



**Kitron**

Your ambition. Our passion.






## First half year and Q2 results 2015

Peter Nilsson, CEO  
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## Profitability improvement continued

- Fifth consecutive quarter with improved profitability
- Significantly improved cash flow
- Stable order backlog
- Stable working capital in the quarter but an increase from last year primarily driven by a shift from the Offshore/Marine sector to the longer cycle Defence/Aerospace sector.

NOK mill.		Q2 2015 vs Q2 2014
<b>Revenue</b> 489,0		<b>7,0 %</b>
<b>EBIT</b> 22,1		<b>220,5 %</b>
<b>Order backlog</b> 829,9		<b>-3,4 %</b>
<b>Operating cash flow</b> 48,6		<b>413,5 %</b>
<b>Net working capital</b> 558,9		<b>10,7 %</b>

## Significantly improved profitability and cash flow

- Stable revenue growth in spite of declining revenues in offshore/marine sector.
- Earnings stabilized on higher level since fourth quarter 2014.
- Significantly improved cash flow

NOK mill.		2015 vs 2014
<b>Revenue</b> 959,6		<b>7,5 %</b>
<b>EBIT</b> 42,8		<b>383,9 %</b>
<b>Order backlog</b> 829,9		<b>-3,4 %</b>
<b>Operating cash flow</b> 83,6		<b>1158,5 %</b>
<b>Net working capital</b> 558,9		<b>10,7 %</b>

## Important orders in the second quarter

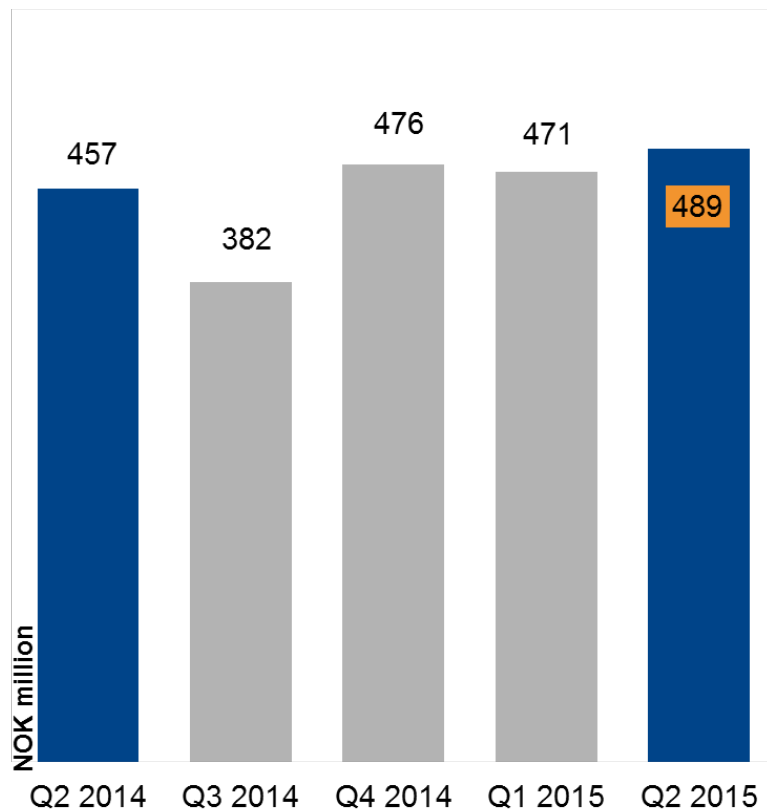
- **Kongsberg Defence & Aerospace awards order to Kitron AS**
  - Kitron Norway has received an order from Kongsberg Defence & Aerospace AS for military communications equipment linked to contracts for deliveries to Hungary.
  - Kitron will supply various communications products.
  - The contract has a value for Kitron of NOK 32 million, and deliveries will take place in 2015 and 2016
  - Production at Kitron's plant in Arendal, Norway.
- **Saab AB (Business Unit Avionics Systems) signs frame-agreement with Kitron AB**
  - The frame agreement is for delivery of military avionics and aeronautic electronic equipment and to be incorporated by Saab in current and future avionics contracts globally
  - Kitron will supply assembled electronic circuit boards for military and civil products
  - The frame agreement has potential order value of more than 400 million NOK over 20 years.
  - Production at Kitron's plant in Jönköping, Sweden.











