



**Kitron**

Your ambition. Our passion.

## First half year and Q2 results 2017

Peter Nilsson, CEO  
Cathrin Nylander, CFO






13 July, 2017

## Strong growth and milestone EBIT margin of 7%

- Strong revenue growth
  - Underlying growth 16.1%
- Strong profitability
  - EBIT margin 7.0% (5.9%)
- Solid order backlog
  - Underlying growth 2.2%
- Net working capital
  - Improved operating cash flow
  - Higher capital efficiency

NOK mill.

Q2 2017 vs Q2 2016






<b>Revenue</b> 648.7		<b>15.2 %</b>
<b>EBIT</b> 45.5		<b>37.5 %</b>
<b>Order backlog</b> 1017.8		<b>2.9 %</b>
<b>Operating cash flow</b> 63.1		<b>3.4 %</b>
<b>Net working capital</b> 565.3		<b>8.4 %</b>

## Strong revenue growth and improved profitability

- Strong revenue growth
  - Underlying growth 19.4%
- Strong profitability
  - EBIT margin 6.2% (5.1%)
- Solid order backlog
  - Underlying growth 2.2%
- Net working capital
  - Improved operating cash flow
  - Higher capital efficiency

NOK mill.

2017 vs 2016

<b>Revenue</b> 1233.7		<b>16.4 %</b>
<b>EBIT</b> 76.3		<b>42.5 %</b>
<b>Order backlog</b> 1017.8		<b>2.9 %</b>
<b>Operating cash flow</b> 47.6		<b>33.3 %</b>
<b>Net working capital</b> 565.3		<b>8.4 %</b>

## Important agreements in the second quarter

- **Kitron received communications order from KONGSBERG**
  - Kitron received a NOK 34 million order from Kongsberg Defence Systems for military communications equipment.
  - Kitron will supply various communications products related to an existing contract for deliveries to Hungary.
  - Deliveries will take place in 2018.
  - Manufacturing and technical services will be provided by Kitron in Arendal.

## Important agreements in the second quarter

- **Kitron signed contract with Husqvarna Group**
  - The new agreement includes five products for the Husqvarna Robotic Lawn Mowers product range and is in addition to existing manufacturing volumes.
  - The potential contract value is NOK 600 million over a five-year period.
  - The production will take place at Kitron's plant in Kaunas, Lithuania.

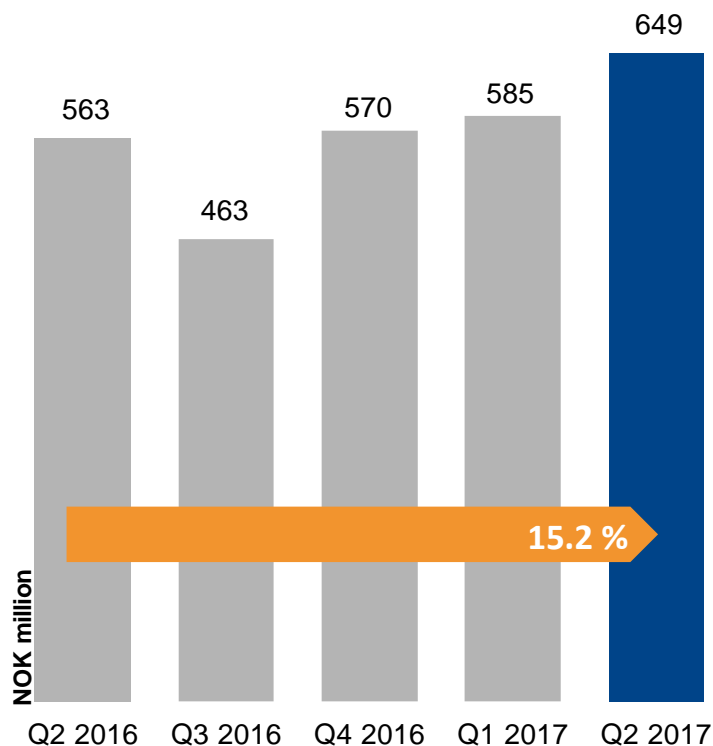
## Highlights:

# Investing for further growth

- Over the past years, Kitron has invested in its facilities, ensuring that they are modern, highly competitive and able to handle expected growth.
- In the second quarter, the move and major upgrade of the Swedish plant in Jönköping was completed, with the official opening being celebrated in May.
- In the second half of 2017
  - Kitron will invest in SMT equipment for increased capacity in the US, Lithuania and China.
  - Further investments in Norway, Sweden and Lithuania will focus on automation and robotics.

