



Kitron

Your ambition. Our passion.






Whole year and Q4 results 2017

Peter Nilsson, CEO
Cathrin Nylander, CFO

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Strong growth and profitability

- Strong revenue growth
 - Underlying growth 12.5%
- EBIT margin 6.5% (6.0%)
- Solid order backlog and high order intake
- Net working capital
 - ROOC % 23.2
 - CCC 61 days

NOK mill.	Q4 2017 vs Q4 2016	
Revenue 667,6		17,1 %
EBIT 43,1		26,3 %
Order backlog 1306,4		28,2 %
Operating cash flow 90,8		149,7 %
Net working capital 486,4		-5,0 %

Strong growth and profitability

- Strong revenue growth
 - Underlying growth 16.9%
- Strong profitability
 - EBIT margin 6.1% (5.6%)
- Solid order backlog
 - Underlying growth 24%
- Net working capital
 - Improved capital efficiency

NOK mill.		2017 vs 2016
Revenue 2436,7		16,4 %
EBIT 148,7		26,2 %
Order backlog 1306,4		28,2 %
Operating cash flow 160,8		48,2 %
Net working capital 486,4		-5,0 %

Important agreements in the fourth quarter

- **Agreement related to manufacturing of medical equipment**

In December, Kitron was awarded a contract from a leading medical supplier for a period of two years from 2018.

The expected turnover linked to the contract is between NOK 100 million and NOK 150 million.

Production will take place at Kitron's plant in Arendal.

- **Kitron has received a further order from Husqvarna Group**

In November, Kitron will manufacture and deliver controller units to Husqvarna Group's factory in Sweden for the next 4 years.

The controller units are important parts of Husqvarna Group's battery-powered equipment such as chainsaws, blowers and trimmers.

Production will take place at Kitron's plant in Kaunas, Lithuania.

Active management of component availability

- The shortage of electronic components made 2017 a challenging year for many companies in the Electronics Manufacturing Services business. Kitron's swift and systematic approach combined with our preferred partner program has prevented us from having any serious supply disruptions.
- Shortages and allocations are expected to continue in 2018 and the first half of 2019. Nevertheless, Kitron plans to reduce our material cost in the same manner as we have done over the past 3 years.
- Kitron has established world-class efficient supply chain management and a preferred partner supply strategy.
- Our centralized approach to sourcing and shortages handling, allowing us to leverage Kitron's size, our investment in IT and the support of our preferred partners puts Kitron in an advantageous position to gain market share over the next years.

Highlights:

Adjusted dividend policy and dividend

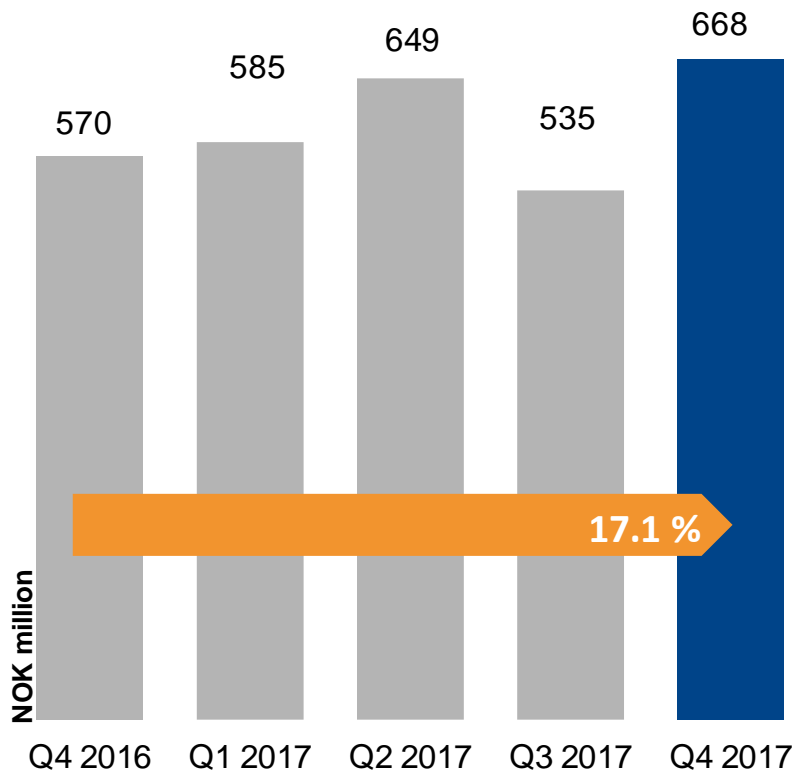
- Following a fundamental strengthening of Kitron's business, with an improved profitability and successful programs to improve the working capital, the Board has decided to adjust the dividend policy

