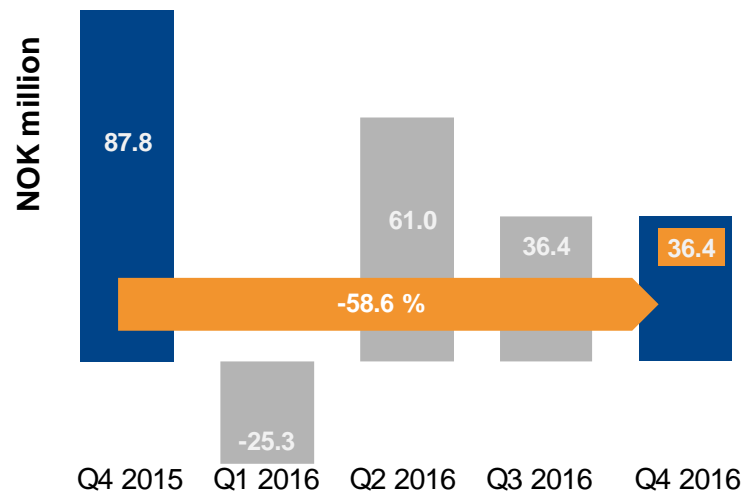


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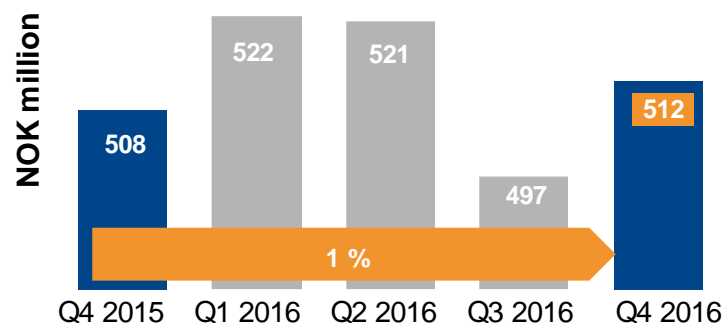
Cash flow

- **Cash flow**
 - Q4 Cash flow MNOK 36.4 (87.8)
- **Working capital**
 - Working capital ended at last years level
 - Cash conversion (R3*) cycle 79, a reduction from 90 last year
 - ROOC (R3*) at 18.5% improved from 17.8% last year

Operating cash flow



Net working capital



Market development

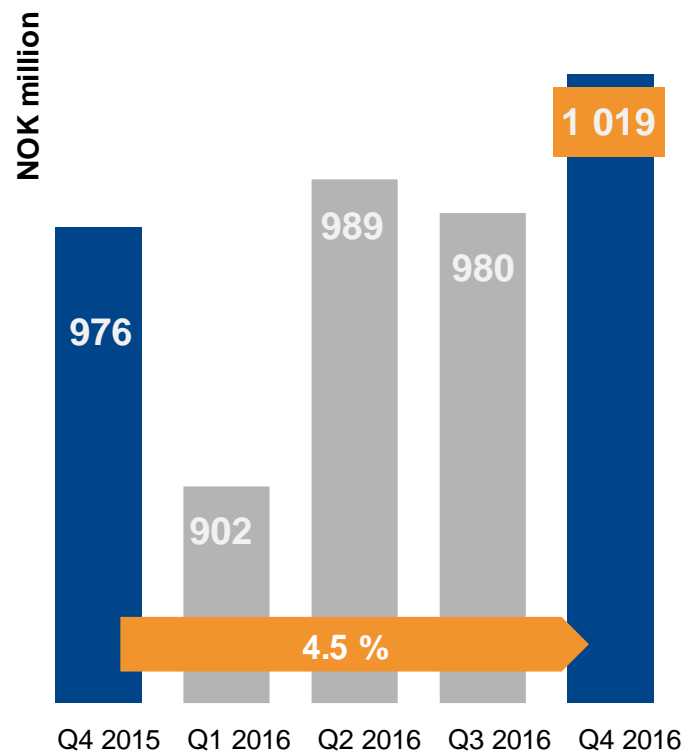
Order backlog:

Underpins a positive revenue outlook

Order Backlog MNOK

- 1019 vs. 976 last year. Increase of 4.5% with 9.2% underlying growth.
 - Defence: 449 +6% (423)
 - Medical: 160 -2% (148)
 - Industry: 302 +6% (285)
 - Energy/Telecom: 117 +21% (96)
 - Offshore: 12 -50% (23)

Order backlog



Definition of order backlog includes firm orders and four month customer forecast

Outlook

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- For 2017, Kitron expects revenue to grow to between NOK 2 150 and 2 350 million. EBIT margin is expected to be between 5.6 and 6.4 per cent.
- The growth is primarily driven by customers in the Industry sector.
- The profitability increase is driven by cost reduction activities and improved efficiency.



Thank you!