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First three quarter and Q3 results 2017

Peter Nilsson, CEO
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24 October, 2017

Continued strong growth

- Strong revenue growth
  - Underlying growth 16.8%
- EBIT margin 5.5% (6.5%)
  - Affected by restructuring in Norway
  - Higher share of revenue of products with high material content
- Solid order backlog
- Net working capital
  - Higher capital efficiency

NOK mill.		Q3 2017 vs Q3 2016
Revenue 535,4	↑	**15,7 %**
EBIT 29,2	→	**-2,9 %**
Order backlog 1008,0	→	**2,9 %**
Operating cash flow 22,4	↓	**-38,5 %**
Net working capital 448,4	↓	**-9,9 %**

Financial highlights First three quarter:

Continued strong growth

- Strong revenue growth
  - Underlying growth 18.6%
- Strong profitability
  - EBIT margin 6.0% (5.5%)
- Solid order backlog
- Net working capital
  - Higher capital efficiency

NOK mill.		2017 vs 2016
Revenue 1769,2	↑	**16,2 %**
EBIT 105,6	↑	**26,1 %**
Order backlog 1008,0	→	**2,9 %**
Operating cash flow 70,0	→	**-2,9 %**
Net working capital 448,4	↓	**-9,9 %**

Highlights:

Investment in US

- Over the past years, Kitron has invested in manufacturing capacity and capabilities, ensuring resources that are modern, highly competitive and able to handle expected growth.

- During the third quarter Kitron invested in a Surface Mount Technology (SMT) line in Johnstown

- This site now has capabilities locally to offer a complete solution to customers, spanning from PCBA, box-build to high-level assembly.

Highlights:

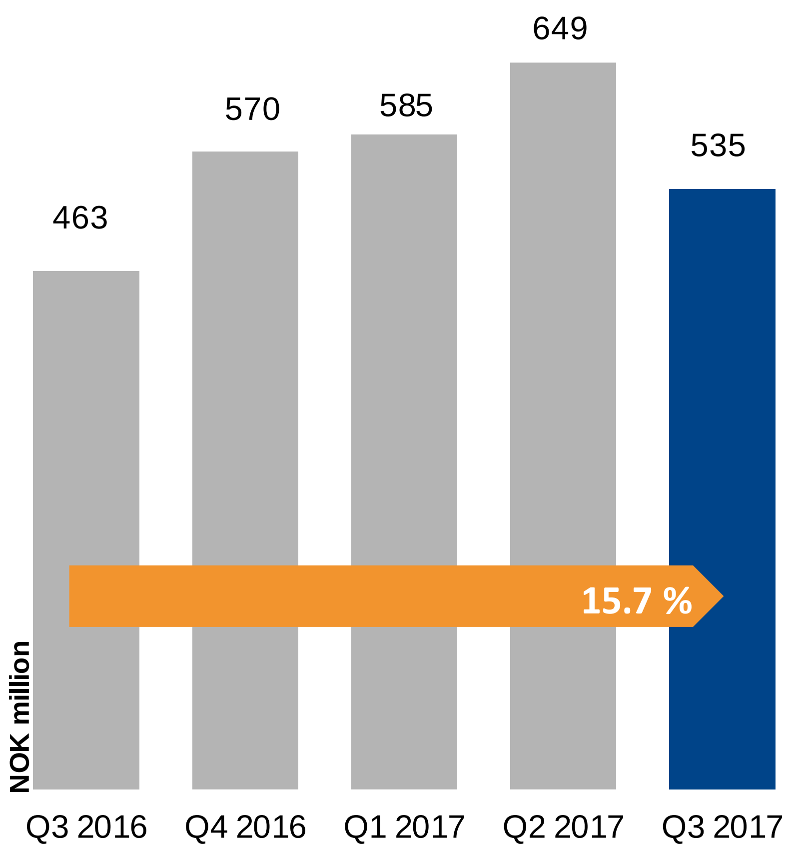
Active management of component availability

- The demand for electronic components increased in 2017, driven especially by the automotive industry and IoT. However, the electronic components manufacturers’ capacity has not increased at the same rate.
- Kitron has not been markedly affected by this situation during the first 3 quarters of the year due to the processes and safety stocks put in place with our supply partners.
- During the fourth quarter, we see that components availability challenges are escalating. However, we do not currently foresee meaningful loss of revenue. We expect some impact on efficiency as production rescheduling is likely to be necessary.