“Kitron's dividend policy is to pay out an annual dividend of at least 50 % of the company's consolidated net profit before non-recurring items. When deciding on the annual dividend the company will take into account the company's financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.”

- The board proposes that the Annual General Meeting decides on an ordinary dividend of NOK 0.35 per share and an extraordinary dividend of NOK 0.20 per share, a total of NOK 0.55 (NOK 0.25).
- This represents 97.9 per cent of net profit after tax for the group.

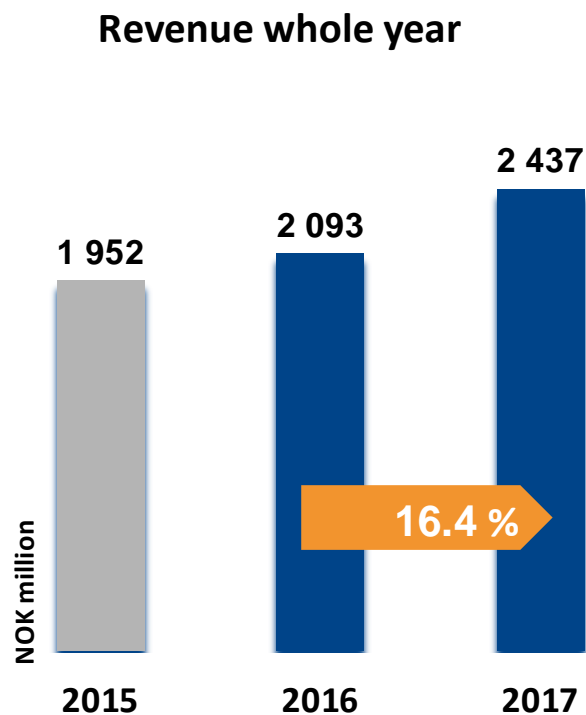
Financial statements **Whole year and Q4 2017**

Strong growth in Industry











	Q4 2017 vs Q4 2016	Share of total revenue
Industry	46,6 %	40,1 %
Defence/Aerospace	5,8 %	25,1 %
Medical devices	-1,5 %	20,7 %
Energy/Telecoms	2,0 %	12,5 %
Offshore/Marine	45,5 %	1,6 %

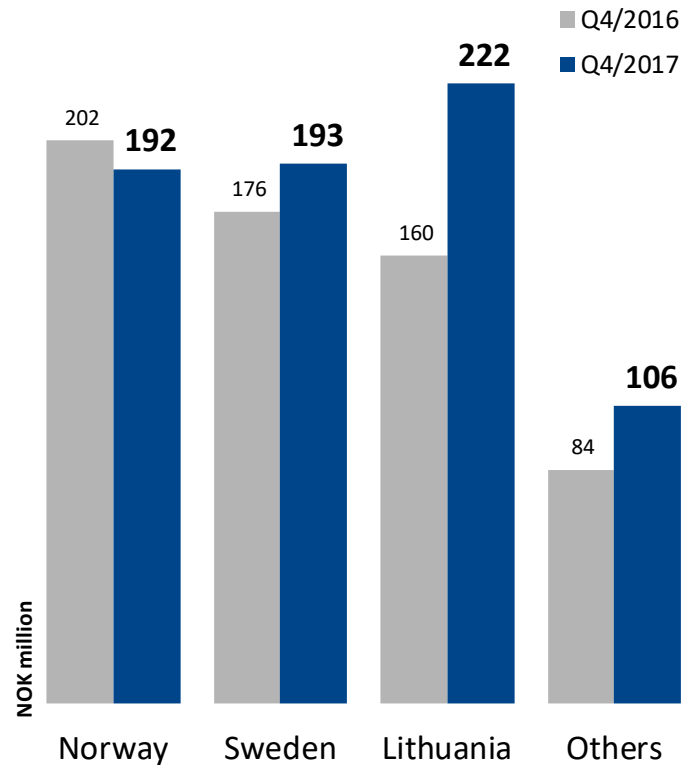
Good growth in several sectors



	2017 vs 2016	Share of total revenue
Industry	36,5 %	38,5 %
Defence/Aerospace	14,0 %	26,9 %
Medical devices	-6,1 %	18,7 %
Energy/Telecoms	17,7 %	14,6 %
Offshore/Marine	-26,5 %	1,3 %