# Shift in operations and expansion

- **Shift from high-cost to low-cost regions**
  - 53% (49%) Full time employees in low cost regions
  - Payroll expenses/revenue 23,6% (~29% in Q1 2014)
  - Revenue per employee at KNOK 420 (~KNOK 369 in Q1 2014)
- **Expansion of Kaunas facility in Lithuania**
  - The new production facility was officially opened at the end of May
  - The operation is extended to include not only manufacturing but also test development services and engineering services
    - prototyping
    - product design supervision
    - component engineering
    - project management services
  - Expansion with 5,000 sqm. to a total 13.000 sqm.
  - Investment: 7 million EUR

# Financial statements **first half year and Q2 2015**

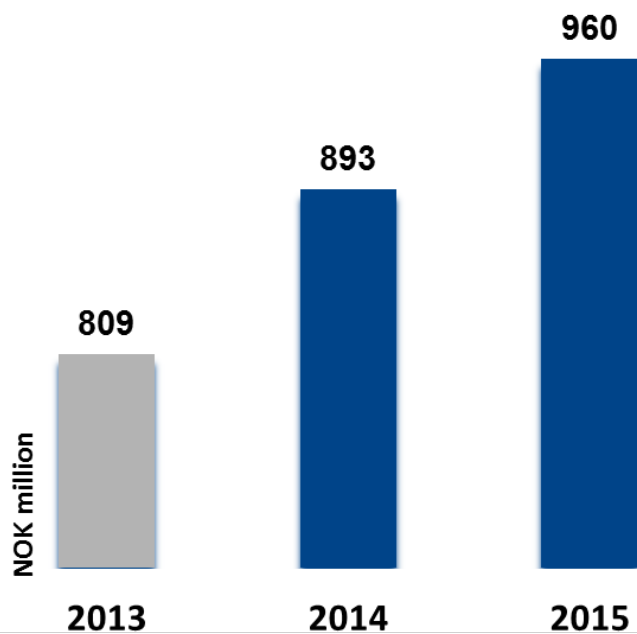
# Defence/Aerospace and Industry growth offsets decline in Offshore/Marine













	Q2 2015 vs Q2 2014	Share of total revenue
<b>Offshore/Marine</b>	-45,0 % 	7,7 % 
<b>Medical equipment</b>	-4,6 % 	21,5 % 
<b>Defence/Aerospace</b>	55,6 % 	29,0 % 
<b>Energy/Telecoms</b>	3,8 % 	14,7 % 
<b>Industry</b>	12,3 % 	27,1 % 

Revenue first half year :  
**Stable growth**









Revenue half year

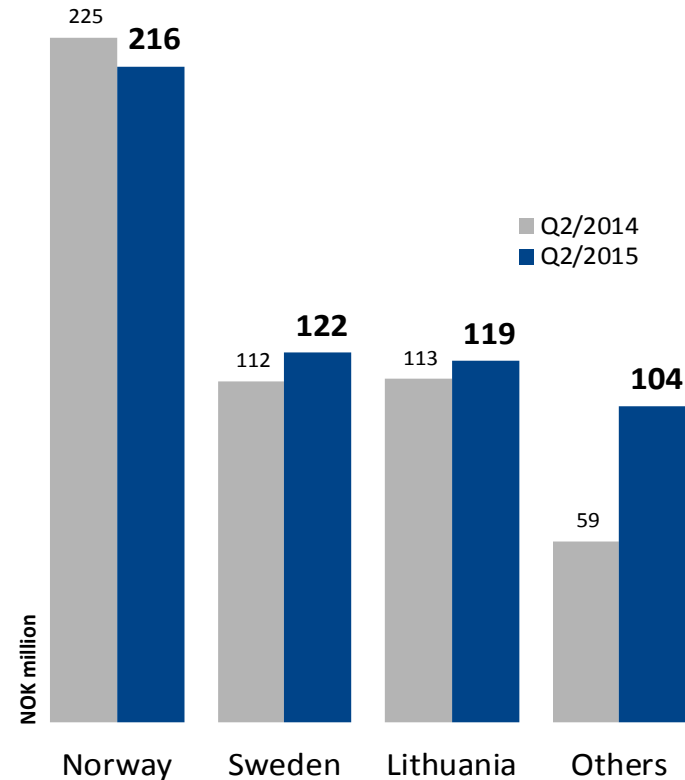


	2015 vs 2014	Share of total revenue
Offshore/Marine	-44,8 % 	8,7 % 
Medical equipment	-6,1 % 	21,3 % 
Defence/Aerospace	52,4 % 	28,4 % 
Energy/Telecoms	6,1 % 	13,2 % 
Industry	20,7 % 	28,5 % 











