



Kitron

Your ambition. Our passion.

Full year and Q4 results 2018

Cathrin Nylander, Acting CEO
and CFO

14 February, 2019

Strong revenue growth






- Strong orders received
 - MNOK 918 (940)

- EBIT margin 5.7% (6.5%)
 - Excluding one offs 6.6%

- EPS 0.16 (0.17) NOK






- Inventory build-up to secure deliveries and future growth

- Comparable Order backlog
 - MNOK 1518 and 16.2% growth

NOK mill.	Q4 2018 vs Q4 2017	
Revenue 738,6		10,6 %
EBIT 42,3		-1,9 %
Order backlog 1334,8		2,2 %
Operating cash flow -26,8		-129,5 %
Net working capital 779,2		60,2 %

Strong order growth, including oil and gas

- Revenue growth 7.5%
 - 22% growth excluding Defence/Aerospace
- EBIT margin 6.0% (6.1%)
 - Excluding one offs 6.2%
- EPS 0.63 (0.57) NOK
- Comparable Order backlog
 - MNOK 1518 and 16.2% growth

NOK mill.		2018 vs 2017
Revenue 2619,3		7,5 %
EBIT 156,1		5,0 %
Order backlog 1334,8		2,2 %
Operating cash flow -44,5		-127,6 %
Net working capital 779,2		60,2 %

Major new orders:

Important agreements in the fourth quarter

Kitron receives NOK 150 million order

- In November, Kitron signed a three-year manufacturing agreement for electronic modules for electric wheelchairs with a leading producer of complex rehab technology
- Kitron will supply high-level assembly services
- Contract scope of NOK 150 million over three years
- Production takes place at Kitron's plants in Sweden and the US

Kitron selected as main supplier of electronics for CROWS

- Kitron has signed a long-term manufacturing agreement with Kongsberg Defence & Aerospace AS for electronic modules for the CROWS remote weapon station
- The agreement is expected to generate revenues of NOK 300 million over 5 years
- Production takes place at Kitron's plants in Norway and the US

Kitron to acquire the EMS division of API Technologies Corp.

- Kitron has entered into an agreement with API Technologies Corp. to acquire its EMS division in the US
- The acquisition marks a substantial strengthening of Kitron's position in the US market.
 - Business is highly complementary to Kitron's existing operations
 - Main focus is on defence/aerospace, medical devices and industry
 - Located in Windber, Pennsylvania, close to Kitron's current US facility in Johnstown,
 - Approximately 100 employees and a facility of 10 000 square meters.
 - Total revenues in 2017 amounted to approximately USD 30 million
- The purchase price is USD 15.9 million in cash, equal to net asset value.
- Closing is expected to take place in the first quarter of 2019, subject to necessary governmental approvals.

Capital Markets Day

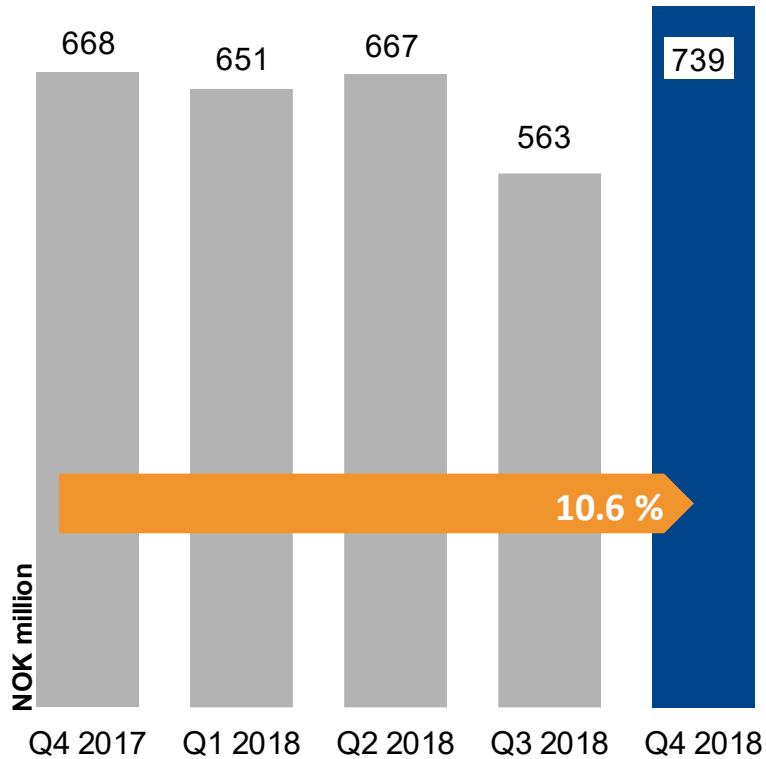
- Kitron will host a Capital Markets Day in Oslo on March 21, 2019.



