



Kitron

Your ambition. Our passion.






First half year and Q2 results 2018

Peter Nilsson, CEO
Cathrin Nylander, CFO

12 July, 2018






Continued growth and solid profitability

- Continued revenue growth
 - Highest Q2 revenue ever
 - Underlying growth 2.6%
- EBIT margin 6.8% (7.0%)
- EPS 0.20 (0.18) NOK
- Order backlog
 - Comparable 12.1% growth

NOK mill.		Q2 2018 vs Q2 2017
Revenue 666,6		2,8 %
EBIT 45,0		-1,0 %
Order backlog 1008,9		-0,9 %
Operating cash flow 42,7		32,4 %
Net working capital 602,7		6,6 %

Continued growth and solid profitability

- Strong revenue growth
 - Highest H2 revenue ever
 - Underlying growth 6.7%
- EBIT margin 6.4% (6.2%)
- EPS 0.34 (0.31) NOK
- Order backlog
 - Comparable 12.1% growth

NOK mill.		2018 vs 2017
Revenue 1317,9		6,8 %
EBIT 83,8		9,8 %
Order backlog 1008,9		-0,9 %
Operating cash flow 23,2		-51,3 %
Net working capital 602,7		6,6 %

Peter Nilsson, Kitron's CEO, comments:

- This is the highest second quarter revenue in Kitron's history.
- Financial results increase our confidence in the 2018 outlook and our strategic ambitions of Revenues of NOK 3 billion and an EBIT margin of 7 per cent in 2020.
- Gratifying to make progress in the face of industry-wide issues with component availability. This is a testament to our robust supply chain.
- The second quarter showed record levels of future prospects with growth of 60 per cent compared to last year in the new quote pipeline.
- The oil and gas market sector shows signs of recovery, and we expect significant improvement from 2019.

Effective actions to counter component shortages

- Shortages of electronic components challenges Electronics Manufacturing Services business continues.
- The situation is expected to prolong into 2019
- Kitron works closely with its customers to alleviate the situation
- Kitron's timely and systematic approach combined with its preferred partner program has prevented serious supply disruptions.
- Deliberate and temporary inventory build-up to avoid supply disruptions

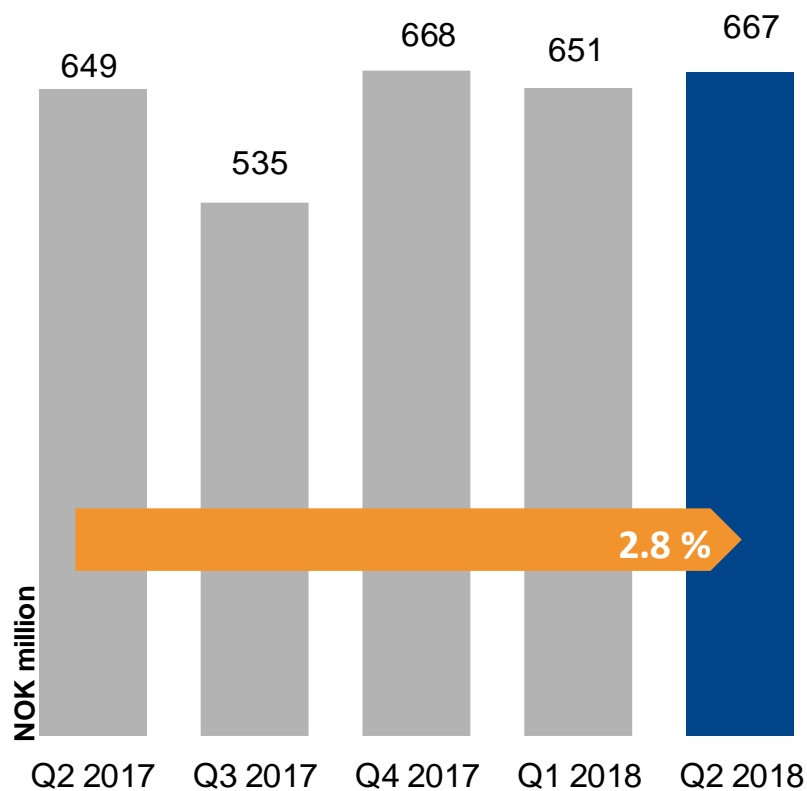
Financial statements **First half year and Q2 2018**

New accounting standard implemented

- IFRS 15 implemented 1.1.2018
- Over time revenue recognition (point in time)
 - Marginal effects on P&L
 - Re-classification within NWC in balance sheet
 - Order backlog adjustment
- See note 5 for complete overview