# US and China with continued strong growth

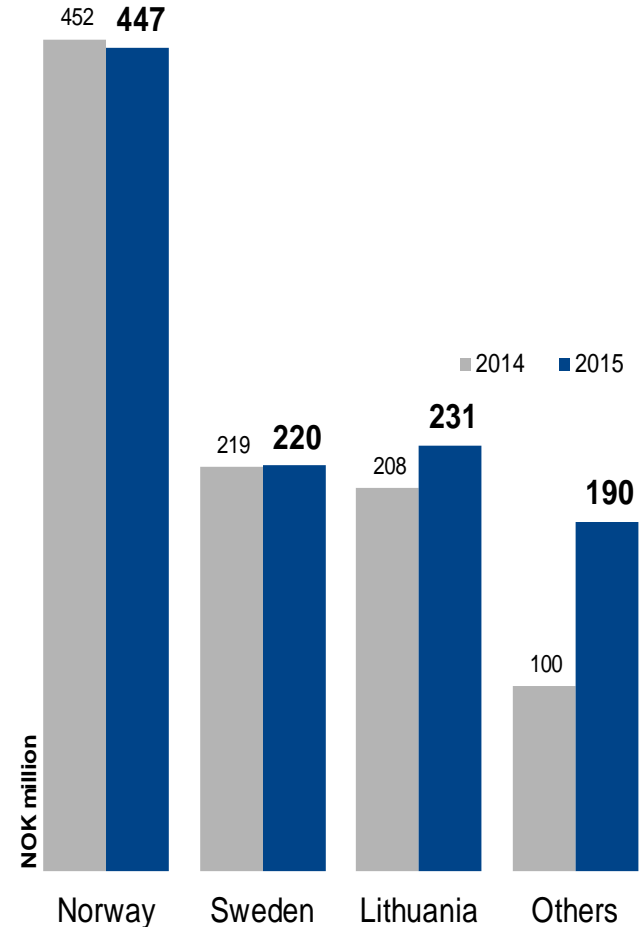
	Q2 2015 vs Q2 2014	Share of total revenue
<b>Norway</b>	-4,2 % 	38,5 % 
<b>Sweden</b>	8,6 % 	21,7 % 
<b>Lithuania</b>	5,2 % 	21,2 % 
<b>Others</b>	75,3 % 	18,6 % 



\* Before group entities and eliminations

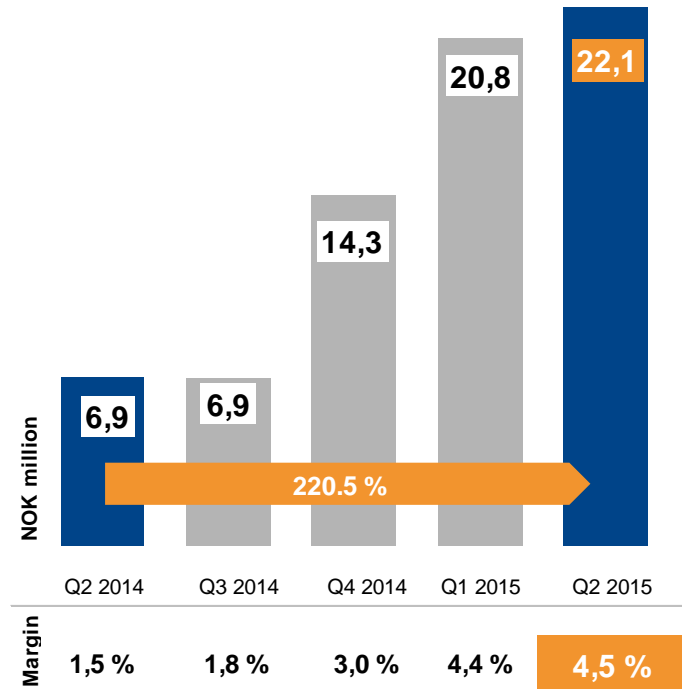
# Growth outside Scandinavia

	2015 vs 2014	Share of total revenue
<b>Norway</b>	-1,0 % 	41,1 % 
<b>Sweden</b>	0,4 % 	20,2 % 
<b>Lithuania</b>	11,3 % 	21,2 % 
<b>Others</b>	89,8 % 	17,4 % 



