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# First three quarters and Q3 results 2016

Peter Nilsson, CEO
Cathrin Nylander, CFO

October 25th, 2016

Financial highlights Q3:

# Margin improvements on track

- Stable revenue
  - Underlying growth -2,1%
- Solid order backlog
  - Underlying growth 11%
- Improved profitability
  - 6.5% (5.6%)
- Net working capital reduction

| NOK mill. | Q3 2016 vs Q3 2015 |
|---|---|
| **Revenue** 462,6 | **-1,1 %** |
| **EBIT** 30,1 | **14,6 %** |
| **Order backlog** 979,9 | **7,0 %** |
| **Operating cash flow** 36,4 | **11,3 %** |
| **Net working capital** 497,5 | **-8,0 %** |

# Margin development

- Revenue growth
  - Underlying growth 2,7%
- Improved profitability
  - 5.5% (4.8%)
  - Profitability adjusted for one-offs in Q1 at 5.8%
- Improved capital efficiency

| NOK mill. | | 2016 vs 2015 |
|---|---|---|
| **Revenue** 1522,7 | ↑ | **6,7 %** |
| **EBIT** 83,7 | ↑ | **21,1 %** |
| **Order backlog** 979,9 | ↑ | **7,0 %** |
| **Operating cash flow** 72,1 | ↑ | **38,0 %** |
| **Net working capital** 497,5 | ↓ | **-8,0 %** |

Major new orders:

# Important agreements in the third quarter

- **Medical device contract**
  - In July, Kitron was selected as a new preferred supplier for Dentsply Sirona, the world's largest manufacturer of professional dental products and technologies.
  - The contract validates Kitron’s long-term investments in the German market.
- **Kitron strengthens cooperation with Aidon OY**
  - In September, Kitron received orders from Aidon OY of Finland for communication modules with a value for Kitron of more than NOK 100 million over the next three years.
  - This increases the current business scope with Aidon.
  - Production will take place at Kitron's plant in Kaunas, Lithuania.

# Significant change in shareholder structure

- During October, the two largest shareholders sold all their shares, resulting in a significant increase in the float of the Kitron share.

## 20 largest shareholders

Kitron ASA's 20 largest shareholders as per October 24th 2016:

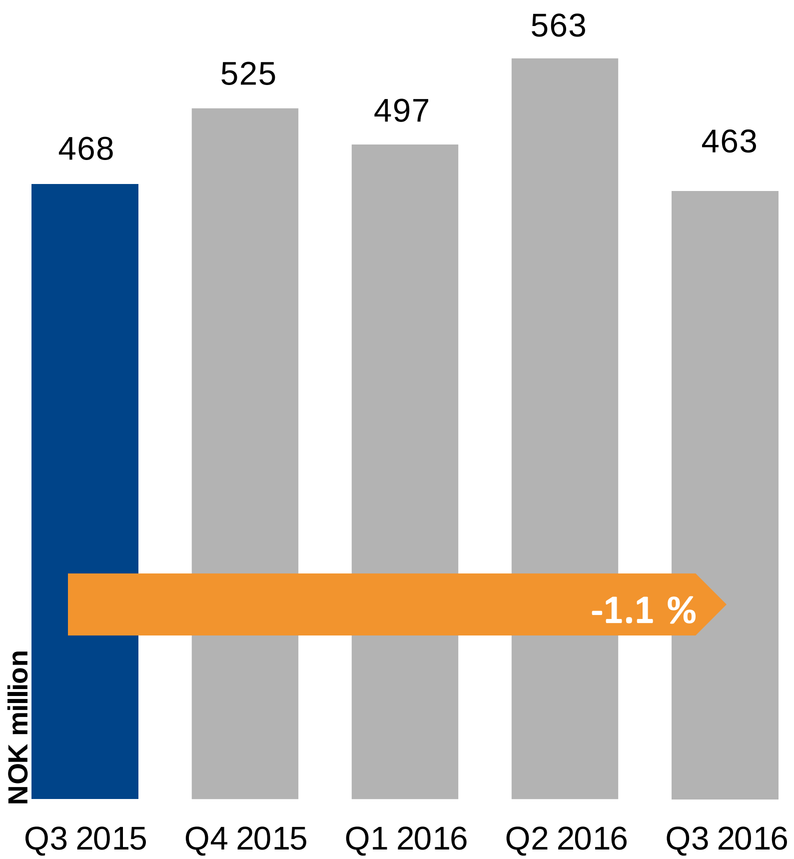
| | | | |
|---|---|---|---|
| UBS AG A/C Omnibus-Disclose | 29 835 908 | 17.25% | NOM* |
| MP Pensjon PK | 10 282 537 | 5.94% | |
| Morgan Stanley & Co. Ms & Co Intl Plc Msi | 9 875 400 | 5.71% | NOM |
| JP Morgan Chase Bank JPMCB RE HB Swed Fun | 6 000 000 | 3.47% | NOM |
| Delphi Kombinasjon JP Morgan Europe Ltd | 5 371 764 | 3.11% | |
| Swedbank Generator | 5 089 901 | 2.94% | |
| Delphi Norge JP Morgan Europe Ltd | 5 029 411 | 2.91% | |
| Verdipapirfondet Par | 5 000 000 | 2.89% | |
| Toluma Norden AS C/O SEB London | 4 091 176 | 2.37% | |
| SES AS c/o Advokat Bertel O Steen | 4 000 000 | 2.31% | |
| Verdipapirfondet Del JPMorgan Eurpoe Ltd | 4 000 000 | 2.31% | |
| Statoil Pensjon C/O JP Morgan Chase | 3 788 176 | 2.19% | |
| Pareto Securities AS Meglerkonto Innland | 3 138 182 | 1.81% | MEG |
| Danske Invest Norge | 2 750 000 | 1.59% | |
| Jomaho AS | 2 500 000 | 1.45% | |
| VPF Nordea Avkastning c/o JPMorgan Europe | 2 420 591 | 1.40% | |
| Skandinaviska Enskil Seb S.A. Client Asse | 2 000 000 | 1.16% | NOM |
| Verdipapirfondet DNB | 1 960 784 | 1.13% | |
| Bergen Kommunale Pen | 1 750 000 | 1.01% | |
| Hybrid AS | 1 500 000 | 0.87% | |
| | **110 383 830** | **63.82** | |