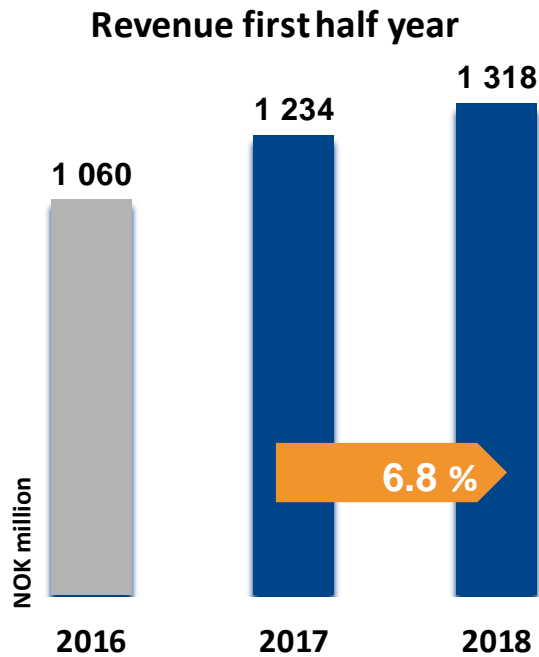
	Old principles Q2 2018	Effects from IFRS 15 Q2 2018	New principles Q2 2018	Old principles 30.06.2018	Effects from IFRS 15 30.06.2018	New principles 30.06.2018
NOK 1 000						
Revenue	669 018	-2 408	666 611	1 306 001	11 896	1 317 897
Cost of materials	447 895	-1 821	446 074	876 828	8 311	885 138
Payroll 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

Sector growth in line with expectations











	Q2 2018 vs Q2 2017	Share of total revenue
Industry	31,6 %	43,7 %
Defence/Aerospace	-38,7 %	17,6 %
Medical devices	24,7 %	20,2 %
Energy/Telecoms	-4,0 %	16,9 %
Offshore/Marine	2,2 %	1,6 %

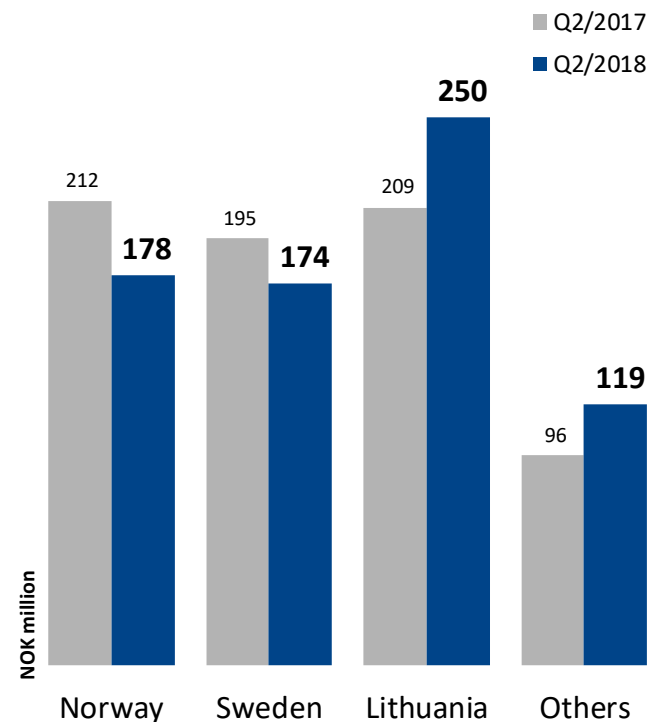
Sector growth in line with expectations



	2018 vs 2017	Share of total revenue
Industry	33,5 %	45,2 %
Defence/Aerospace	-30,5 %	18,8 %
Medical devices	16,9 %	18,5 %
Energy/Telecoms	2,9 %	16,1 %
Offshore/Marine	13,6 %	1,4 %

Continued strong growth in Lithuania and China









	Q2 2018 vs Q2 2017	Share of total revenue
Norway	-15,9 % 	24,7 % 
Sweden	-10,5 % 	24,2 % 
Lithuania	19,7 % 	34,7 % 
Others	24,3 % 	16,5 % 