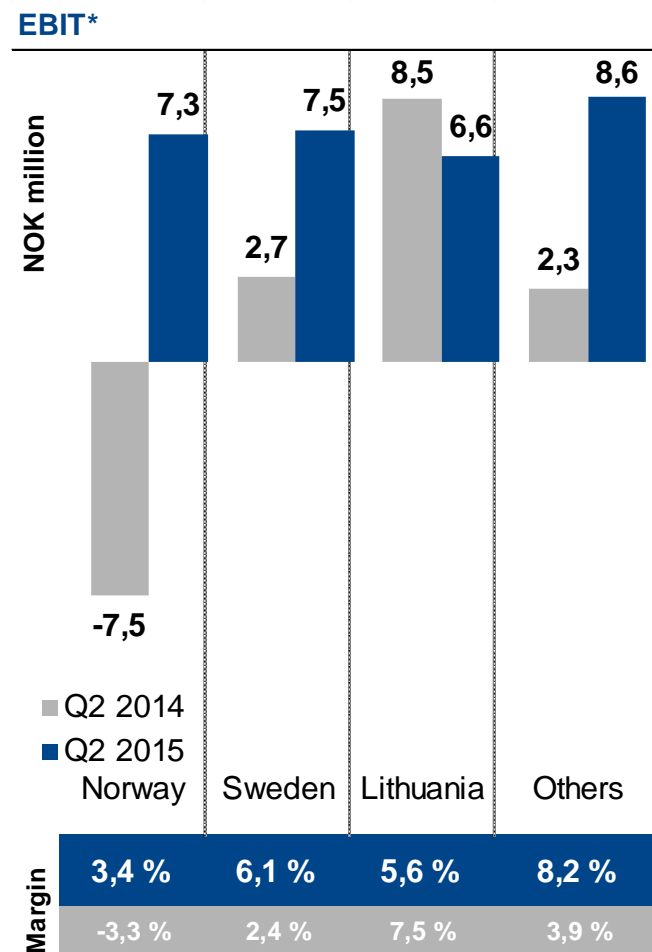
# Fifth consecutive quarter of improved profitability

- Improvement in both nominal value as well as EBIT margin
- Strong contribution from service sales, both from development and engineering
- Personnel expense reduction
- All sites profitable



# Strong improvement

- **Norway**
  - Cost reduction actions continue to yield results
- **Sweden**
  - Significantly improved margins
- **Lithuania**
  - Reduction due to higher indirect cost and pressure on margins
- **Other**
  - China and US continue to contribute positively

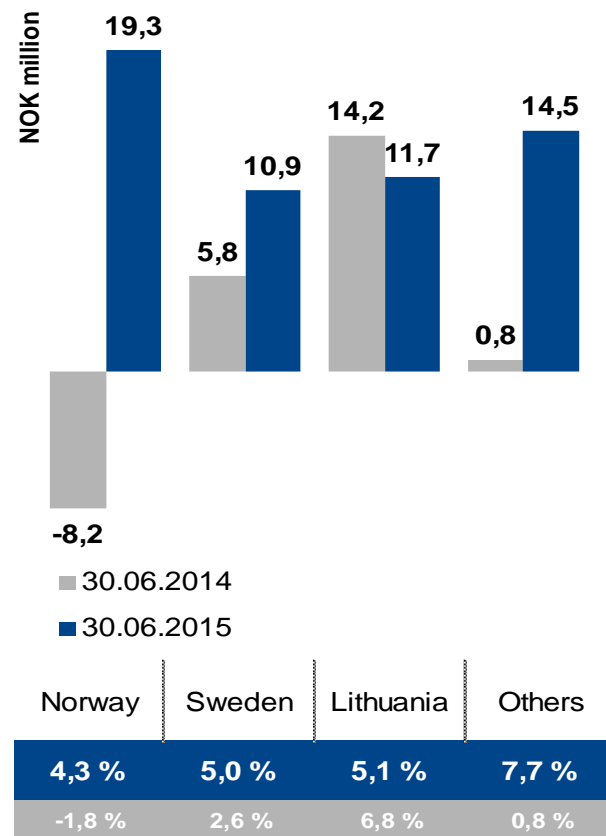


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EBIT\*



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# Cash flow improvement

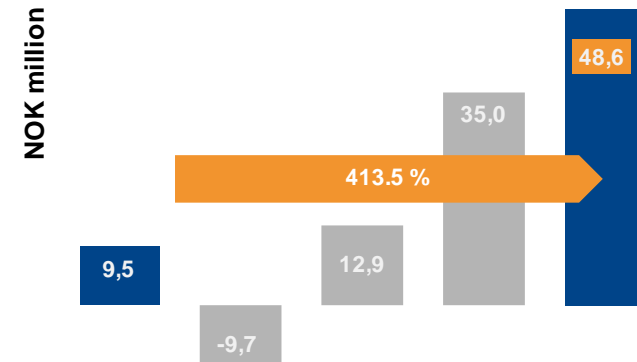
## ■ Cash flow

- Improved profitability affects cash flow positively this year with a third consecutive quarter of improvement.
- Compared to last year, improved results and improved working capital development (stable this year, an increase in WC last year)