# Financial statements **First half year and Q2 2017**

# Continued strong growth in several sectors

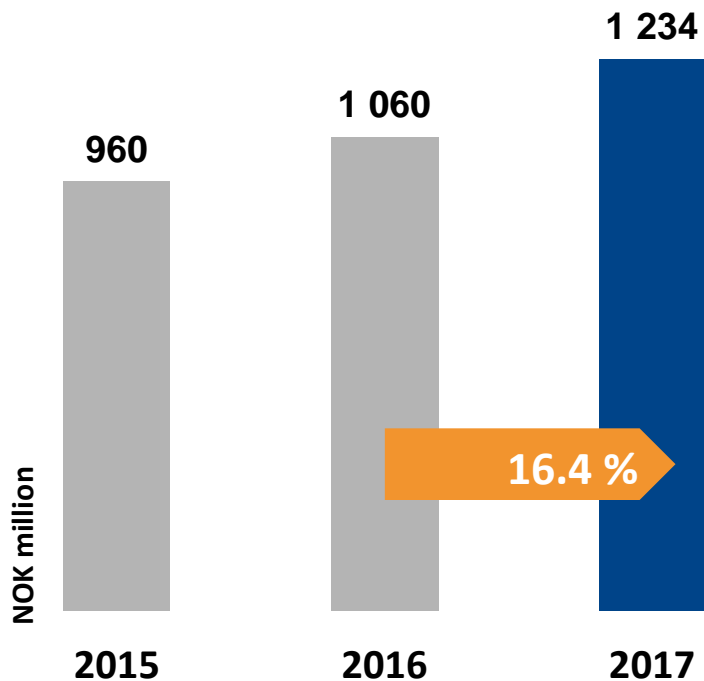


	Q2 2017 vs Q2 2016	Share of total revenue
<b>Industry</b>	31.6 %	36.9 %
<b>Defence/Aerospace</b>	18.1 %	29.5 %
<b>Medical devices</b>	-10.7 %	16.6 %
<b>Energy/Telecoms</b>	21.6 %	15.4 %
<b>Offshore/Marine</b>	-36.4 %	1.6 %











# Continued strong growth in several sectors

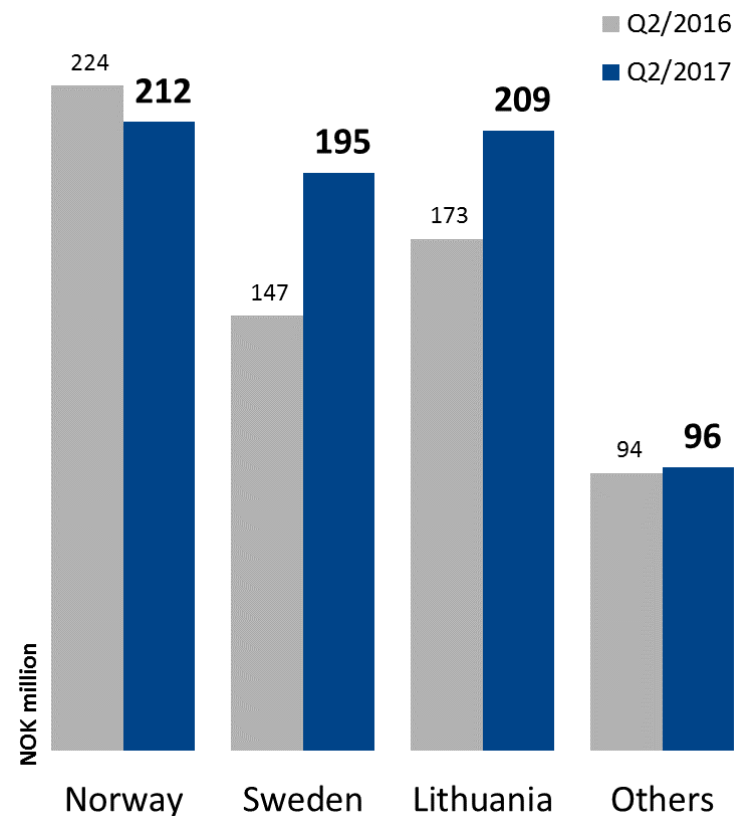
Revenue first half year



	2017 vs 2016	Share of total revenue
Industry	26.2 %	38.1 %
Defence/Aerospace	29.6 %	28.9 %
Medical devices	-11.1 %	16.9 %
Energy/Telecoms	22.3 %	14.8 %
Offshore/Marine	-42.9 %	1.4 %