Financial statements First three quarter and Q3 2017

Revenue Q3:

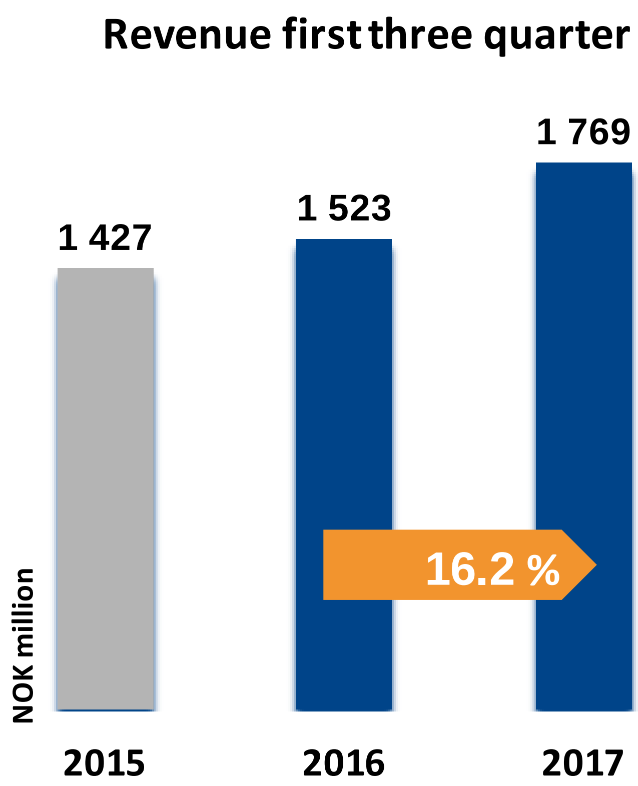
Continued strong growth in Industry and Energy/Telecoms



	Q3 2017 vs Q3 2016	Share of total revenue
Industry	51,4 %	37,6 %
Defence/Aerospace	-7,3 %	24,4 %
Medical devices	-1,4 %	20,2 %
Energy/Telecoms	25,9 %	16,9 %
Offshore/Marine	-35,8 %	0,8 %

Revenue First three quarter:

Continued strong growth in several sectors

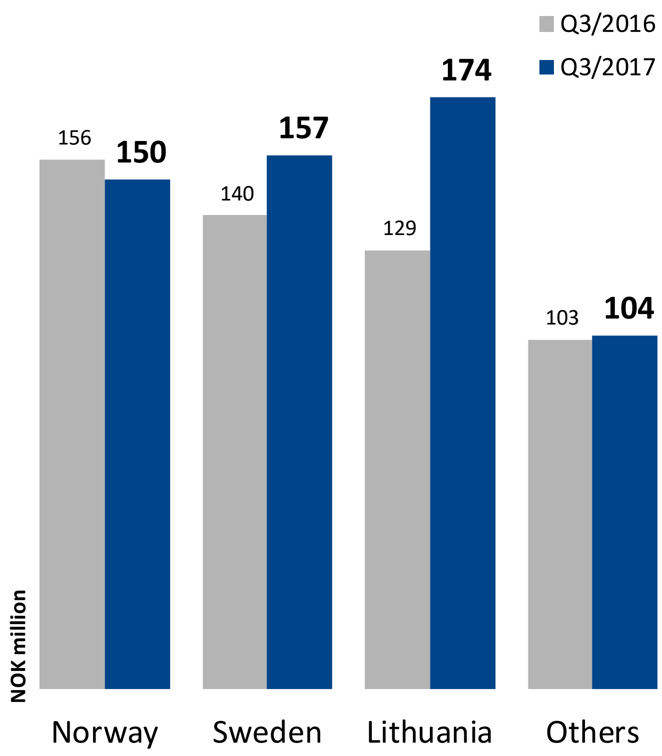


	2017 vs 2016	Share of total revenue
Industry	32,9 %	37,9 %
Defence/Aerospace	17,1 %	27,5 %
Medical devices	-8,0 %	17,9 %
Energy/Telecoms	23,5 %	15,4 %
Offshore/Marine	-41,6 %	1,2 %

