Kitron Your ambition. Our passion.

First half year and Q2 results 2016

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Financial highlights Q2:

Solid improvement of all key figures

- Strong growth in revenue and order backlog
  - Underlying growth 9.8%
- Improved profitability
  - 5.9% (4.5%)
- Improved capital efficiency

NOK mill.		Q2 2016 vs Q2 2015
Revenue 563,1	↑	**15,2 %**
EBIT 33,1	↑	**50,1 %**
Order backlog 989,4	↑	**19,2 %**
Operating cash flow 61,0	↑	**25,5 %**
Net working capital 521,5	↓	**-6,7 %**

Financial highlights first half year:

Solid growth

- Solid growth in revenue and strong growth in order backlog
  - Underlying growth 5%
- Improved profitability
  - 5.1% (4.5%)
  - Profitability adjusted for one-offs in Q1 at 5.5%
- Improved capital efficiency

NOK mill.		2016 vs 2015
Revenue 1060,1	↑	**10,5 %**
EBIT 53,6	↑	**25,1 %**
Order backlog 989,4	↑	**19,2 %**
Operating cash flow 35,7	↑	**57,3 %**
Net working capital 521,5	↓	**-6,7 %**

Major new orders:

Important orders in the second quarter

- **Defence communications order**
  - Kitron received an order from Kongsberg Defence & Aerospace AS for military communications equipment, for supplies to an existing contract for deliveries to Hungary.
  - Kitron will supply various communications products, and production will take place by Kitron in Norway.
  - The contract has a value for Kitron of NOK 37 million, and deliveries will take place in 2016 and 2017.
  - For the last twelve months Kongsberg have placed orders totaling 157 MNOK to Kitron for advanced tactical communications equipment.

Highlights:

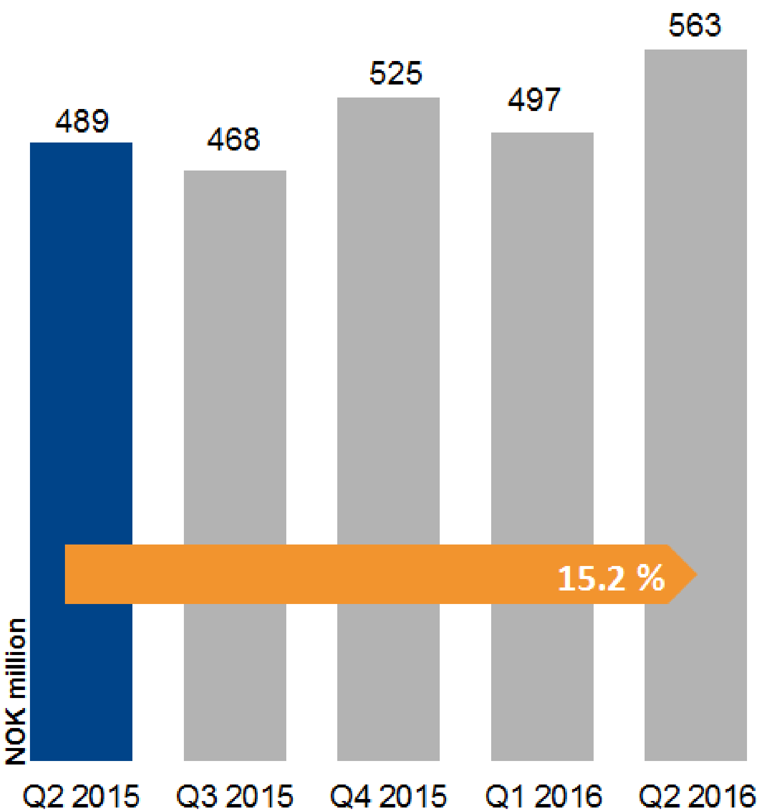
Capacity adjustments

- **Increased SMT capacity due to strong revenue growth**
  - Kitron has decided to increase production capacity by investing in two new SMT lines, one in Lithuania and one in Sweden.
  - They will be in place in the fourth quarter 2016 in Lithuania and in the first quarter 2017 in Sweden.
- **Resource adjustments in Norway**
  - The temporary drop in efficiency in the factory in Norway due to the relocation has now been remedied.
  - During the third quarter, Norway is adjusting the indirect resources with 16 personnel to compensate for the longer-term downturn in the Offshore/Marine sector.
  - In addition, due to short-term reduction of activity and change in product mix to less labour-intensive products, up to 60 employees might be furloughed during the third quarter.