# Continued strong growth in Lithuania and Sweden

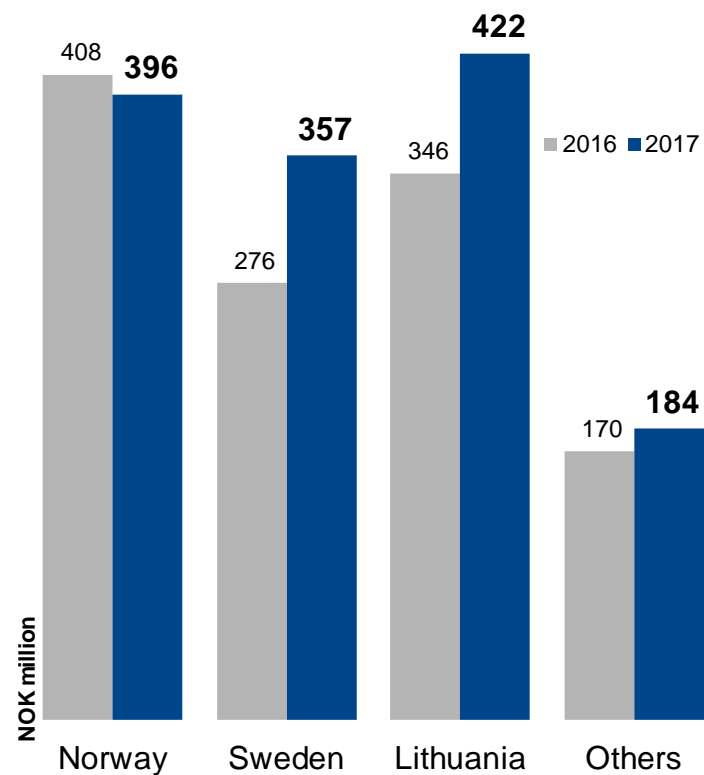
	Q2 2017 vs Q2 2016	Share of total revenue
<b>Norway</b>	-5.4 % 	29.8 % 
<b>Sweden</b>	33.0 % 	27.4 % 
<b>Lithuania</b>	21.2 % 	29.4 % 
<b>Others</b>	2.3 % 	13.4 % 



