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Q1 results 2018

Peter Nilsson, CEO
Cathrin Nylander, CFO

20 April, 2018

Financial highlights Q1:

Solid growth and improved profitability

- Strong revenue growth
  - Underlying growth 8.9%
- EBIT margin 6.0% (5.3%)
- Order backlog growth
- Seasonal cash flow
- Net working capital
  - ROOC % 19.8
  - CCC 67 days

NOK mill.		Q1 2018 vs Q1 2017
Revenue 651,3	↑	**11,3 %**
EBIT 38,8	↑	**25,6 %**
Order backlog 1161,0	↑	**10,0 %**
Operating cash flow -19,5	↓	**-25,7 %**
Net working capital 525,8	↓	**-5,0 %**

Major new orders:

Important agreements in the first quarter

- **Kitron receives EUR 17 million industry order**
- In February, Kitron has received an order for manufacturing related to a new industrial product line.
- The total amount is approximately EUR 17 million over a four-year period
- Production will start in the second half of 2018 and take place at Kitron's plant in Kaunas, Lithuania.

Peter Nilsson, Kitron's CEO, comments:

- We're seeing demand increase in all regions and most market sectors.
- In the first quarter of 2018 Kitron won more than 30 new programs worth more than 230 MNOK of annualized revenue (75M '17Q1). 70% of the programs came from existing customers while the other 30% came from new customers.
- Service sales accounted for close to 9% of revenue in the quarter. Our. strategic target is to be above 10%
- The solid growth and improved profitability in the first quarter indicates that we are on track for our 2018 outlook and our strategic ambitions. Growth was particularly strong within the Industry market sector.

Active management of component availability

- Shortages of electronic components made 2017 a challenging year for many companies in the Electronics Manufacturing Services business.
- These challenges have continued into 2018 and are expected to last throughout the year.
- Kitron's timely and systematic approach combined with its preferred partner program has prevented serious supply disruptions.
- In spite of challenges in the supply chain Kitron aims to reduce material cost in the same manner as achieved over the past three years.

Financial statements Q1 2018

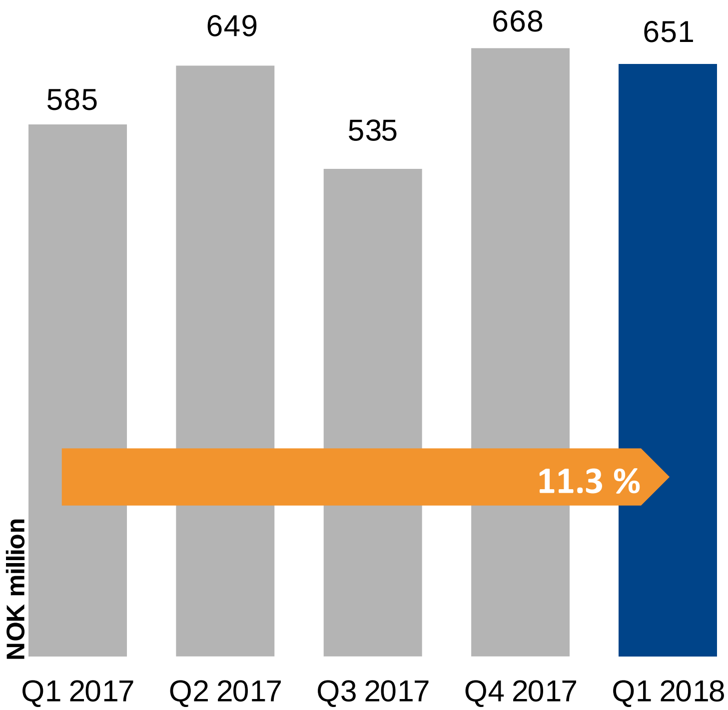
IFRS 15:

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

NOK 1 000	Old principles Q1 2018	Effects from IFRS 15	New principles Q1 2018
Revenue	636 982	14 304	651 286
Cost of materials	428 933	10 132	439 065
Payroll expenses	122 536	1 575	124 111
Other operational expenses	31 420	1 757	33 177
Other gains / (losses)	(1 885)	-	(1 885)
Operating profit before depreciation and impairments (EBITDA)	**52 208**	**840**	**53 048**
Depreciation	14 286	-	14 286
Operating profit (EBIT)	**37 922**	**840**	**38 762**
Net financial items	(7 410)	-	(7 410)
Profit (loss) before tax	**30 512**	**840**	**31 352**
Tax	4 970	172	5 142
Profit (loss) for the period	**25 542**	**668**	**26 210**