Continued strong growth in Lithuania and China

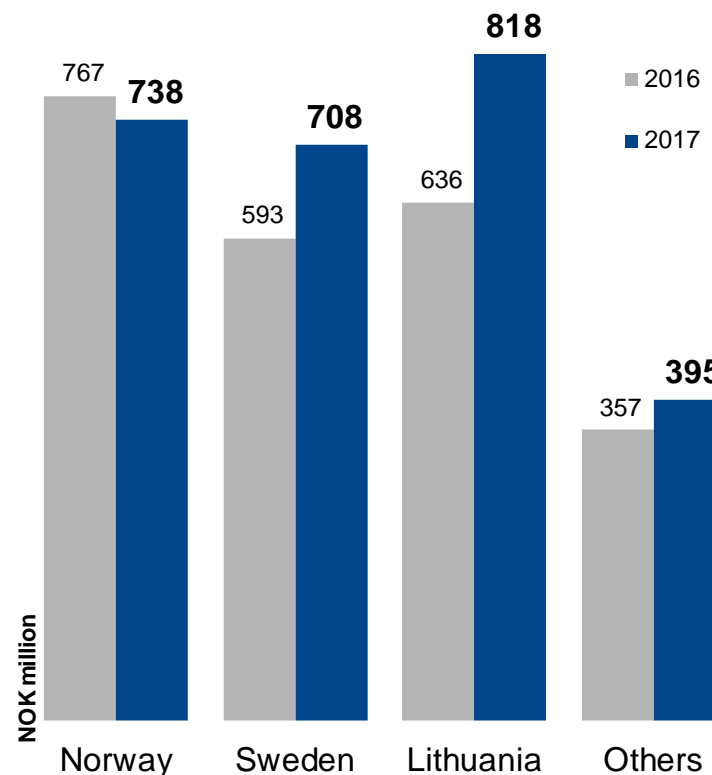
	Q4 2017 vs Q4 2016	Share of total revenue
Norway	-5,2 % 	26,8 % 
Sweden	9,6 % 	27,1 % 
Lithuania	38,5 % 	31,1 % 
Others	27,1 % 	14,9 % 



* Before group entities and eliminations

Continued strong growth in Lithuania and Sweden

	2017 vs 2016	Share of total revenue
Norway	-3,8 % 	27,7 % 
Sweden	19,4 % 	26,6 % 
Lithuania	28,7 % 	30,8 % 
Others	10,7 % 	14,9 % 

