



**Kitron**

Your ambition. Our passion.






## Q4 results 2014

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## Initiatives yield improved profitability

- Revenue at last year's level
- Profitability improved, all sites profitable in Q4
- Strong order backlog
- Negative development of operating cash flow and net working capital

NOK mill.		Q4 2014 vs Q4 2013
<b>Revenue</b> 476,3		<b>0,0 %</b>
<b>EBIT</b> 14,3		<b>234,5 %</b>
<b>Order backlog</b> 868,4		<b>20,9 %</b>
<b>Operating cash flow</b> 12,9		<b>-75,0 %</b>
<b>Net working capital</b> 565,5		<b>8,4 %</b>

## Important orders in the fourth quarter

### ■ Orders from leading company in offshore industry

- Kitron AS received orders within the offshore industry worth approximately MNOK 25.
- Will be fulfilled during 2015.
- Helps secure revenue in 2015, as offshore sector is experiencing reduced order intake.
- Production will take place at Kitron's plant in Arendal, Norway.

### ■ Frame agreement signed with Speed Identity

- Kitron AB signed three-year frame agreement with Speed Identity.
- Production and related services for biometric identification systems.
- Value of at least MSEK 30 over three years with options of prolonging.
- Production at Kitron's plant in Jönköping, Sweden.

## Improved profitability in the quarter

### ■ All sites profitable

- Arendal, Norway, initiatives to improve profitability yield results.
- Johnstown, US, have successfully ramped up revenue by approximately 50% compared to second and third quarter this year.
- Jönköping, Sweden, profitability increase in the quarter.
- Kaunas, Lithuania, continued strong growth.
- Ningbo, China, profitability increase in the quarter.

## Kitron invests in Arendal operations

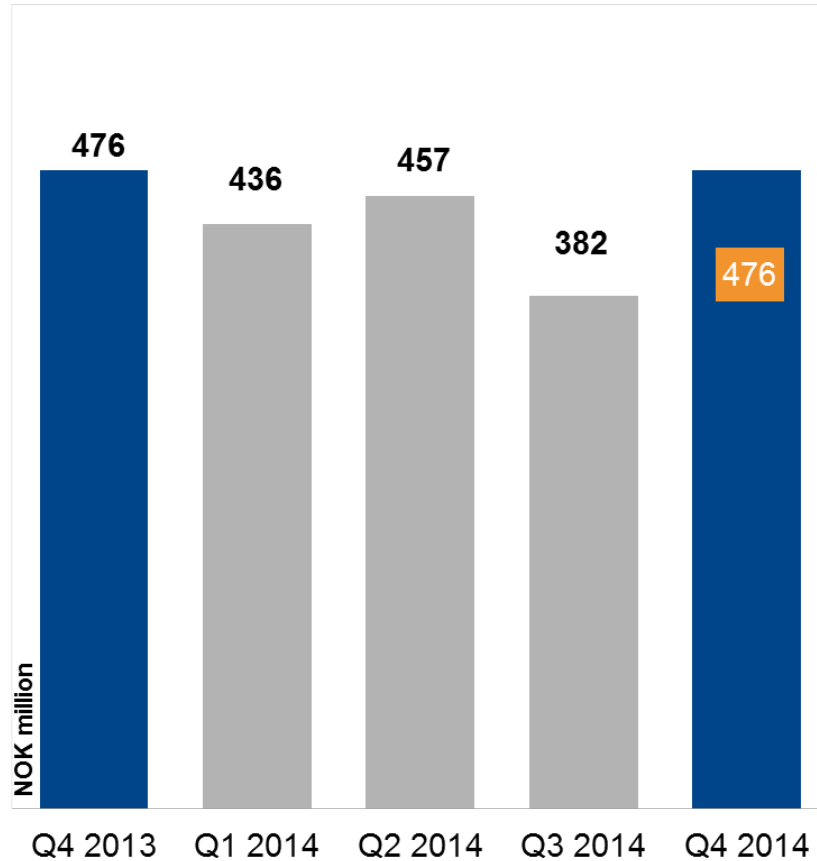
### ■ Move to Kilsund











- In December it was decided to move the Arendal operations from Hisøy to Kilsund, both locations in Arendal, Norway.
- Hisøy plant leased, Kilsund plant owned and Kitron's main production facility from 1995-2005.
- Investments estimated at MNOK 45 to upgrade and expand Kilsund facility and increase efficiency of operations.
- Move is expected to take place early in 2016.
- One-off costs relating to move expected to be MNOK 6.9, charged in Q4 2014.