\* Before group entities and eliminations

# Continued strong growth in Lithuania and Sweden

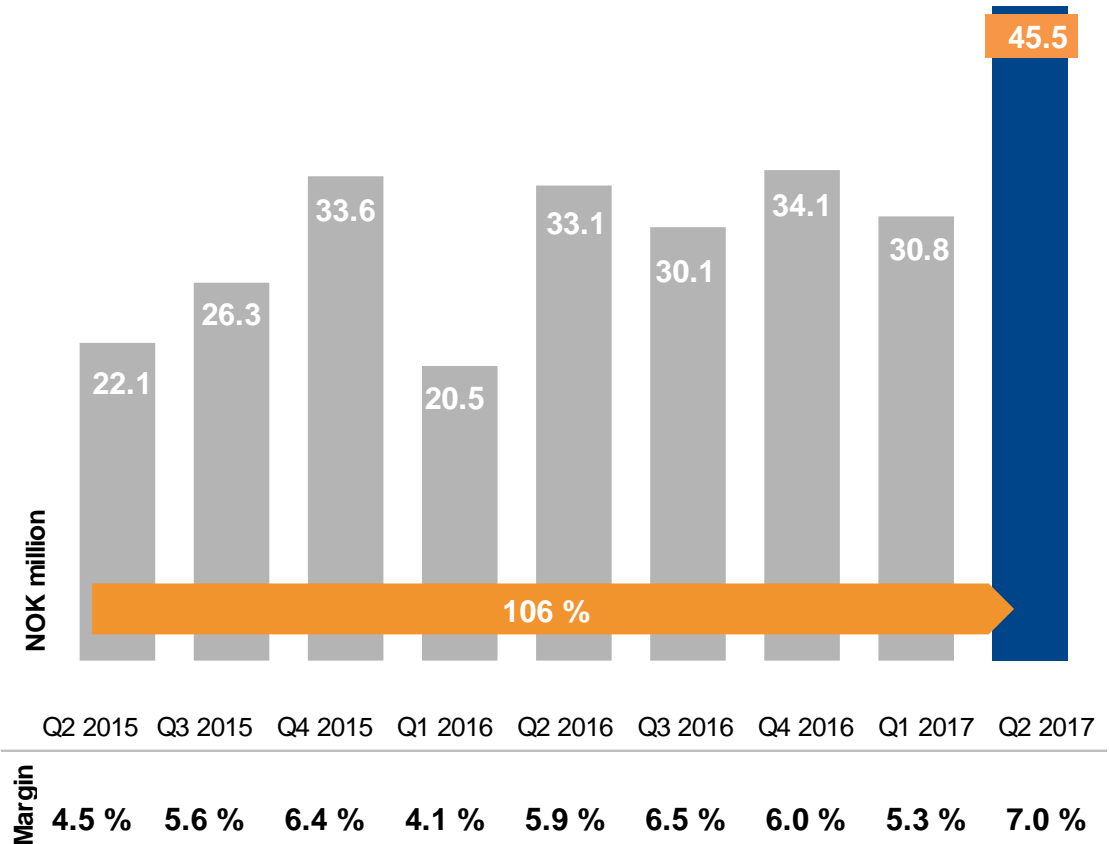
	2017 vs 2016	Share of total revenue
<b>Norway</b>	-3.0 % 	29.1 % 
<b>Sweden</b>	29.2 % 	26.3 % 
<b>Lithuania</b>	21.9 % 	31.0 % 
<b>Others</b>	8.5 % 	13.6 % 



\* Before group entities and eliminations

# EBIT margin milestone of 7% reached

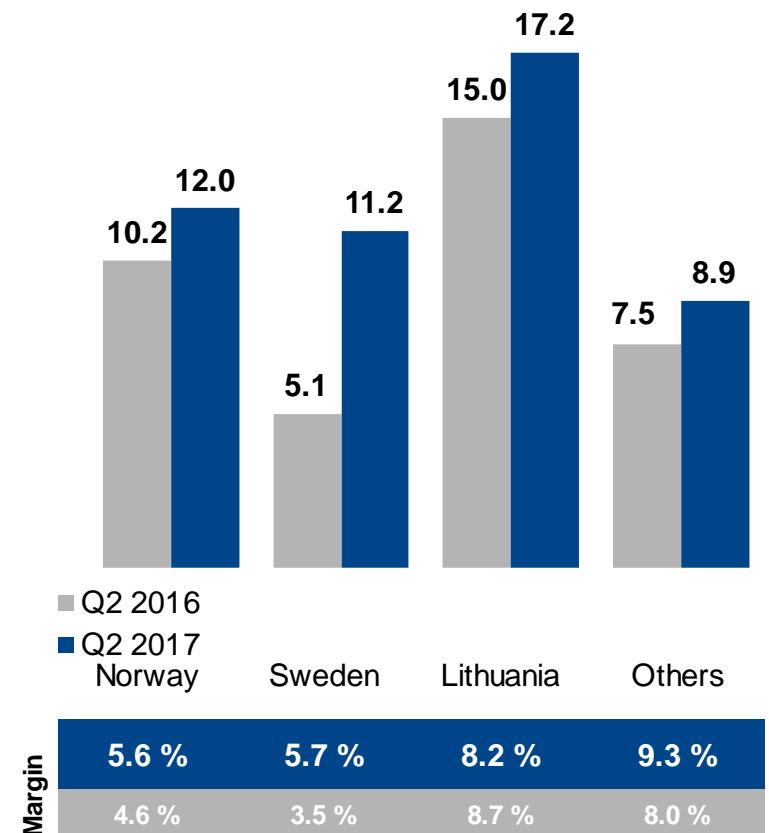
- Strong volume and profitability
- Cost reductions take effect
- Inefficiencies due to relocations in Q1 and Q4 2016 and Q1 2017
- Profitability in Q1 2016 includes negative one-offs of MNOK 5