Financial statements **Full year and Q4 2018**

Revenue Q4:

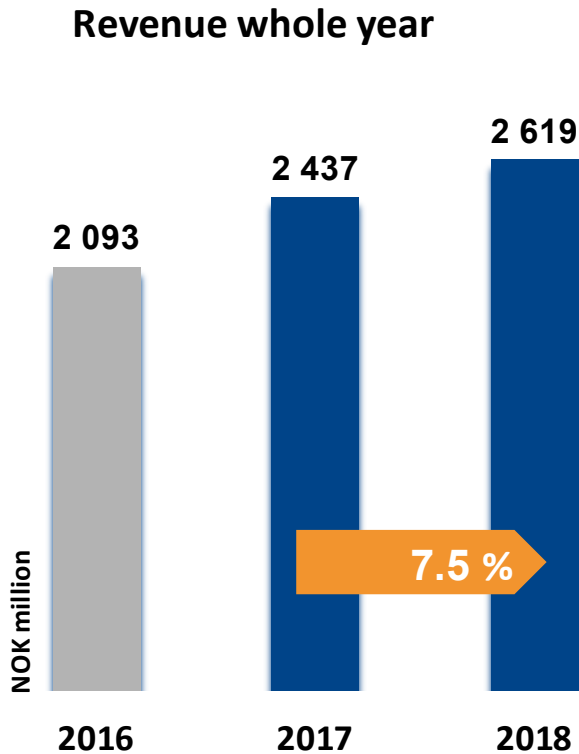
24% revenue growth excl. Defence/Aerospace sector



	Q4 2018 vs Q4 2017	Share of total revenue
Industry	38,6 %	47,6 %
Defence/Aerospace	-30,6 %	15,7 %
Medical devices	2,8 %	19,2 %
Energy/Telecoms	12,9 %	14,9 %
Offshore/Marine	73,2 %	2,6 %

Revenue Full year:









22% revenue growth excl. Defence/Aerospace sector

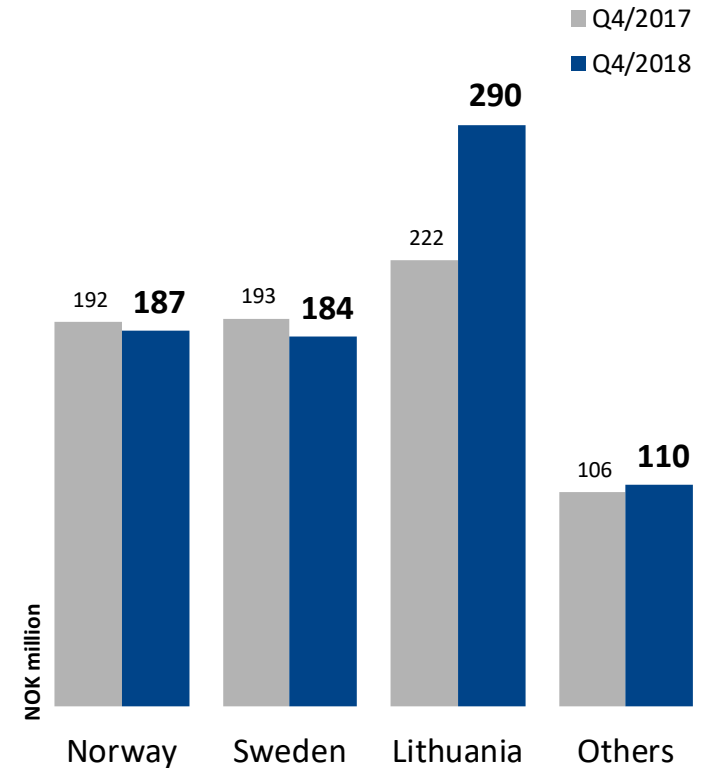


	2018 vs 2017	Share of total revenue
Industry	33,3 %	45,3 %
Defence/Aerospace	-31,3 %	17,2 %
Medical devices	14,1 %	19,8 %
Energy/Telecoms	2,4 %	15,8 %
Offshore/Marine	52,2 %	1,9 %