Financial statements Q2 2016

Revenue Q2:

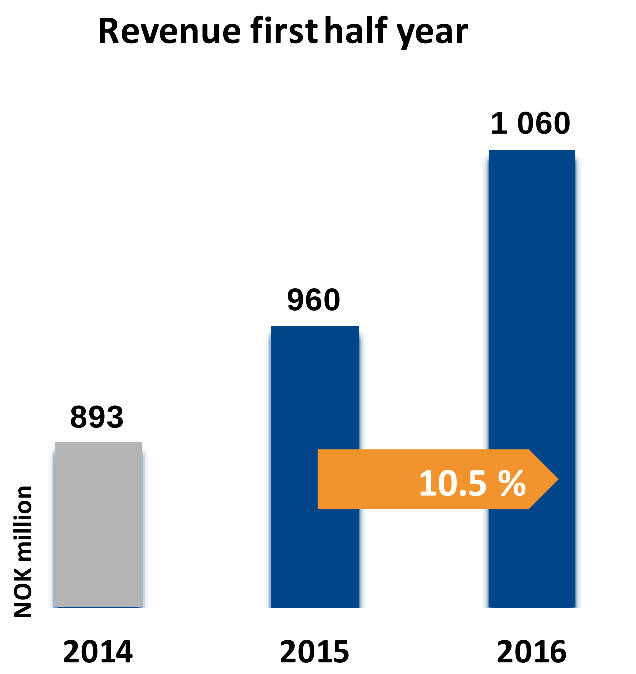
Exceptional growth in Industry sector



	Q2 2016 vs Q2 2015	Share of total revenue
Offshore/Marine	-57,3 %	2,9 %
Medical devices	15,0 %	21,4 %
Defence/Aerospace	14,3 %	28,8 %
Energy/Telecoms	14,0 %	14,5 %
Industry	37,5 %	32,3 %

Revenue first half year:

Solid growth driven by growth in Industry sector

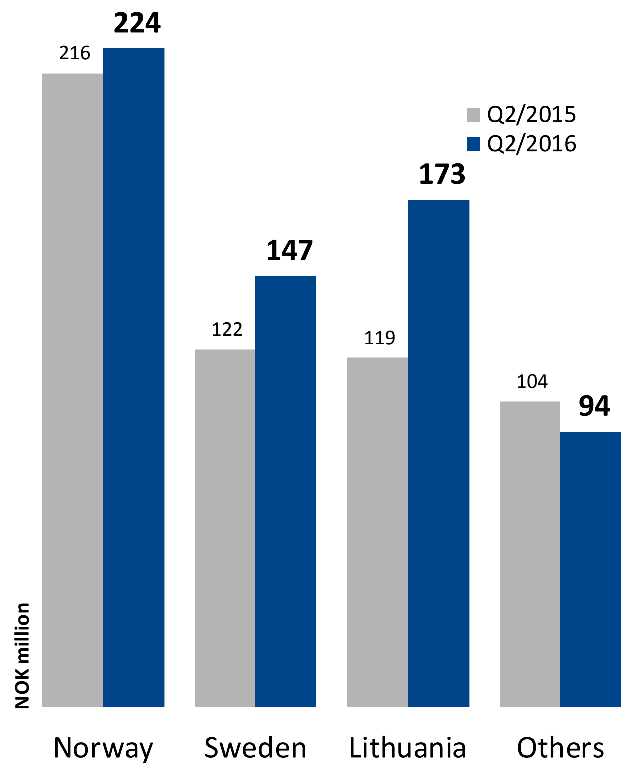


	2016 vs 2015	Share of total revenue
Offshore/Marine	-64,9 %	2,8 %
Medical devices	15,1 %	22,2 %
Defence/Aerospace	0,8 %	25,9 %
Energy/Telecoms	17,7 %	14,0 %
Industry	36,4 %	35,1 %

Revenue by country Q2*:

Continued strong growth in Lithuania and Sweden

	Q2 2016 vs Q2 2015	Share of total revenue
Norway	3,9 %	35,2 %
Sweden	20,5 %	23,0 %
Lithuania	45,3 %	27,1 %
Others	-10,0 %	14,7 %