Revenue by country Q3*:

Continued strong growth in Lithuania

	Q3 2017 vs Q3 2016	Share of total revenue
Norway	-3,9 %	25,6 %
Sweden	12,6 %	26,9 %
Lithuania	34,7 %	29,8 %
Others	1,0 %	17,8 %



* Before group entities and eliminations

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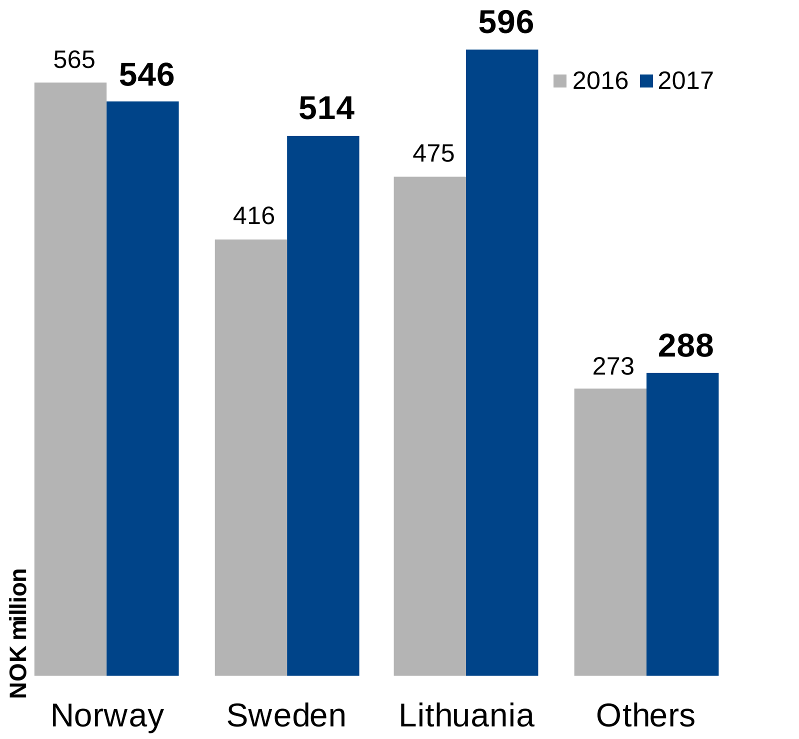
Revenue by country First three quarter*:

Continued strong growth in Lithuania and Sweden

	2017 vs 2016	Share of total revenue
Norway	-3,3 %	28,1 %
Sweden	23,6 %	26,4 %
Lithuania	25,4 %	30,7 %
Others	5,7 %	14,8 %