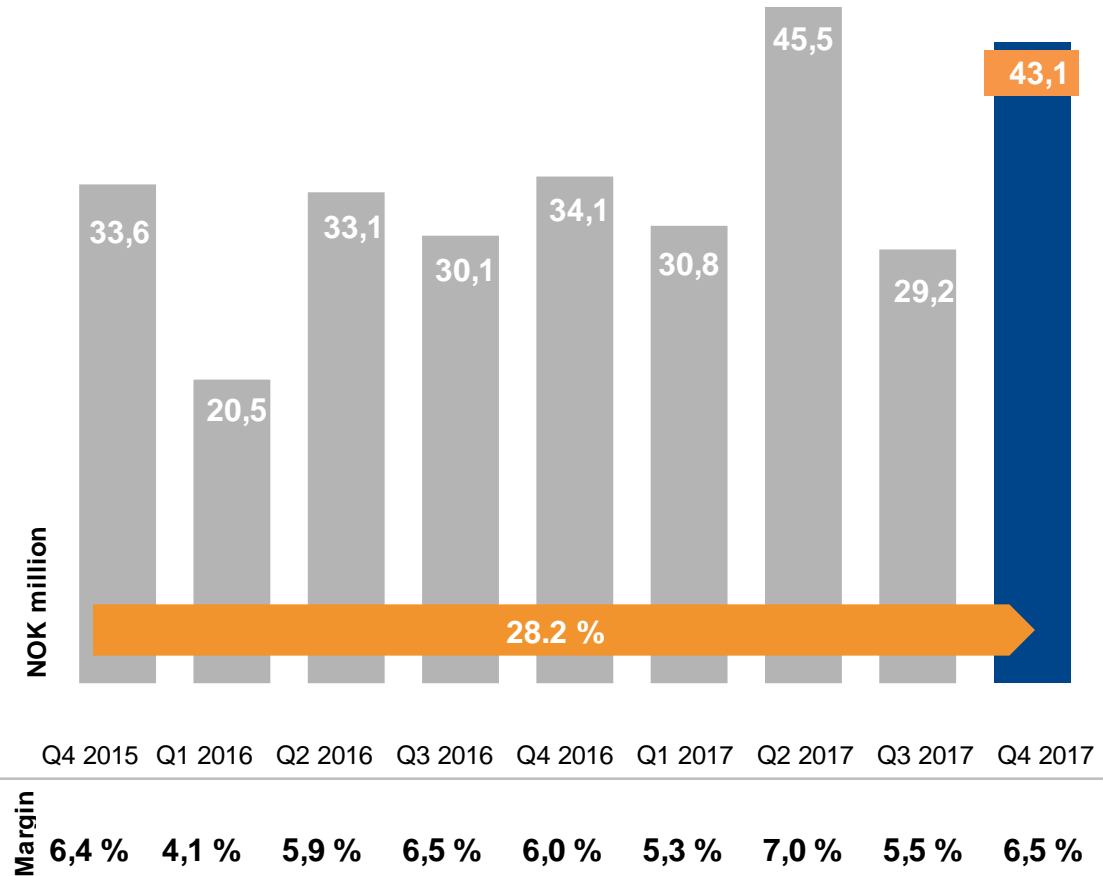


* Before group entities and eliminations

Quarterly EBIT:

Strong profits

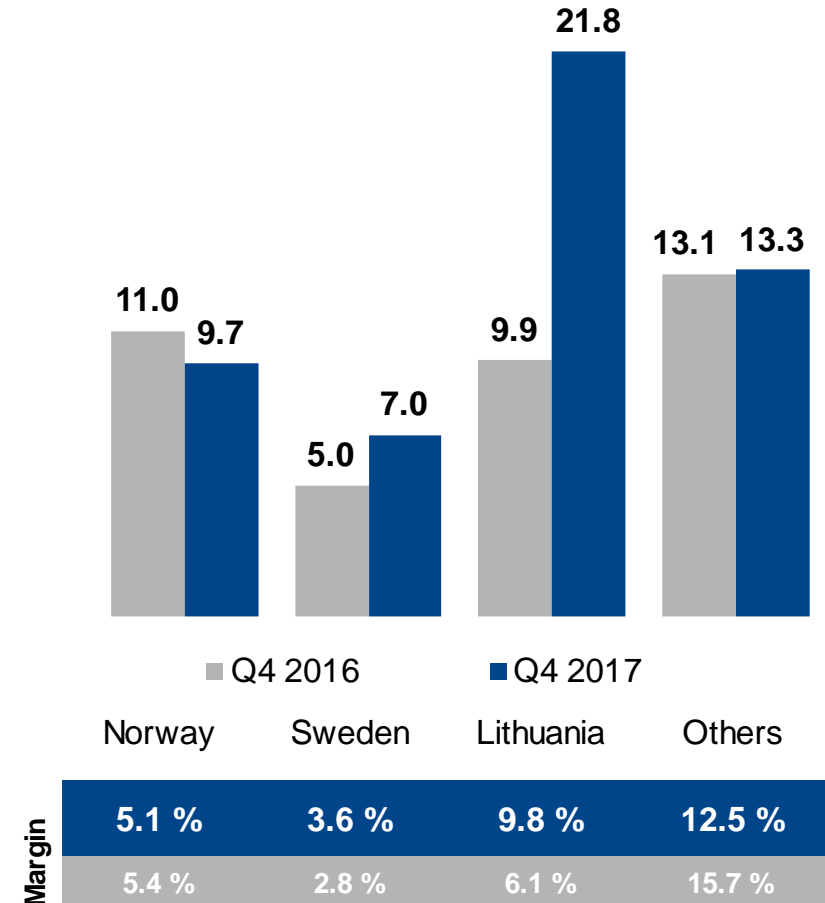
- Improved efficiency
- Inefficiencies due to relocations in Q1 and Q4 2016 and Q1 2017
- Profitability in Q1 2016 includes negative one-offs of MNOK 5