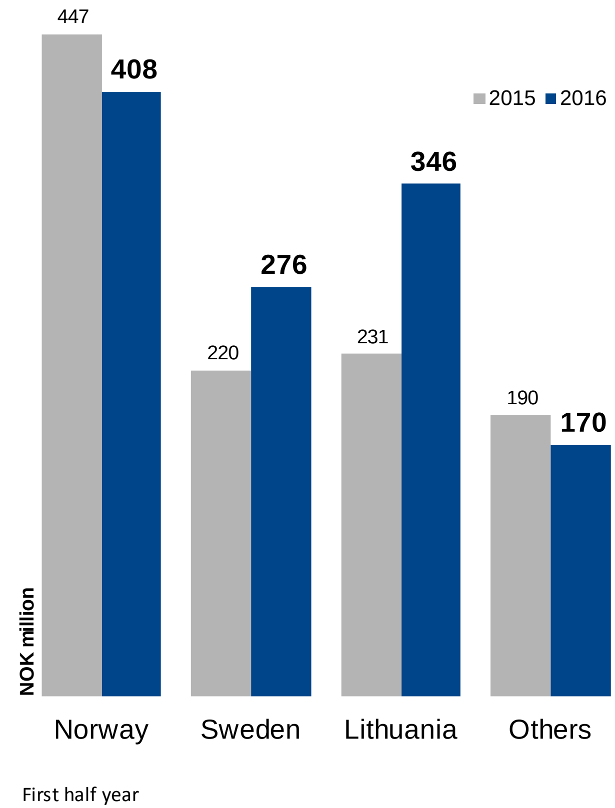


* Before group entities and eliminations

Revenue by country first half year *:

Strong growth in Lithuania and Sweden

	2016 vs 2015	Share of total revenue
Norway	-8,7 %	34,0 %
Sweden	25,6 %	23,0 %
Lithuania	49,7 %	28,8 %
Others	-10,5 %	14,1 %

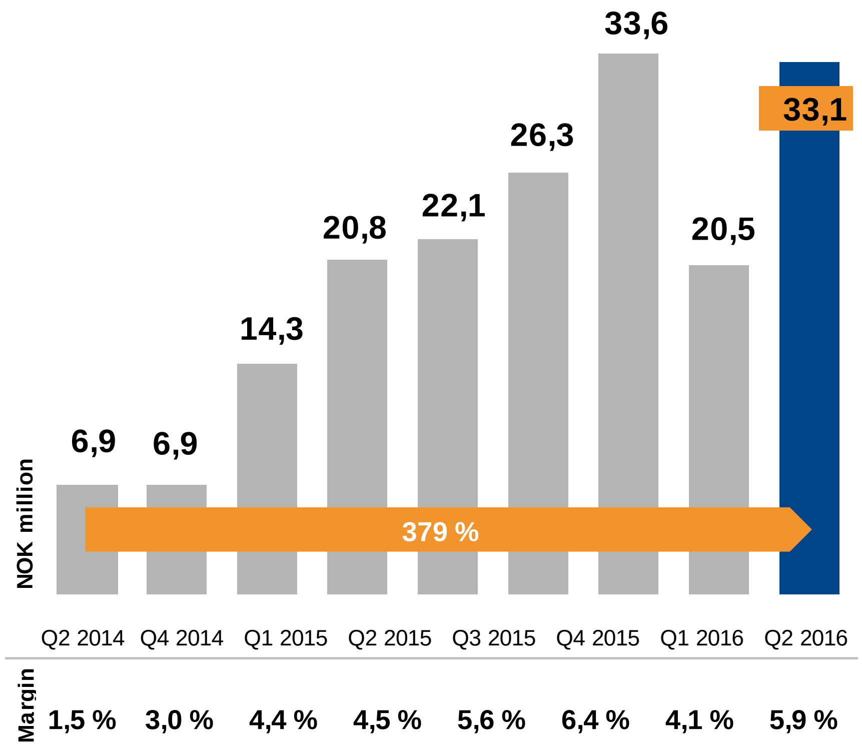


* Before group entities and eliminations

Quarterly EBIT:

Profitability level improved

- Lithuanian growth driver of profit
- Norway Q1 temporary negative effects remedied
- US volumes picked up in Q2