# Financial statements **Q4** 2014

## Revenue:









# Strong Industry growth in the fourth quarter

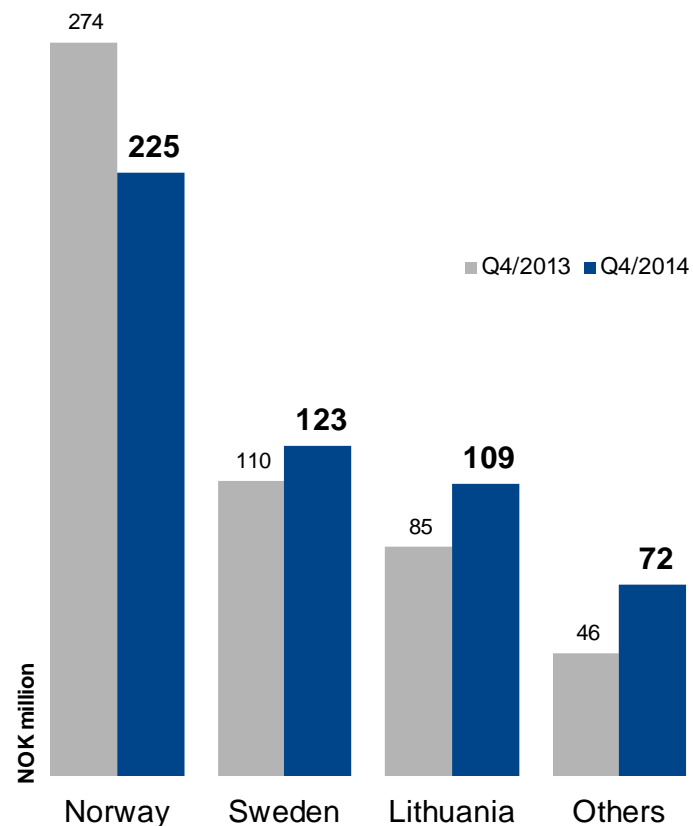


	Q4 2014 vs Q4 2013	Share of total revenue
Offshore/Marine	-30,7 % 	10,3 % 
Medical equipment	1,7 % 	27,9 % 
Defence/Aerospace	-3,3 % 	23,7 % 
Energy/Telecoms	4,9 % 	11,1 % 
Industry	19,5 % 	27,0 % 

Revenue by country\*:

# Continued strong growth outside Scandinavia

	Q4 2014 vs Q4 2013	Share of total revenue
<b>Norway</b>	-17,8 % 	42,6 % 
<b>Sweden</b>	12,1 % 	23,3 % 
<b>Lithuania</b>	27,7 % 	20,6 % 
<b>Others</b>	56,5 % 	13,5 % 



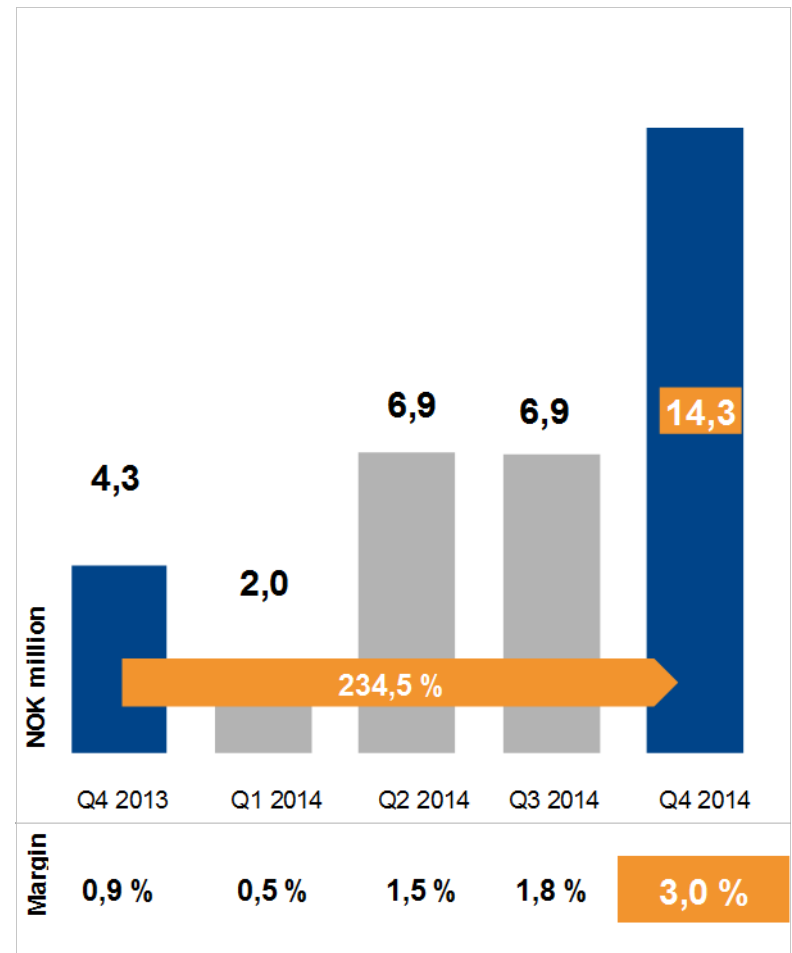
\* Before group entities and eliminations