Revenue by country Q4*:

Continued strong growth in Lithuania and China









	Q4 2018 vs Q4 2017	Share of total revenue
Norway	-2,3 % 	24,2 % 
Sweden	-4,7 % 	23,9 % 
Lithuania	30,7 % 	37,6 % 
Others	3,8 % 	14,3 % 

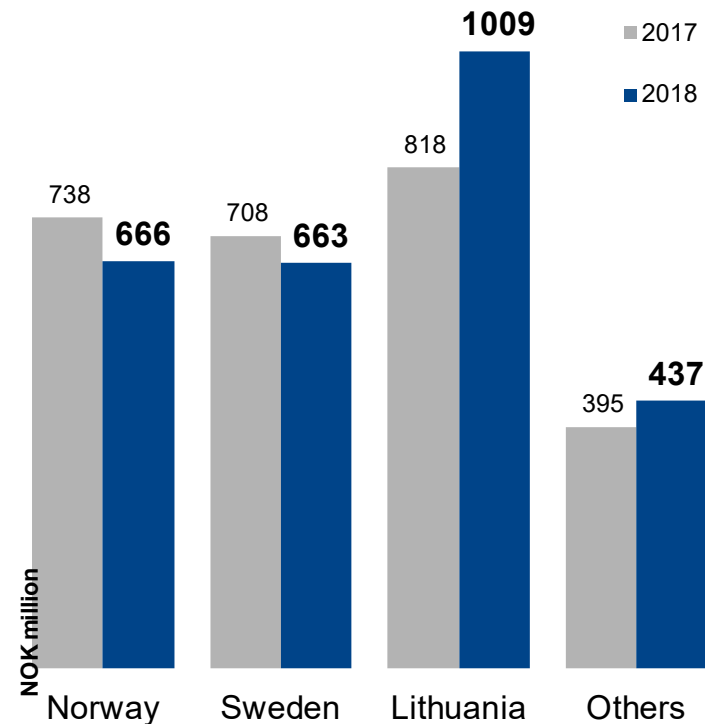


Norway, Sweden and US affected by temporary lower defence revenue.

* Before group entities and eliminations

Continued strong growth in Lithuania and China

	2018 vs 2017	Share of total revenue
Norway	-9,7 % 	24,0 % 
Sweden	-6,3 % 	23,9 % 
Lithuania	23,2 % 	36,4 % 
Others	10,7 % 	15,8 % 