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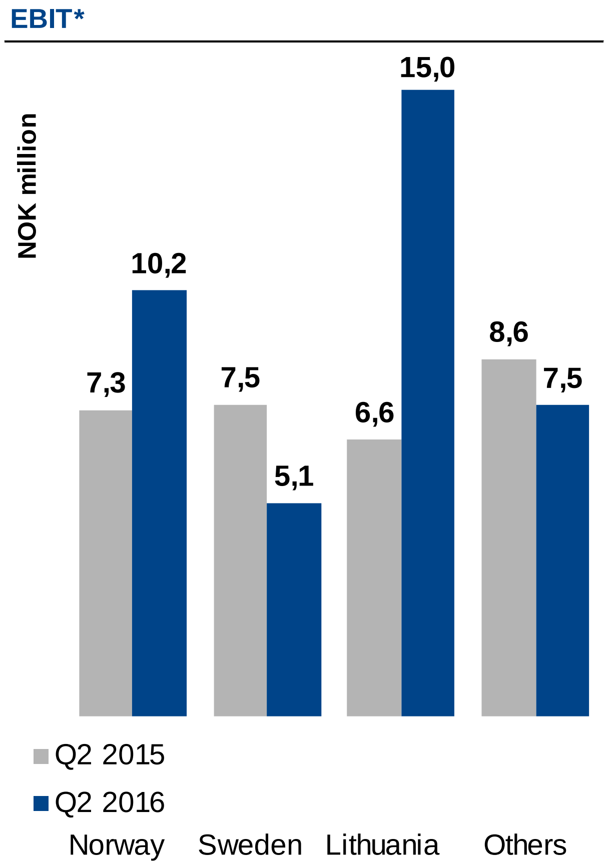
EBIT by country Q2:

Lithuania drives profitability

- **Norway**
  - First quarter temporary efficiency effects remedied.
- **Sweden**
  - Quarterly EBIT affected by currency effects
- **Lithuania**
  - EBIT improvement driven by strong Revenue growth
- **Other**
  - Revenue growth and improved profitability in China, US volumes and profitability lower than last year but improved in Q2



Margin	Norway	Sweden	Lithuania	Others
Q2 2016	4,6 %	3,5 %	8,7 %	8,0 %
Q2 2015	3,4 %	6,1 %	5,6 %	8,2 %

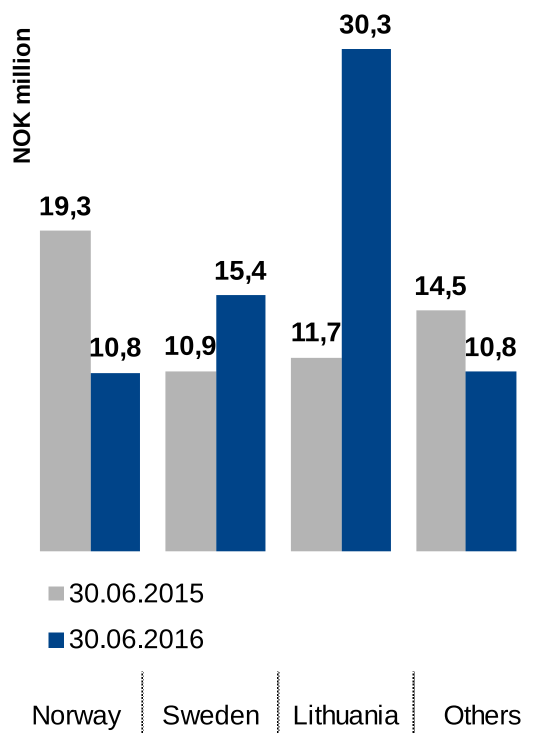
* Before group entities and eliminations

EBIT by country first half year:

Lithuania drives profitability

- **Norway**
  - First quarter temporary efficiency effects remedied, but half year figures affected.
- **Sweden**
  - Volume drives profitability
- **Lithuania**
  - EBIT improvement driven by strong Revenue growth
- **Other**
  - Revenue growth and improved profitability in China, US volumes and profitability lower than last year.