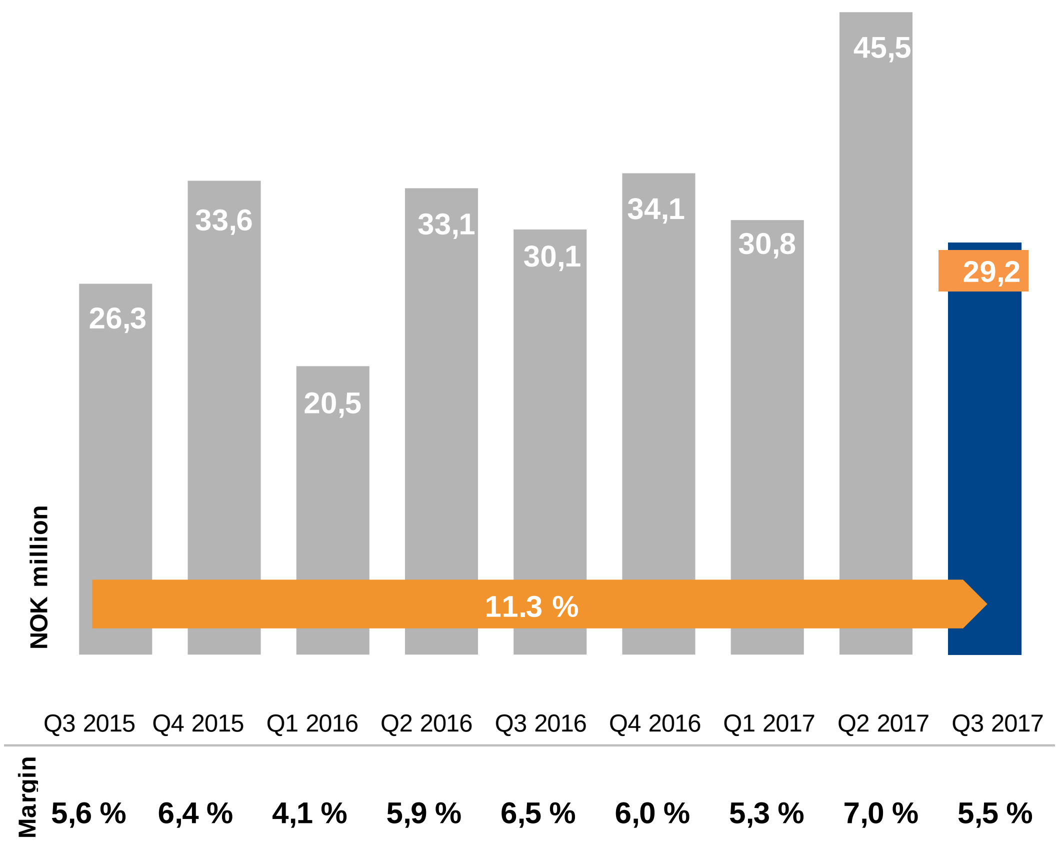


* Before group entities and eliminations

Quarterly EBIT:

EBIT margin affected by restructuring in Norway

- Higher share of revenue of products with high material content in Q3
- Inefficiencies due to relocations in Q1 and Q4 2016 and Q1 2017
- Profitability in Q1 2016 includes negative one-offs of MNOK 5



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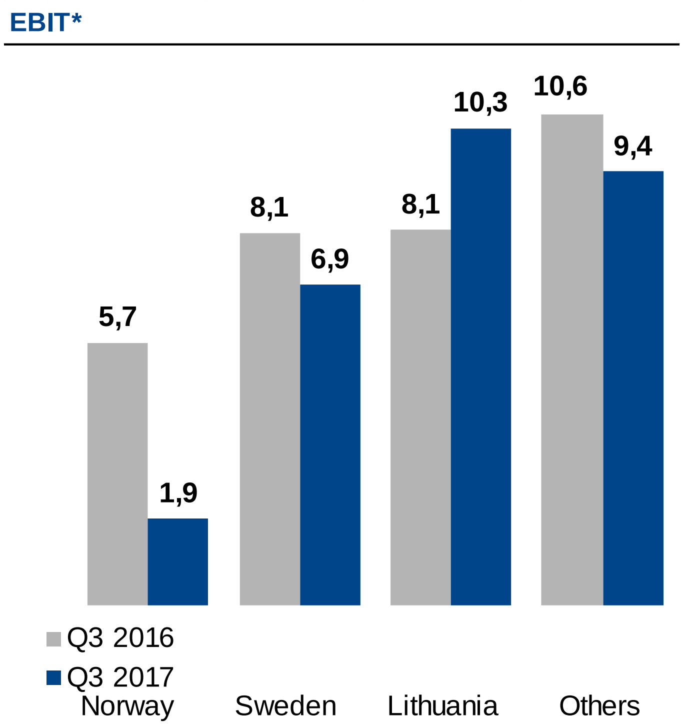
EBIT by country Q3:

Norway affect profits

- **Norway**
  - Restructuring causing inefficiency in production
  - Higher share of revenue of products with high material content
- **Sweden**
  - Higher share of revenue of products with high material content
- **Lithuania**
  - EBIT improvement driven by strong revenue growth
- **Other**
  - Strong margins

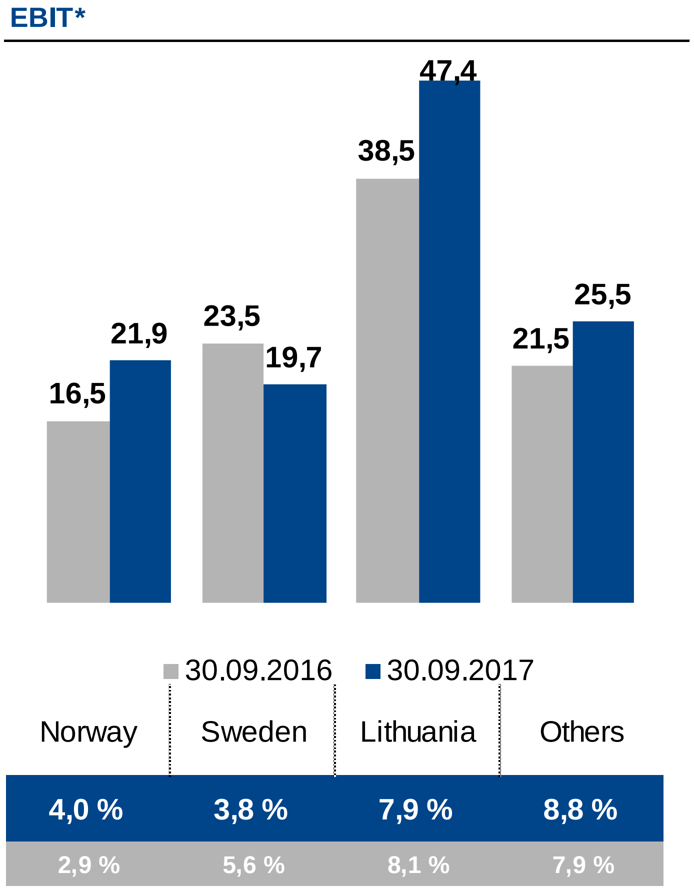


Margin	Norway	Sweden	Lithuania	Others
Q3 2017	1,3 %	4,4 %	5,9 %	9,0 %
Q3 2016	3,6 %	5,8 %	6,3 %	10,3 %

* Before group entities and eliminations

Profits 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



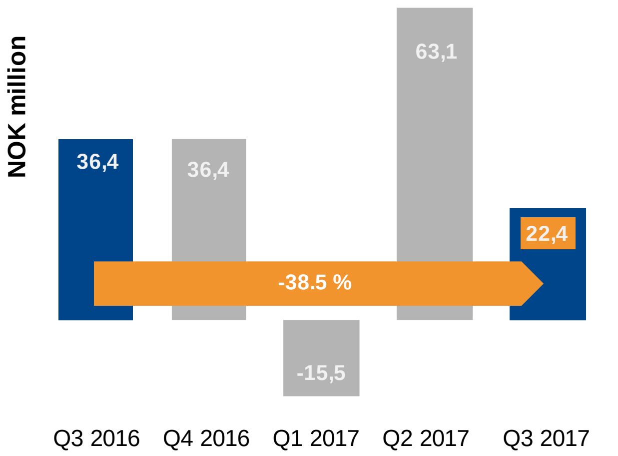
* Before group entities and eliminations

Balance sheet:

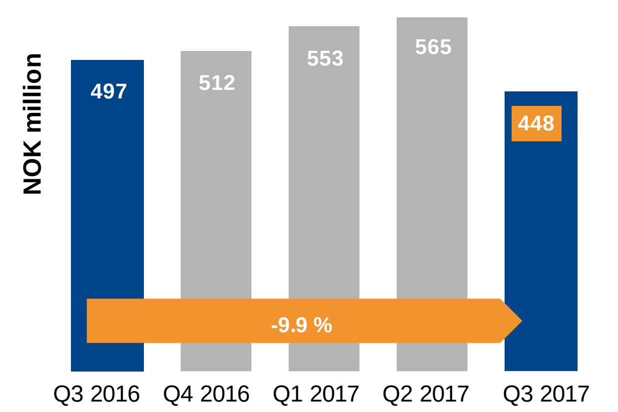
Cash flow and working capital

- **Cash flow**
  - Q3 Cash flow MNOK 22.4 (36.3)
  - YTD Cash flow MNOK 70.0 (72.1)
- **Low financial gearing**
  - NIBD / EBITDA 0.9 (1.3)
- **Working capital**
  - Capital efficiency further improved
  - NOWC (R3*) at 22%, a reduction from 26%
  - Cash conversion (R3*) cycle 80, a reduction from 99 last year
  - ROOC (R3*) at 16%, slightly reduced from 17% last year

Operating cash flow



Net working capital



* Three months rolling average

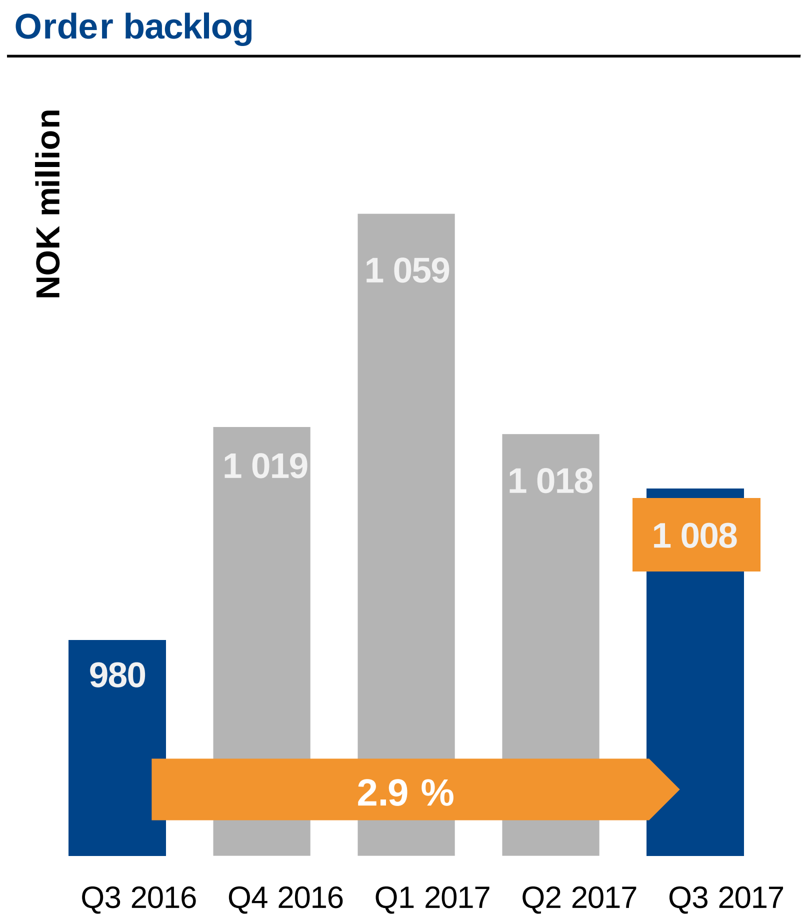
Market development

Order backlog:

Solid order backlog

Order backlog MNOK

- 1008 vs. 980 last year. Increase of 2.9% with 0.4% underlying growth.
  - Defence: 347 -17% (418)
  - Medical: 182 +-0% (182)
  - Industry: 358 +40% (255)
  - Energy/Telecom: 105 -5% (111)
  - Offshore: 16 +15% (14)
- Fluctuations to be expected within defence going forward



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 or slightly above 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.

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Thank you!