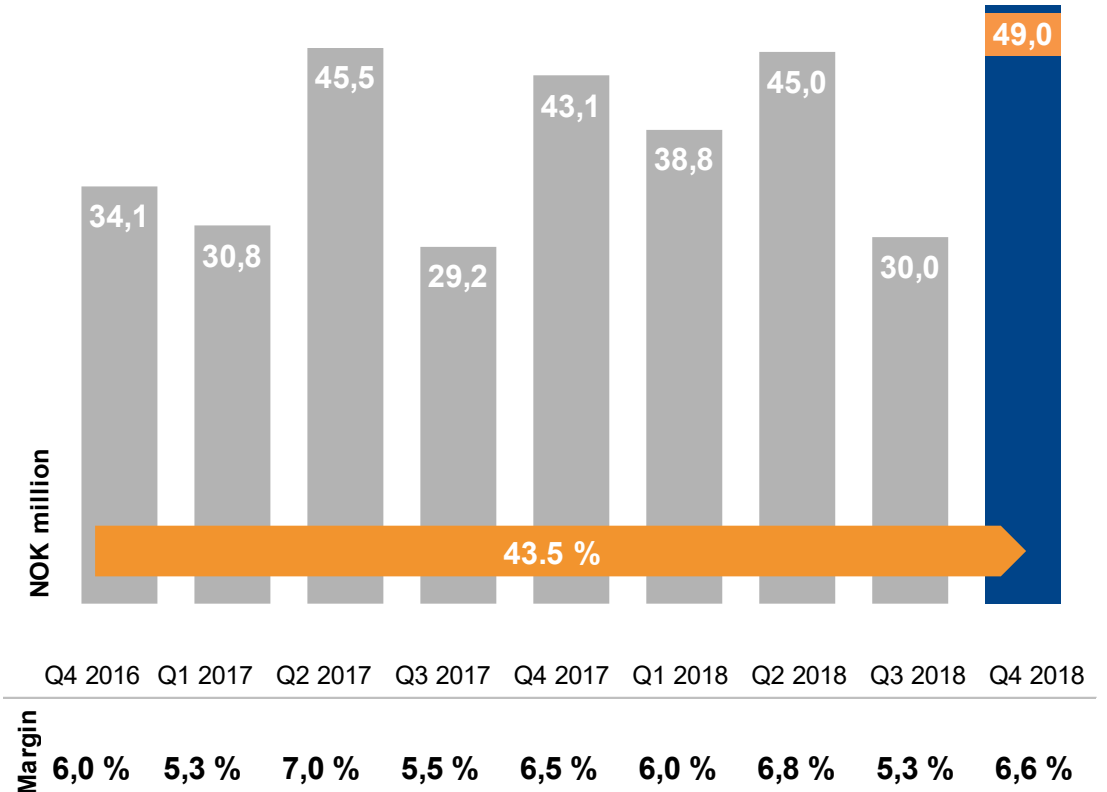


Norway, Sweden and US affected by temporary lower defence revenue.

* Before group entities and eliminations

Seasonal variations in profitability

- Strong quarter although component allocations creates less flexibility for short term changes in demand.
- EBIT in Q4 2019 is negatively affected by NOK 6.7 million of external one-offs. These one-offs are costs for legal and accounting advice relating to the negotiations and due diligence process leading up to the acquisition of the EMS division of API Technologies Corp.

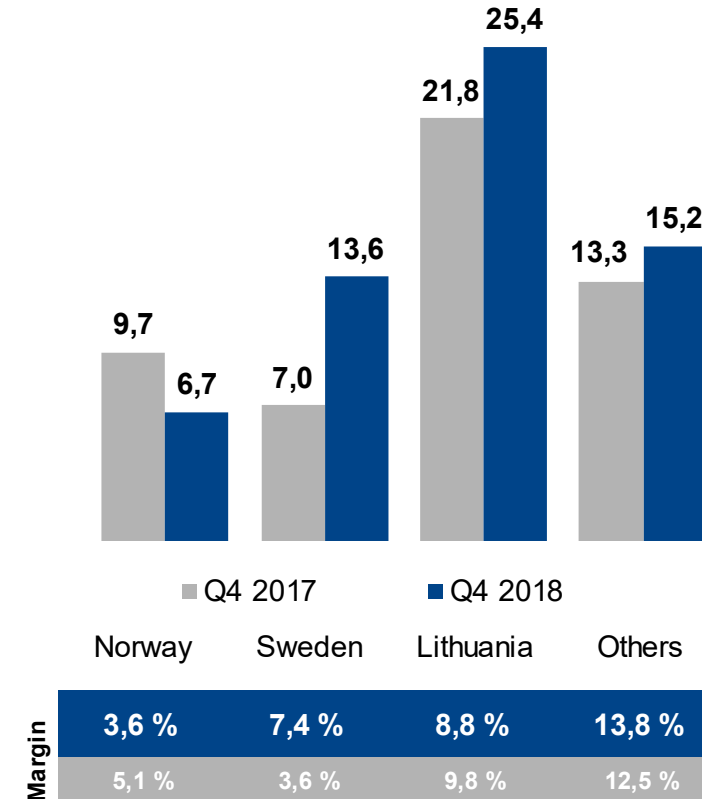


Graph show EBIT excluding one-offs in Q4 2018

Strong profitability in Lithuania, Sweden and China

- Lithuania back to normal profitability levels after short term demand push outs
- Strong profitability improvements in Sweden in spite of lower volumes from defence projects
- Norway had in-efficiencies related to material allocations and ramp-ups.
- US affected by defence projects timing