Lithuania drives the improvement

- Lithuania show strong EBIT improvement, both in value and margin, and drives the improvement for the whole group
- In all, sites ended in line with expectations
- Group cost re-alignment in Q4

EBIT*

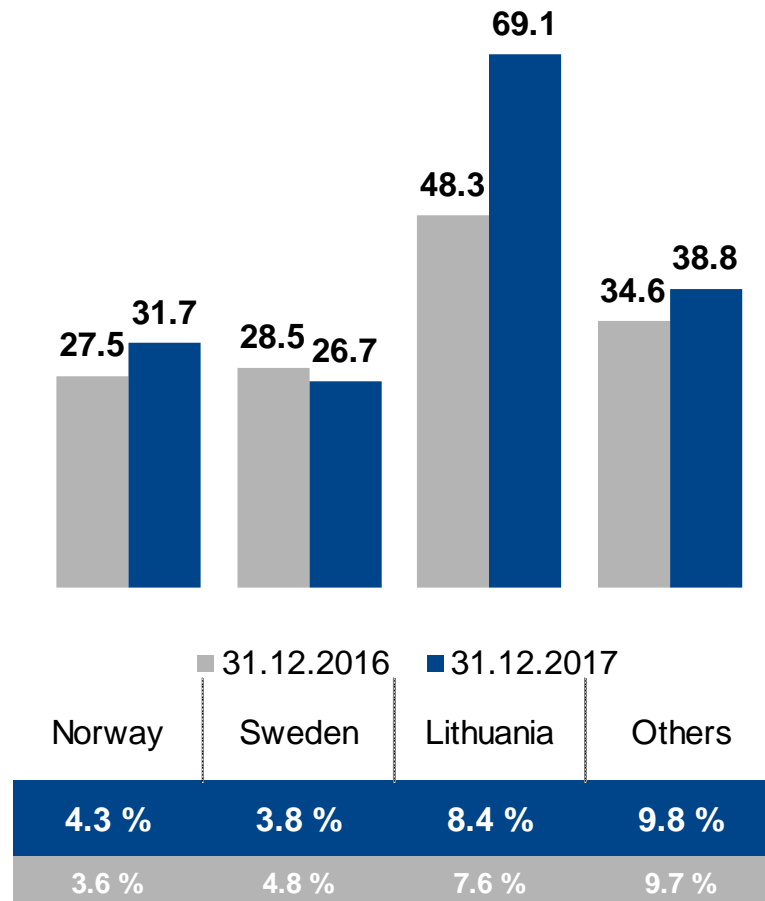


* Before group entities and eliminations

Profits improvements

- **Norway**
 - Decline in revenue, improved margins due to cost reductions and efficiency improvements
- **Sweden**
 - Whole year affected by move in first quarter. Efficiency improvements during the year
- **Lithuania**
 - Strong growth and efficiency improvements
- **Other**
 - Revenue growth in China drives increased profit