Sector growth in line with expectations

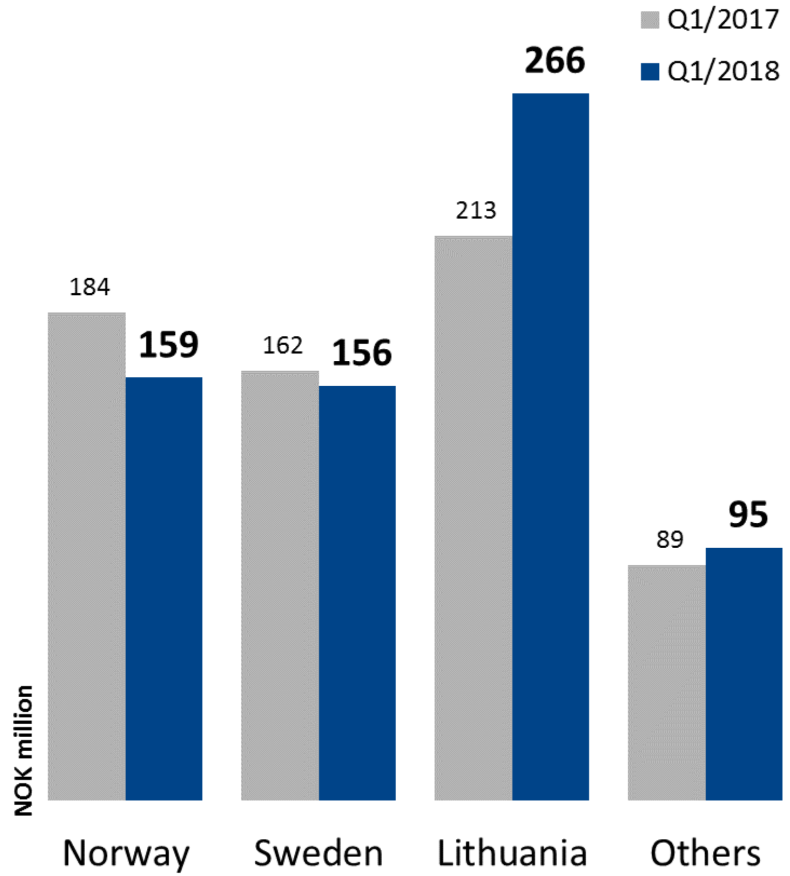


	Q1 2018 vs Q1 2017	Share of total revenue
Industry	35.4 %	46.6 %
Defence/Aerospace	-21.1 %	19.9 %
Medical devices	8.7 %	16.9 %
Energy/Telecoms	12.1 %	15.3 %
Offshore/Marine	31.6 %	1.3 %

Revenue by country Q1*:

Continued strong growth in Lithuania and China

	Q1 2018 vs Q1 2017	Share of total revenue
Norway	-13.4 %	23.5 %
Sweden	-3.6 %	23.1 %
Lithuania	25.3 %	39.3 %
Others	7.6 %	14.1 %