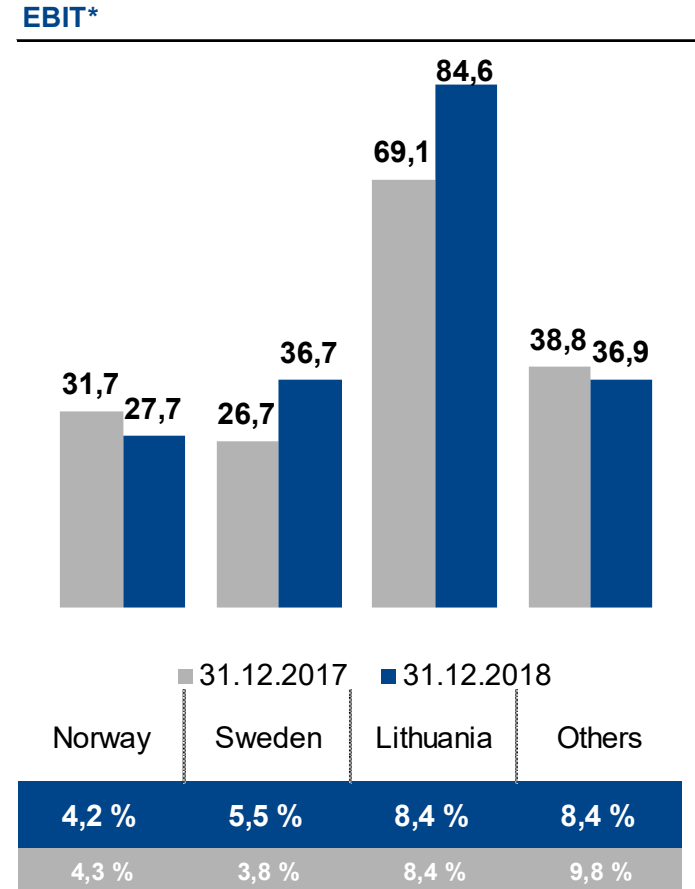
EBIT*



* Before group entities and eliminations

Lithuania continues to drive profits

- Lithuania and China show EBIT improvement
- Profitability improvements/stable in Sweden and Norway in spite of lower volumes from defence projects (total volume reductions of 6% and approx. 10% vs last year)
- Sweden, Norway and US affected by defence projects timing on revenue, for US also affecting profits.

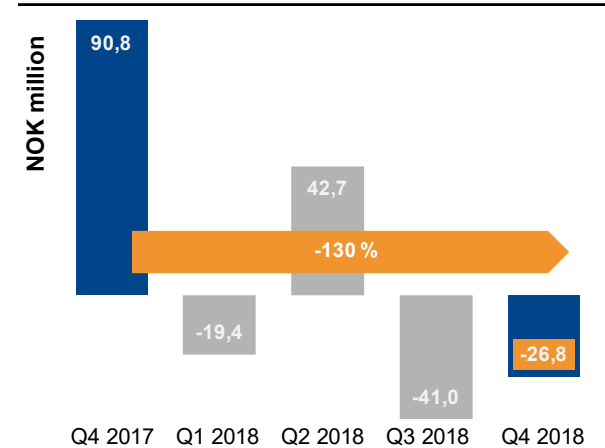


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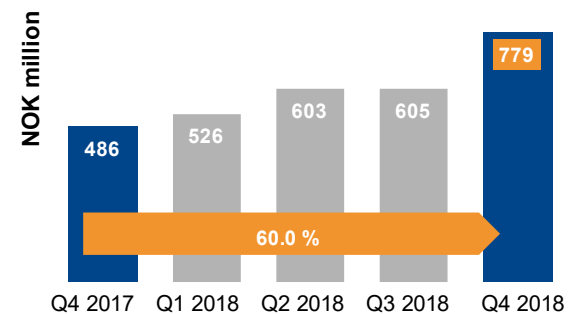
Inventory build-up to secure deliveries and future growth