EBIT:

## Improved profitability

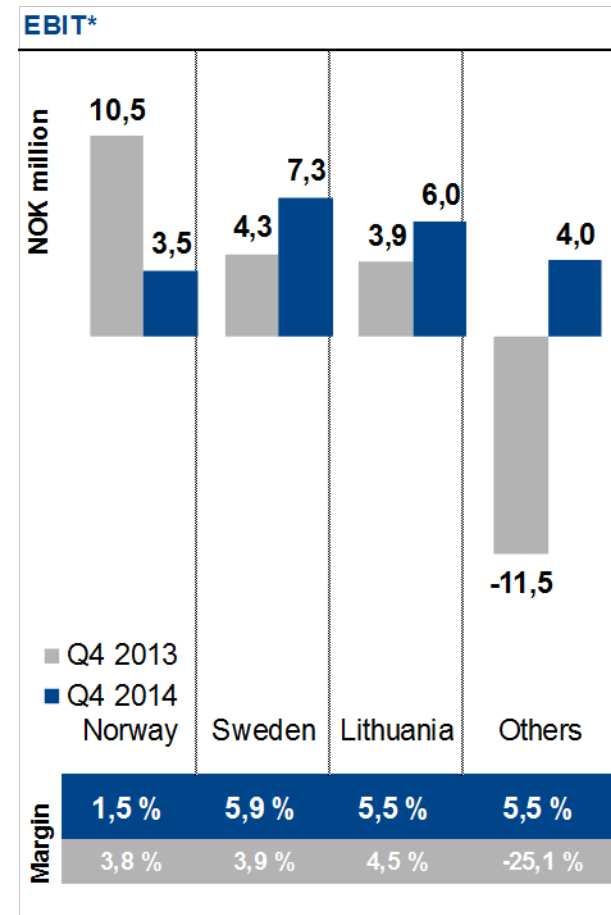
- EBIT margin improved compared to last four quarters
- Cost reduction activities yield results in Arendal
- All sites profitable



## EBIT by country:

# All sites profitable

- **Norway**
  - Includes one-off of MNOK 6.9
- **Sweden**
  - EBIT margin improved in the quarter
- **Lithuania**
  - Revenue growth from existing customers and new orders
- **Other**
  - China and US now both have positive EBIT
  - One-off of MNOK 8.7 regarding distribution centre in Q4 2013



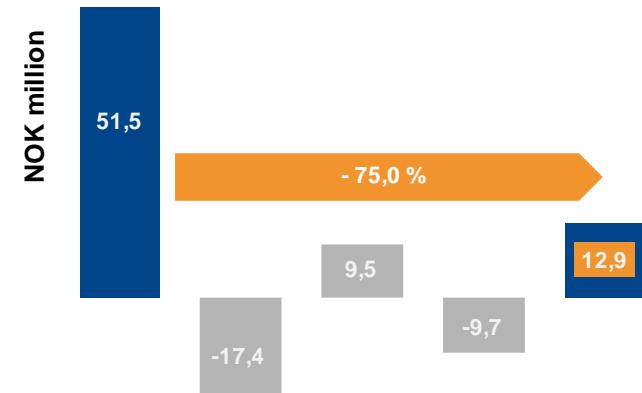
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## Balance sheet:

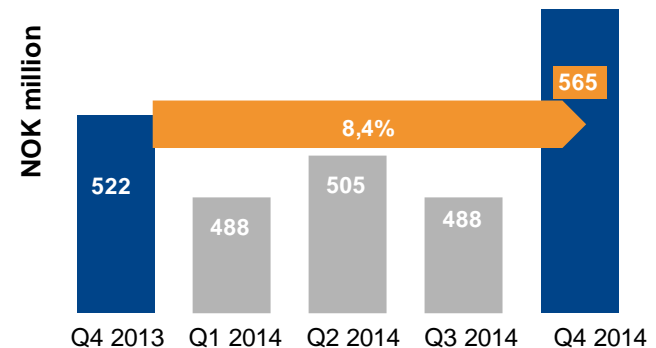
# Negative development of cash flow and working capital

- **Cash flow decrease**
  - Temporary inventory increase, primarily project deliveries in work-in-process phase
- **Working capital increase**
  - Cash conversion cycle increased from 100 to 106

### Operating cash flow








### Net working capital



# Financial highlights 2014

## Full year profitability improvement

- Revenue growth
- EBIT improvement
- Strong order backlog
- Negative development of operating cash flow and net working capital
  
- The board proposes that the Annual General meeting decides on a dividend of NOK 0.05 per share.

NOK mill.		2014 vs 2013
<b>Revenue</b> 1751,3		<b>7,3 %</b>
<b>EBIT</b> 30,0		<b>19,6 %</b>
<b>Order backlog</b> 868,4		<b>20,9 %</b>
<b>Operating cash flow</b> -4,8		<b>-114,9 %</b>
<b>Net working capital</b> 565,5		<b>8,4 %</b>

# Market development

## Order backlog:

# Strong development in Defence and Energy/Telecoms, reductions in Marine & Offshore

## ■ Defence

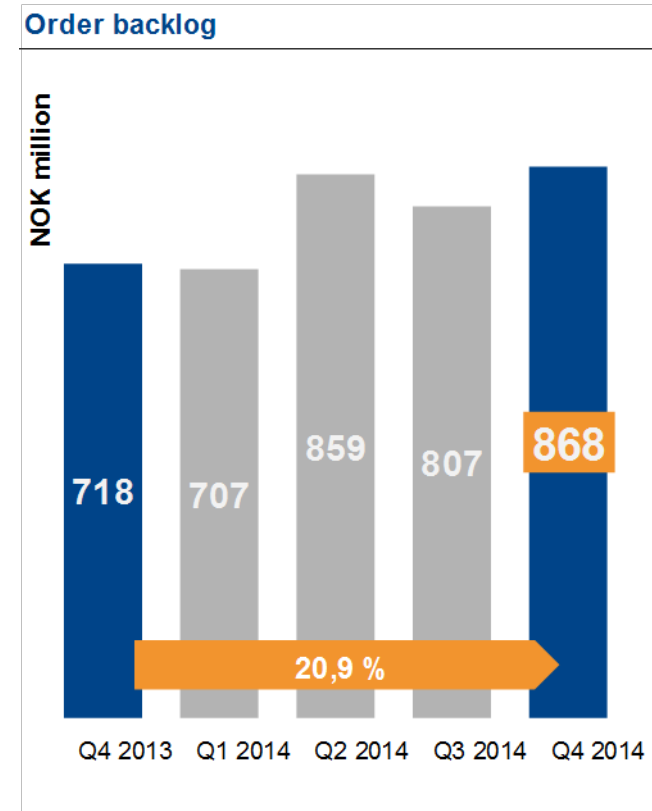
- Increased by 66% (MNOK 144.7) from last year
- Due to previously announced large orders for the US and Norwegian markets

## ■ Energy/Telecoms

- Increase of 41% (MNOK 24.5)

## ■ Offshore/Marine

- Reduction of 20.6% (MNOK 25.5)



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**
  - Strong growth and positive outlook
- **Energy/Telecoms**
  - Growth in backlog and positive outlook
- **Industry**
  - Continues to grow, increased revenue from existing and new customers



# Outlook

# Outlook

- For 2015, Kitron expects growth and a clear improvement in profitability. However during first quarter the revenue outlook is slightly down sequentially due to seasonality.
- Growth 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.
- Kitron continue to monitor the volatile currency markets and its effect on our operations



**Thank you!**