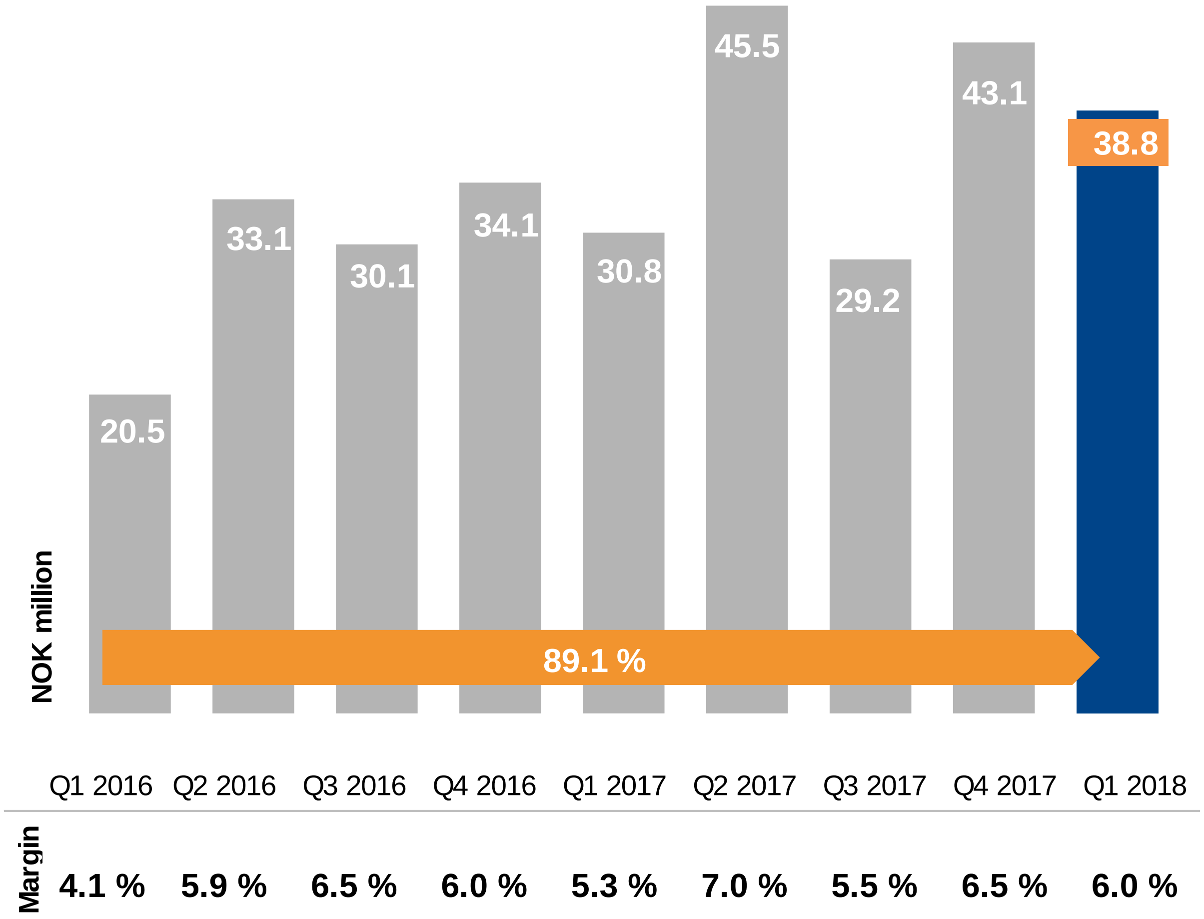


* Before group entities and eliminations

Quarterly EBIT:

Profits stabilizing on a higher level

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

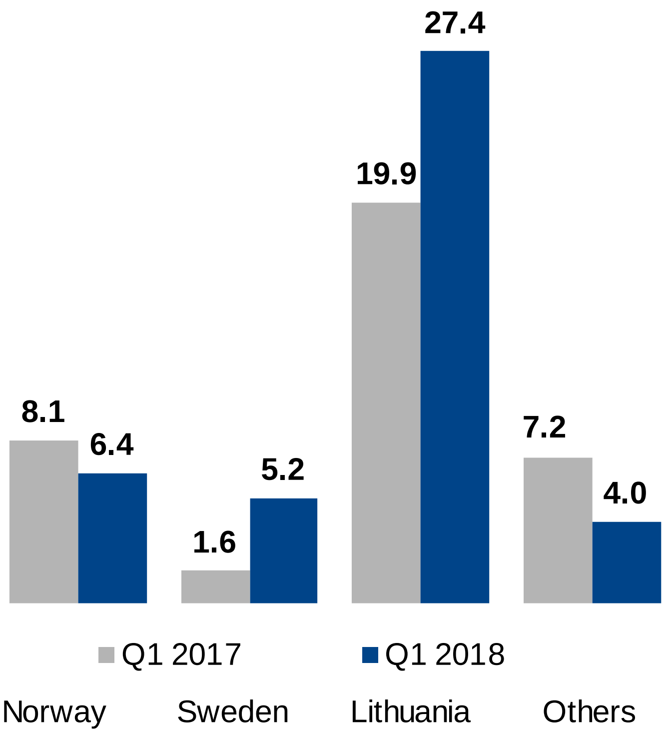


EBIT by country Q1:

Lithuania drives profits

- Lithuania shows strong EBIT improvement, both in value and margin
- Sweden improves from last year, margins still below ambition but according to expectations
- Norway and US affected by Defence projects timing

EBIT*



Margin	Norway	Sweden	Lithuania	Others
Q1 2018	4.0 %	3.3 %	10.3 %	4.2 %
Q1 2017	4.4 %	1.0 %	9.3 %	8.1 %

Quarter

* Before group entities and eliminations

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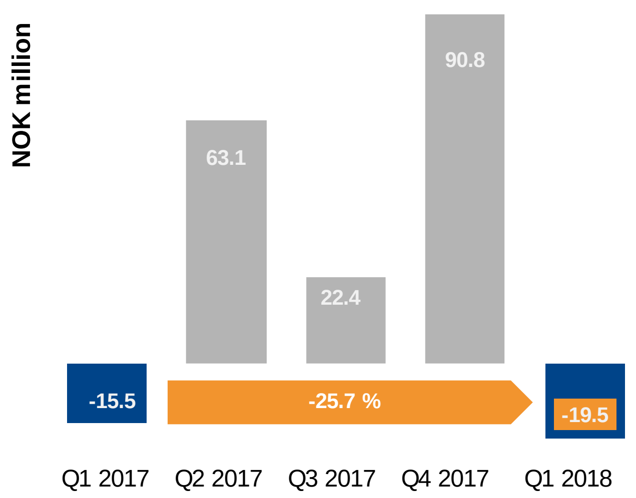
Balance sheet:

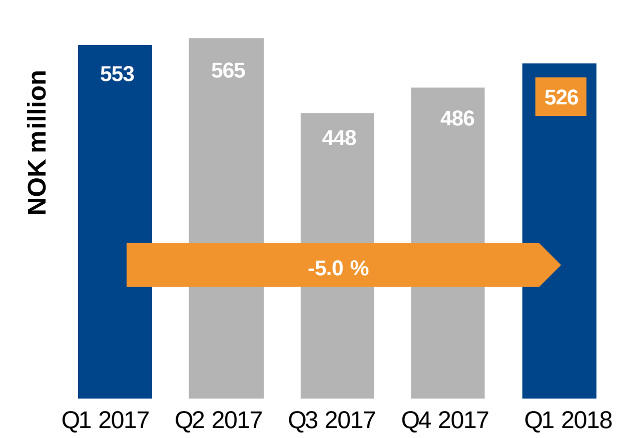
Seasonal effects

- **Cash flow**
  - Q1 Cash flow MNOK -19.5 (-15.5)
    - Low NWC at end of Q4 2017
    - Build up for Q2
- **Low financial gearing**
  - NIBD / EBITDA 0.8 (1.3)
- **Working capital**
  - NOWC* 19.3% (22%)
  - Cash conversion cycle* 67 (80)
  - ROOC* 19.8% (16.2%)

Operating cash flow



Net working capital



* R3 - Three months rolling average

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Market development

Market development:

Solid order backlog

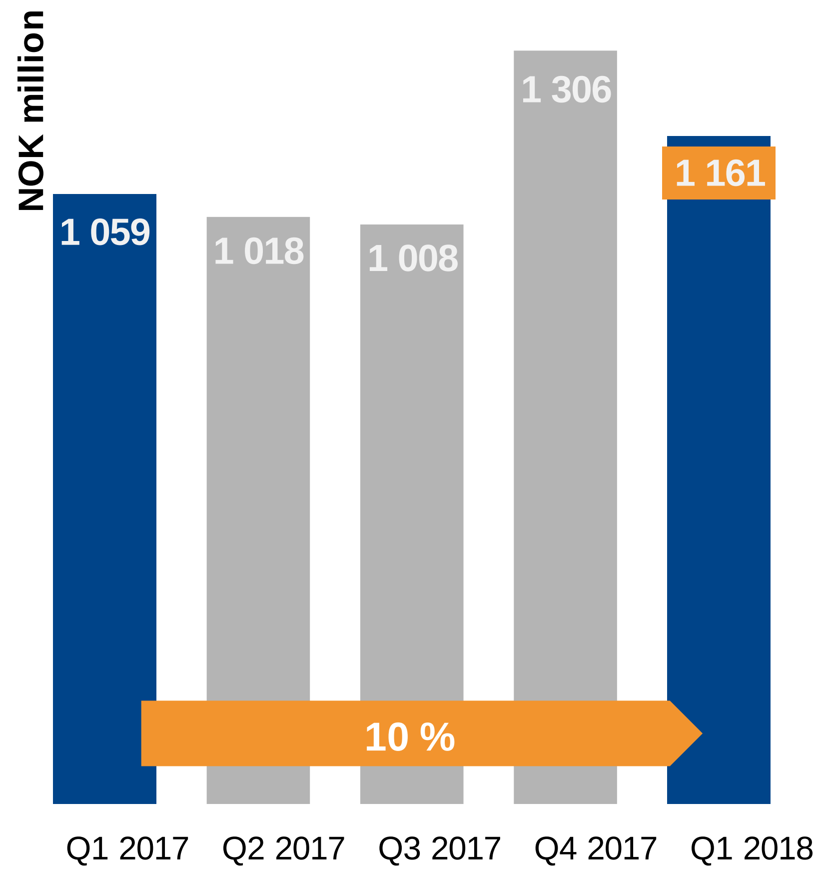
Order backlog (comparable)

- MNOK 1161 (1059)
- Growth of 10%
  - Defence: 422 -10%
  - Medical: 132 -7%
  - Industry: 402 +47%
  - Energy/Telecom: 184 +13%
  - Offshore: 20.5 +51%

- IFRS adjusted: MNOK 1025

- Fluctuations to be expected within defence going forward

Order backlog



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

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Outlook

Outlook

- 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.

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Thank you!