# Profits improved for all sites

- **Norway**
  - Cost reductions drive margin improvement.
- **Sweden**
  - Strong volume and margin improvements
- **Lithuania**
  - EBIT improvement driven by strong revenue growth
- **Other**
  - Revenue growth and improved profitability in China, US has improved profitability due to cost reductions

EBIT\*

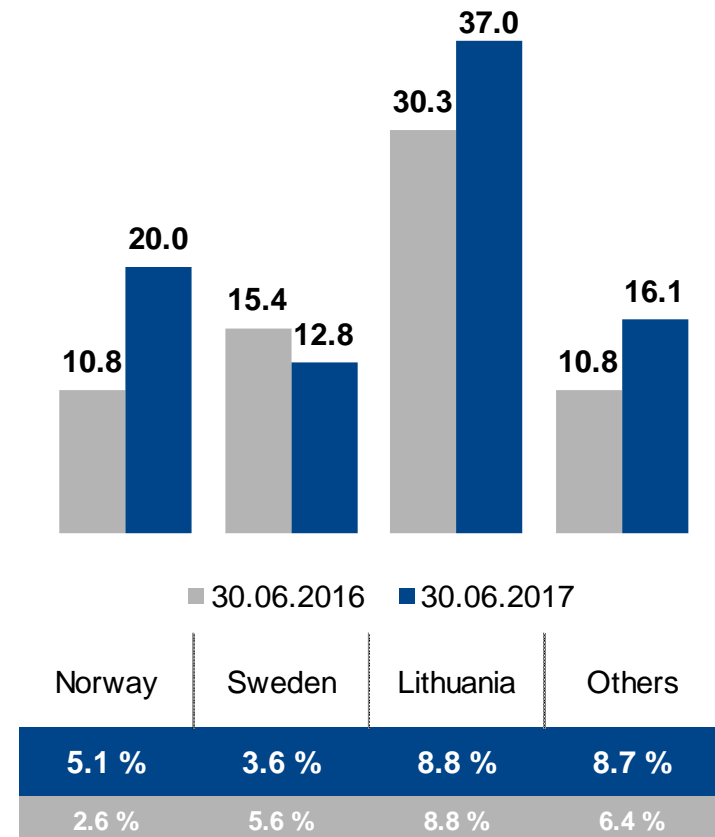


\* Before group entities and eliminations

# Profitability improvements

- **Norway**
  - Cost reductions drives margin improvement. Relocation Q1 2016.
- **Sweden**
  - Efficiency challenges and relocation in Q1 2017, improved Q2
- **Lithuania**
  - EBIT improvement driven by strong revenue growth
- **Other**
  - Revenue growth and improved profitability in China, US has improved profitability due to cost reductions