- **Cash flow**
 - Q4 Cash flow MNOK -26.8 (90.8)
 - **Inventory build-up**
 - Allocated material /postponements
 - Growth
 - Production for later deliveries
- **Financial gearing**
 - NIBD / EBITDA 1.9 (0.9)
- **Working capital**
 - NOWC* 23.0% (17.5%)
 - Cash conversion cycle* 84 (61)
 - ROOC* 17.5% (23.2%)

Operating cash flow



Net working capital



* R3 - Three months rolling average

Market development

Market development:

Strong backlog – offshore strengthened

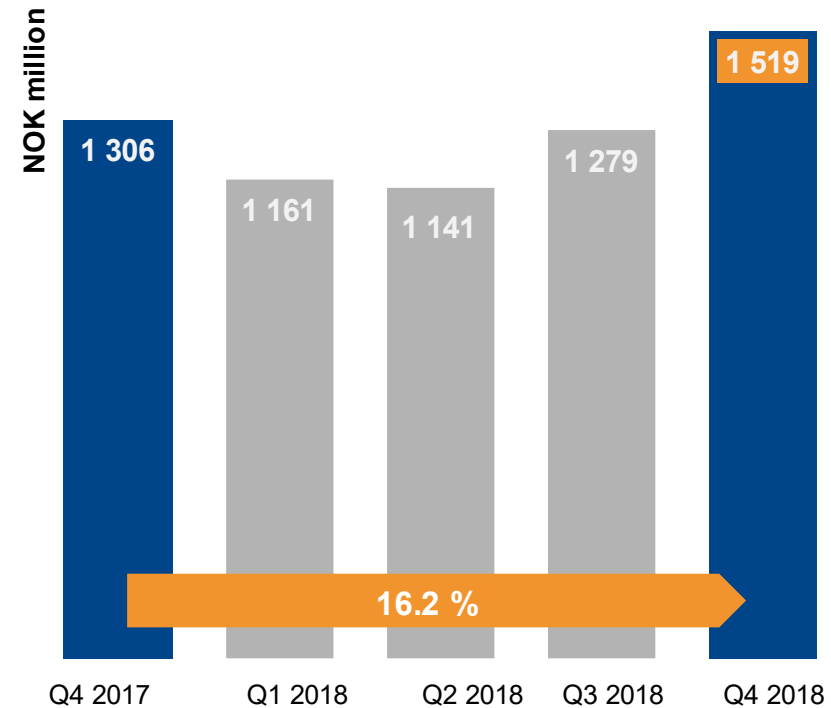
Comparable:

- MNOK 1 518 (1 306) +16.2%
 - Defence: 472 -6%
 - Medical: 215 +11%
 - Industry: 541 +19%
 - Energy/Telecom: 186 +11%
 - Offshore: 103 +391%

IFRS adjusted:

- MNOK 1 335
- Fluctuations to be expected within defence going forward

Order backlog



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

Cathrin Nylander, Kitron's Acting CEO, comments:

- Strong order intake of NOK 918 million in the quarter resulted in close to 16 per cent growth of order backlog
- Revenue of NOK 739 million, an increase of 11 per cent. Full-year revenue NOK 2 619 million, an increase of 7.5 per cent
- Adjusted for one-offs, EBIT margin was 6.6 per cent in Q4, up from 6.5 per cent, and 6.2 per cent for the full year, up from 6.1 per cent
- The Industry market sectors is strong. Marine/Offshore continues to recover. Defence is temporarily weak.
- Acquisition of the EMS division of API Technologies Corp will strengthen position in the US
- Component availability have continued to be an issue. Several mitigating actions have been implemented to alleviate the stress in the supply chain. The resulting actions have increased inventory levels during the quarter. This will improve delivery capabilities over the next few quarters. The availability situation now seems to have stabilised and we start to see shorter leadtimes.
- Dividend of NOK 0.40
- Outlook for 2019 shows further improvements and increases our confidence in our strategic ambitions.

Outlook

Outlook

- For 2019, Kitron expects revenue to grow to between NOK 2 900 and 3 200 million. EBIT margin is expected to be between 6.2 and 6.6 per cent.
- Growth is primarily driven by the acquisition of the EMS division of API Technologies Corp. and growth for customers in the Industry and Offshore/marine sectors.
- The profitability is driven by cost reduction activities and improved efficiency.



Thank you!