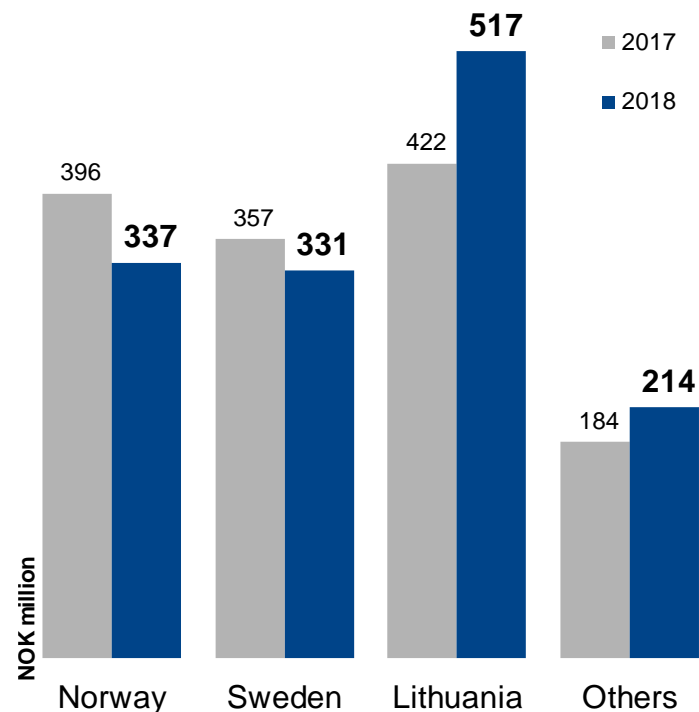


Norway, Sweden and US affected by temporary lower Defense Revenue.

* Before group entities and eliminations

Continued strong growth in Lithuania and China

	2018 vs 2017	Share of total revenue
Norway	-14,8 % 	24,1 % 
Sweden	-7,4 % 	23,6 % 
Lithuania	22,6 % 	36,9 % 
Others	16,3 % 	15,3 % 

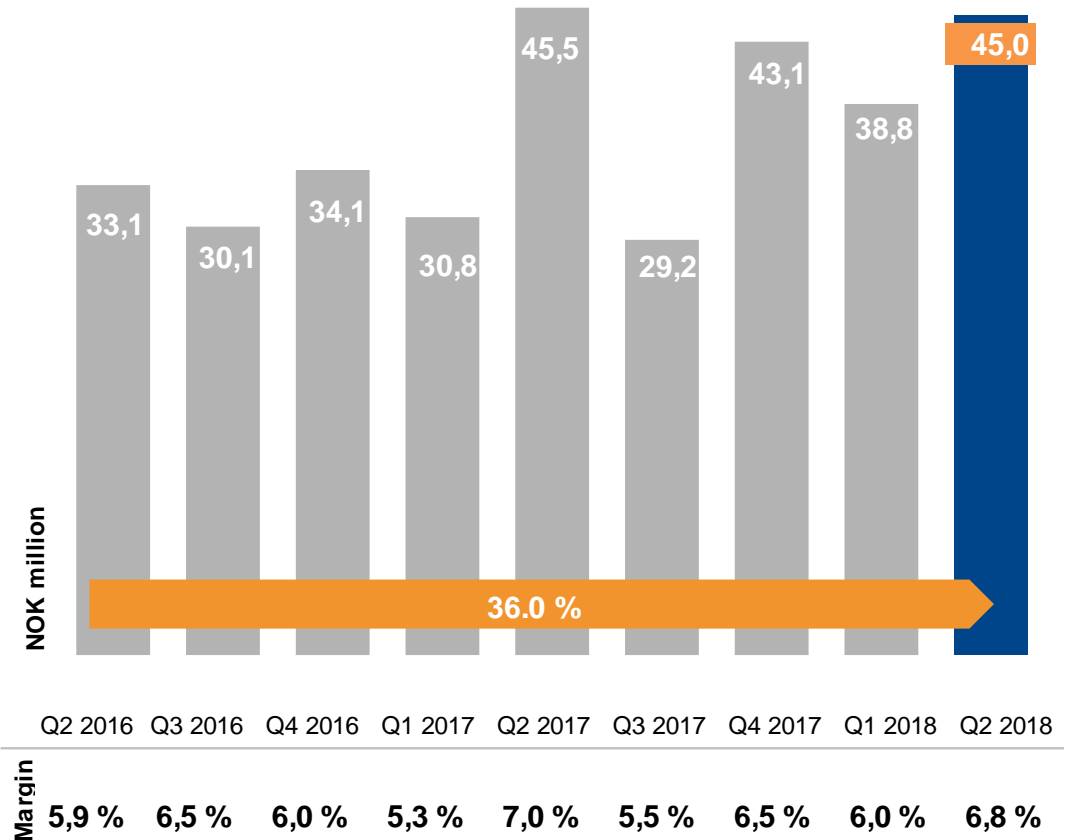


Norway, Sweden and US affected by temporary lower Defense Revenue.