EBIT*



2,6 %	5,6 %	8,8 %	6,4 %
4,3 %	5,0 %	5,1 %	7,7 %

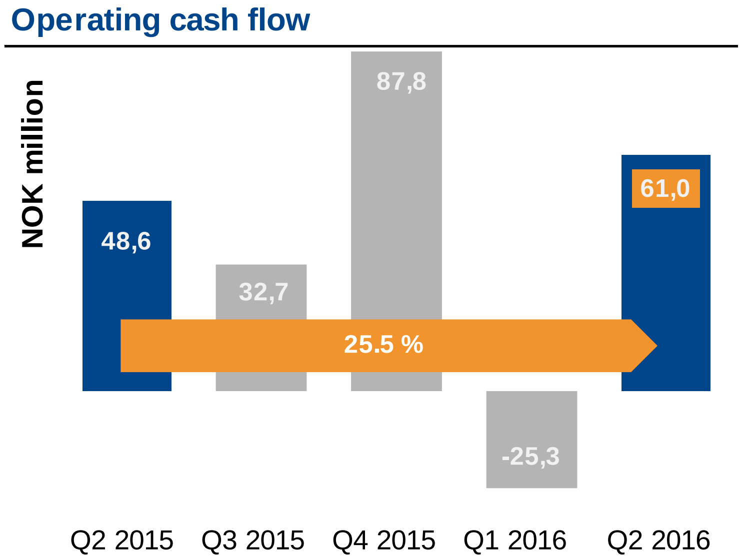
First half year

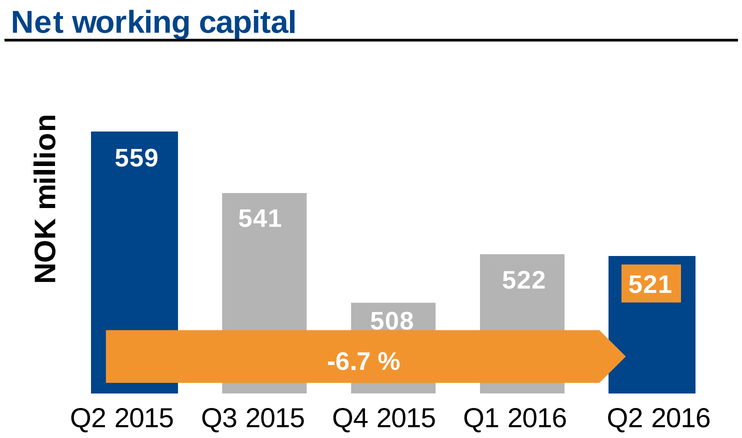
* Before group entities and eliminations

Balance sheet:

Cash flow

- **Cash flow**
  - Q2 Cash flow MNOK 61.0 (48.6)
  - The improvement in the quarter due to increased factoring debt and improved profitability
- **Working capital**
  - Working capital reduction compared to last year primarily attributable to improved supplier terms
  - Cash conversion cycle 86, a reduction from 106 last year
  - ROOC at 17.6% improved from 11.8% last year





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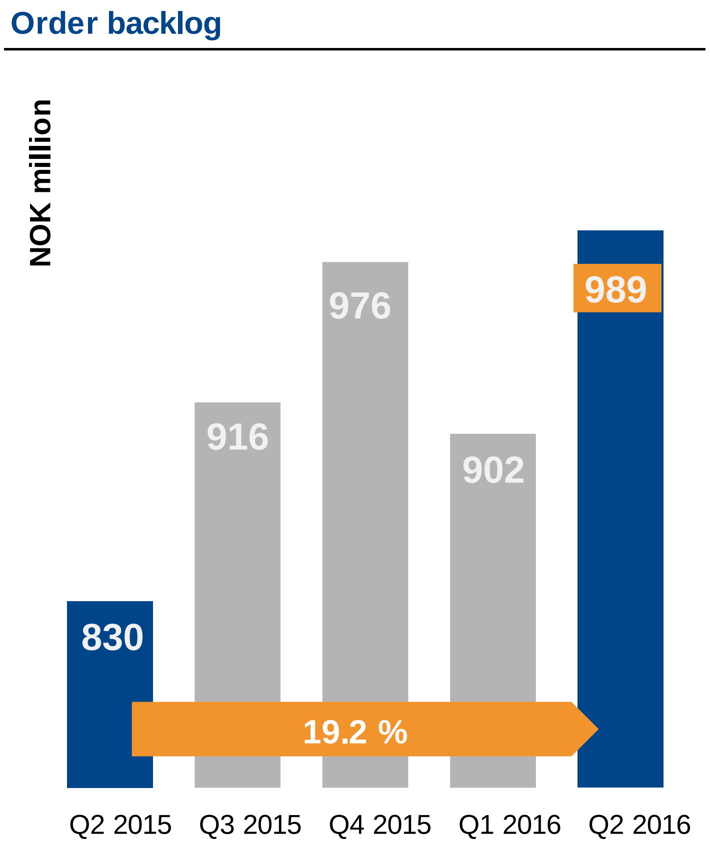
Market development

Order backlog:

Strong growth in Industry

Order Backlog MNOK

- 989 vs. 830 Q2 last year (increase of 19.2 %)
  - Defence: 480 +21 % (368)
  - Medical: 167 -5 % (177)
  - Industry: 217 +32 % (164)
  - Energy/Telecom: 109 +31% (83)
  - Offshore: 17 -57% (39)



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

Outlook

Outlook

- For 2016, Kitron expects revenue of between NOK 2 050 and 2 250 million and EBIT margin of 5.3 to 6.3 per cent.
- The growth is driven by increased demand in the Industry and Defence/Aerospace sectors.
- The profitability increase is driven by cost reduction activities and improved efficiency.

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Thank you!