EBIT\*

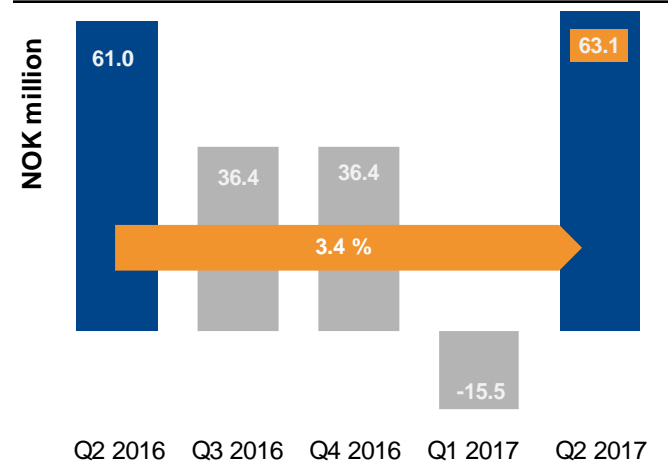


\* Before group entities and eliminations

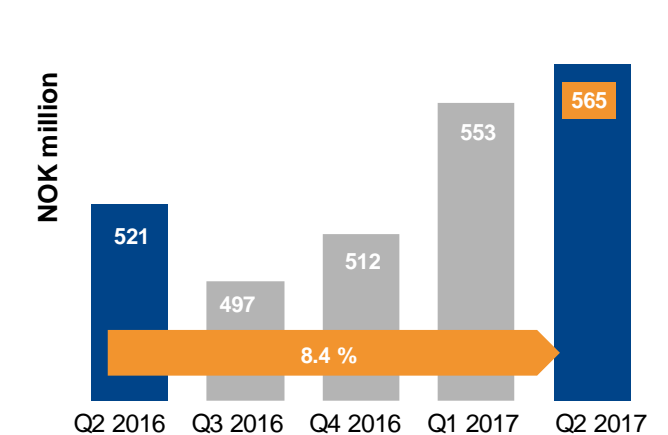
# Cash flow and working capital

- **Cash flow**
  - Q2 Cash flow MNOK 63.1 (61.0)
  - YTD Cash flow MNOK 47.6 (35.7)
- **Low financial gearing**
  - NIBD / EBITDA 1.3 (1.4)
- **Working capital**
  - Capital efficiency further improved
  - NOWC (R3\*) at 20.6%, a reduction from 23.4%
  - Cash conversion (R3\*) cycle 73, a reduction from 88 last year
  - ROOC (R3\*) at 23.0%, improved from 17.6% last year

Operating cash flow



Net working capital



# Market development



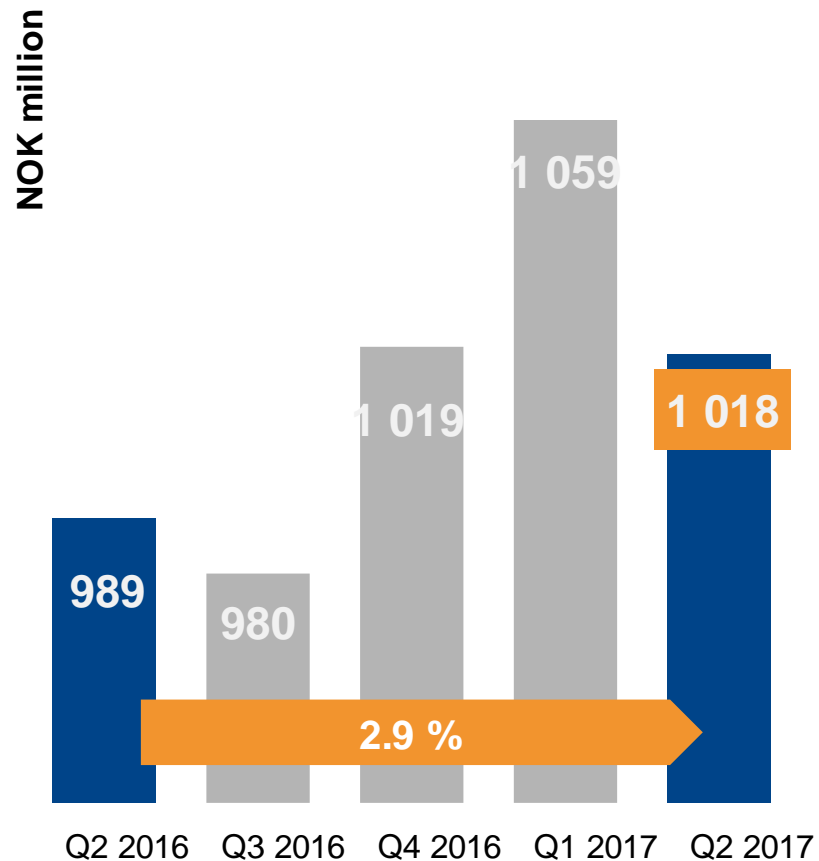
## Order backlog:

# Solid order backlog

## Order backlog MNOK

- 1018 vs. 989 last year. Increase of 2.9% with 2.2% underlying growth.
  - Defence: 403 -16% (480)
  - Medical: 162 -3% (167)
  - Industry: 318 +46% (217)
  - Energy/Telecom: 123 +14% (109)
  - Offshore: 12 -29% (17)
- Fluctuations to be expected within defence going forward

## Order backlog



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

# Outlook

# Outlook

- For 2017, Kitron expects revenue to grow to between NOK 2 150 and 2 350 million. EBIT margin is expected to be between 5.6 and 6.4 per cent.
- Revenue is now expected to be in the higher end of the indicated range.
- The growth is primarily driven by customers in the Industry sector.
- The profitability increase is driven by cost reduction activities and improved efficiency.



**Thank you!**