* Before group entities and eliminations

Profits stabilizing on a higher level

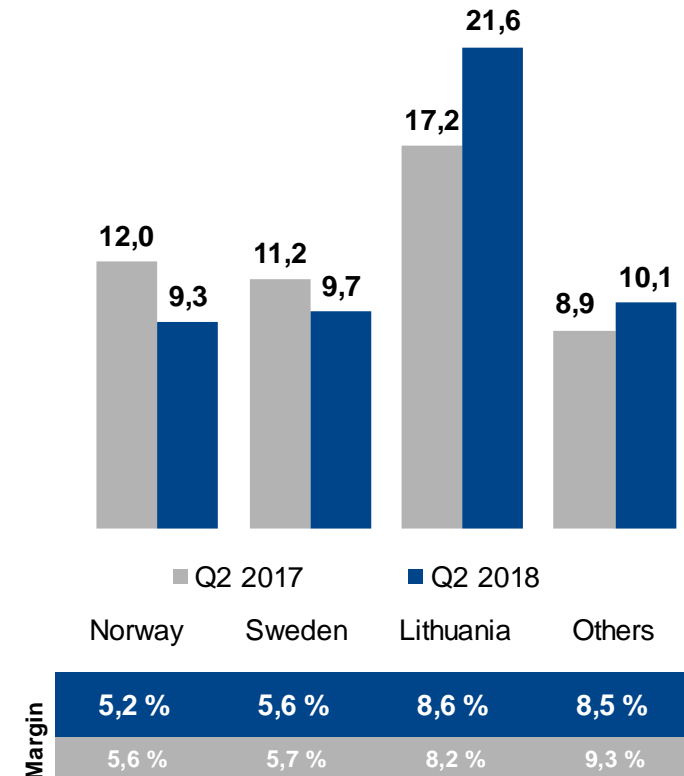
- Improvements in efficiency
- Component allocations have not had significant impact on results



Lithuania drives profits

- Lithuania and China show strong EBIT improvement, both in value and margin
- Sweden, Norway and US affected by Defense projects timing on revenue, cost reductions in place to manage margins