EBIT*

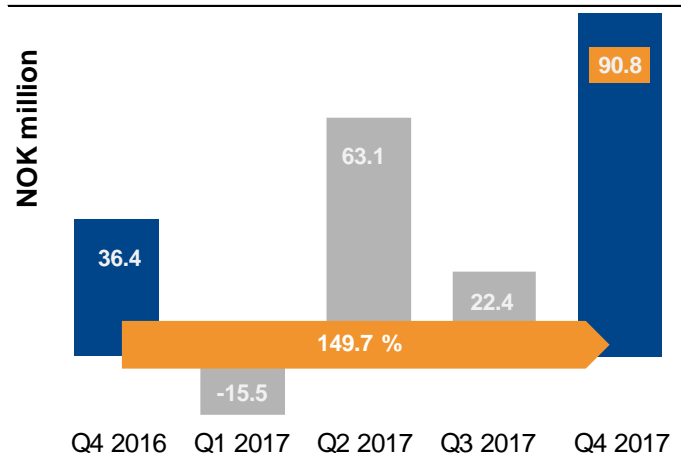


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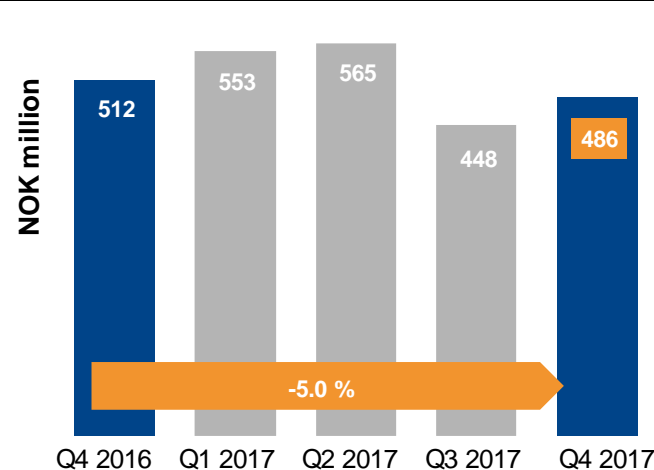
Strong cash flow

- **Cash flow**
 - Q4 Cash flow MNOK 90.8 (36.3)
 - YTD Cash flow MNOK 160.8 (108.5)
- **Low financial gearing**
 - NIBD / EBITDA 0.9 (1.3)
- **Working capital**
 - Capital efficiency
 - Improved inventory processes
 - Further spend consolidation and improved payment terms
 - NOWC (R3*) at 17.5% (22%)
 - Cash conversion (R3*) cycle 61 (79)
 - ROOC (R3*) at 23.2% (18.5%)

Operating cash flow



Net working capital



* Three months rolling average

Market development

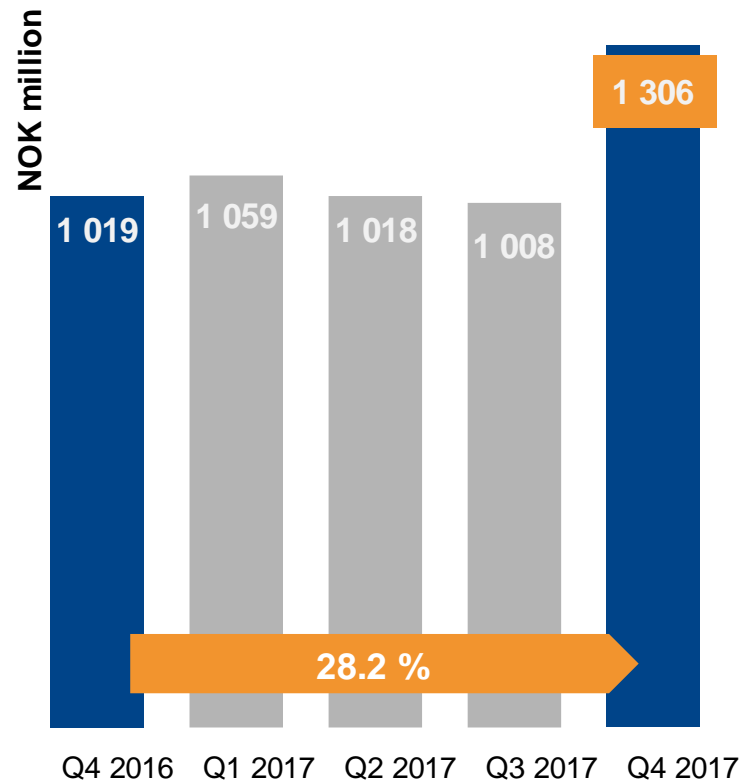
Order backlog:

Solid order backlog

Order backlog MNOK

- 1306 vs. 1019 last year. Growth of 28%, underlying growth 24%
 - Defence: 504 +12% (449)
 - Medical: 158 +13% (140)
 - Industry: 514 +70% (302)
 - Energy/Telecom: 110 -5% (116)
 - Offshore: 21 +75% (12)
- Fluctuations to be expected within defence going forward

Order backlog



Outlook

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- 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.



Thank you!