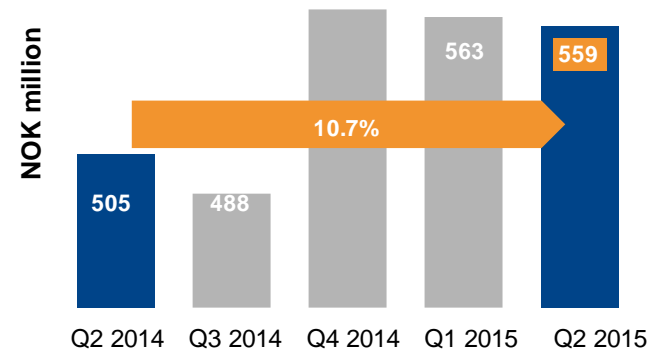
## ■ Working capital

- Stabilized with a downwards trend
- Net increase in WC from last year is due to inventory
- Cash conversion cycle 106 which is same level as the last quarter

### Operating cash flow



### Net working capital

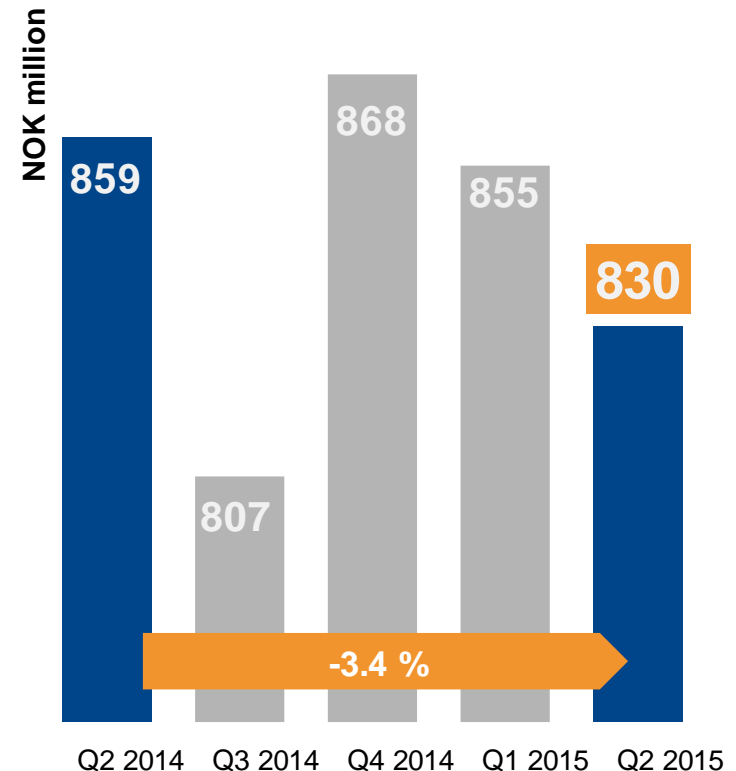


# Market development

# Growth in Energy/Telecom and Medical offset reductions in Offshore/Marine

- **Energy/Telecom and Medical**
  - Double digit growth compared to last year
- **Defence/Aerospace and Industry**
  - Stable at same level as last year
- **Offshore/Marine**
  - Expected development continues, reduction of 61.4% (MNOK 62.0) compared to last year

Order backlog



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



# Market development

- **Offshore/Marine**
  - General adjustment in the oil service market in Norway
- **Medical equipment**
  - Stable development
- **Defence/Aerospace**
  - Continued strong growth and positive outlook
- **Energy/Telecoms**
  - Stable backlog and positive outlook
- **Industry**
  - Continues to grow, increased revenue from existing and new customers.

# Outlook

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- For 2015, Kitron expects growth and a clear improvement in profitability.
- Growth is primarily driven by increased demand in Defence sector for US and Norwegian markets, as well as increases in Energy/Telecoms and Industry.
- Offshore/Marine will have reduction due to oil service market in Norway.



**Thank you!**