EBIT*

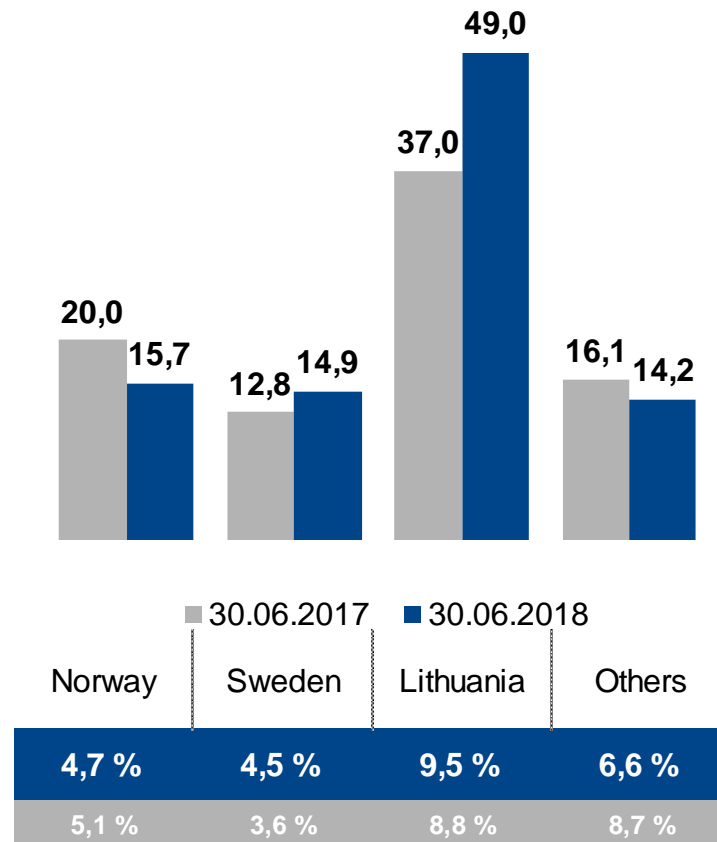


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Lithuania drives profits

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EBIT*

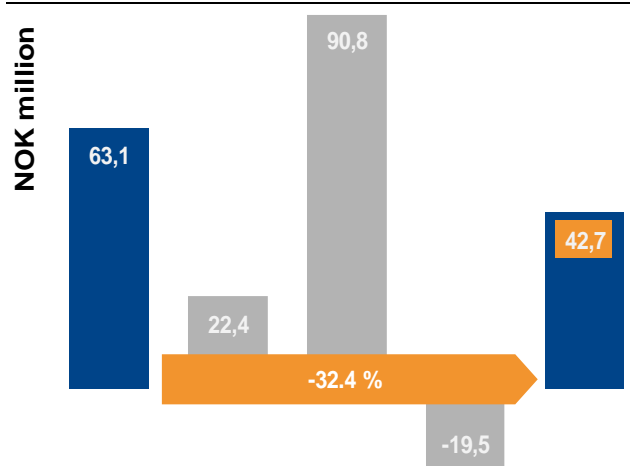


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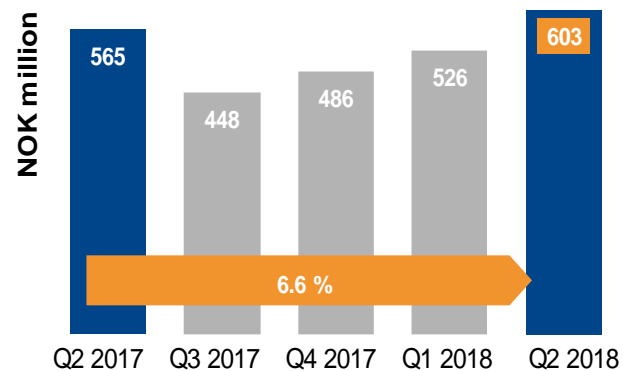
Seasonal effects

- **Cash flow**
 - Q2 Cash flow MNOK 42.7 (63.1)
- **Financial gearing**
 - NIBD / EBITDA 1.3 (1.3)
 - Dividend MNOK 96.9 (44.0)
- **Working capital**
 - NOWC* 21.6% (20.6%)
 - Cash conversion cycle* 75 (73)
 - ROOC* 21.3% (23.0%)

Operating cash flow



Net working capital



Market development

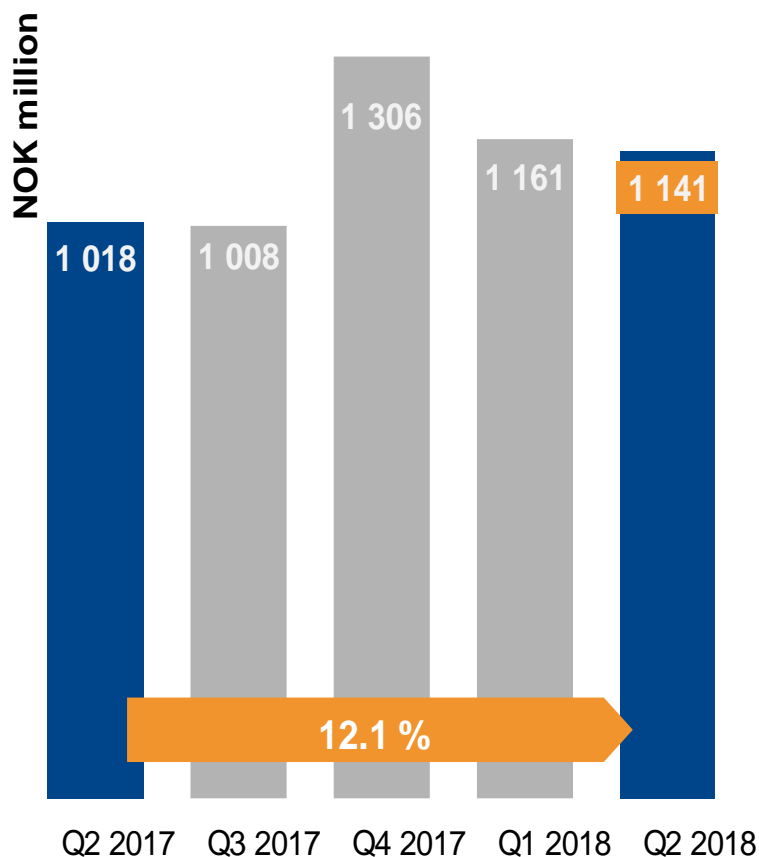
Market development:

Solid order backlog

Order backlog (comparable)

- MNOK 1141 (1018)
- Growth of 12.1%
 - Defence: 398 -1%
 - Medical: 171 +6%
 - Industry: 410 +39%
 - Energy/Telecom: 133 -9%
 - Offshore: 29 +142%
- IFRS adjusted: MNOK 1009
- Fluctuations to be expected within defence going forward

Order backlog



Outlook

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- 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.
- The growth is primarily driven by customers in the Industry sector and the Energy / Telecom sector.
- The profitability is driven by cost reduction activities and improved efficiency.



Thank you!