* Beneficial owners: 13.77% Amber Trust II SCA, 3.47% KJK Fund SICAV-SIF

# Financial statements Q3 2016

Revenue Q3:

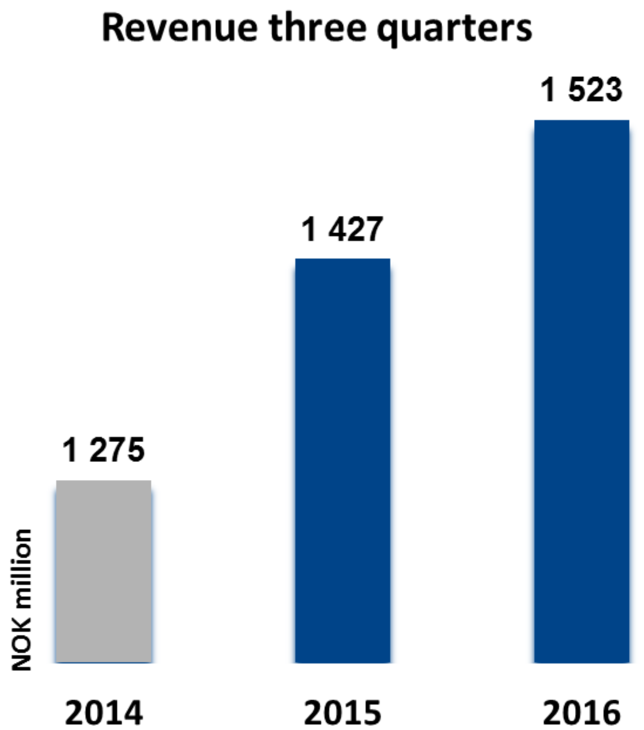
# Continued growth in the Industry sector




| | Q3 2016 vs Q3 2015 | Share of total revenue |
|---|---|---|
| **Offshore/Marine** | -60,0 % | 1,4 % |
| **Medical devices** | -10,8 % | 23,8 % |
| **Defence/Aerospace** | 7,4 % | 30,5 % |
| **Energy/Telecoms** | -4,0 % | 15,6 % |
| **Industry** | 9,4 % | 28,7 % |

Revenue first three quarters:

# Growth driven by Industry sector

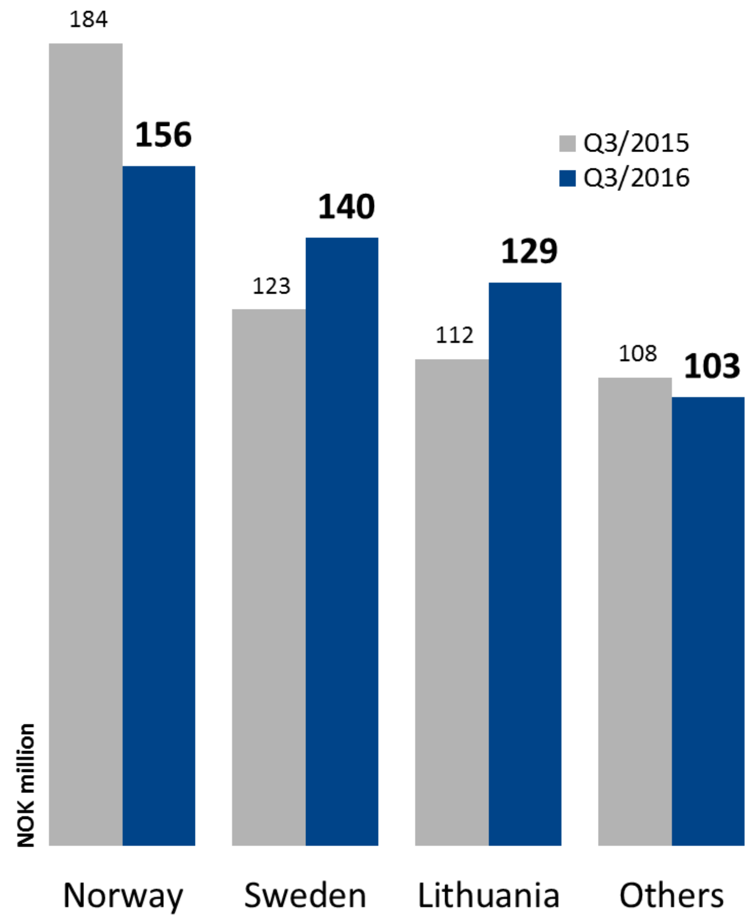



| | 2016 vs 2015 | Share of total revenue |
|---|---|---|
| **Offshore/Marine** | -64,9 % | 2,8 % |
| **Medical devices** | 15,1 % | 22,2 % |
| **Defence/Aerospace** | 0,8 % | 25,9 % |
| **Energy/Telecoms** | 17,7 % | 14,0 % |
| **Industry** | 36,4 % | 35,1 % |

## Revenue by country Q3*:

# Continued strong growth in Lithuania and Sweden

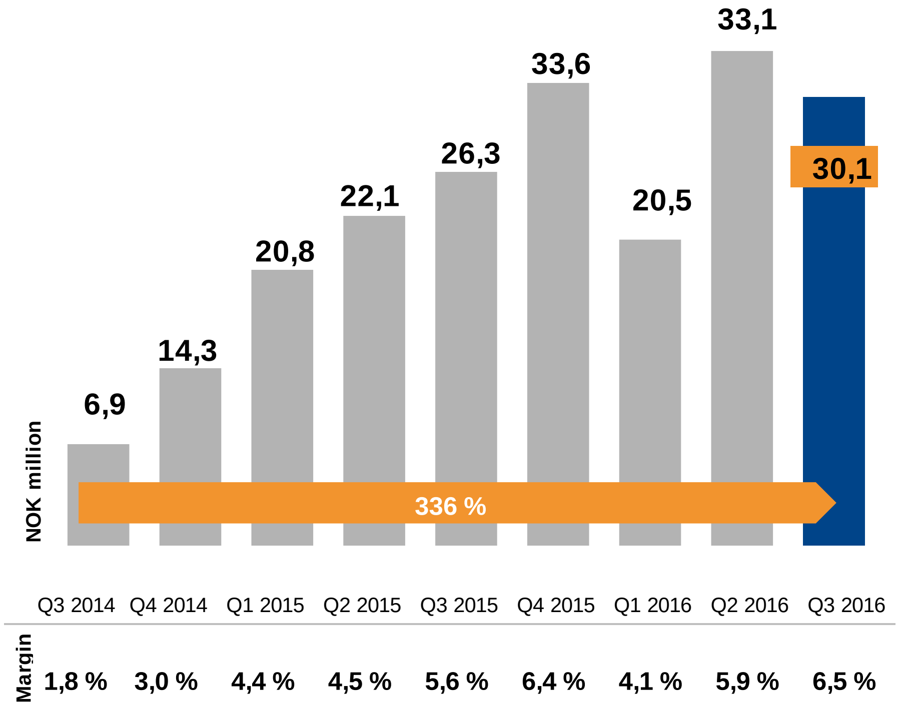
| | Q3 2016 vs Q3 2015 | Share of total revenue |
|---|---|---|
| **Norway** | -15,2 % | 29,6 % |
| **Sweden** | 13,4 % | 26,4 % |
| **Lithuania** | 15,7 % | 24,5 % |
| **Others** | -4,2 % | 19,5 % |



## Quarterly EBIT:

# Profitability level continues to improve

- Margin improvements in the quarter
  - Cost reductions take effect
  - Lithuania drives improvement from last year
  - Profitability in Q1 2016 includes one-offs in of MNOK 5



Highlights:

# Currency effects on intra-group financial loans

- Group internal loans of 11 MUSD and 1.9 MEUR
- Reduction of other financial items

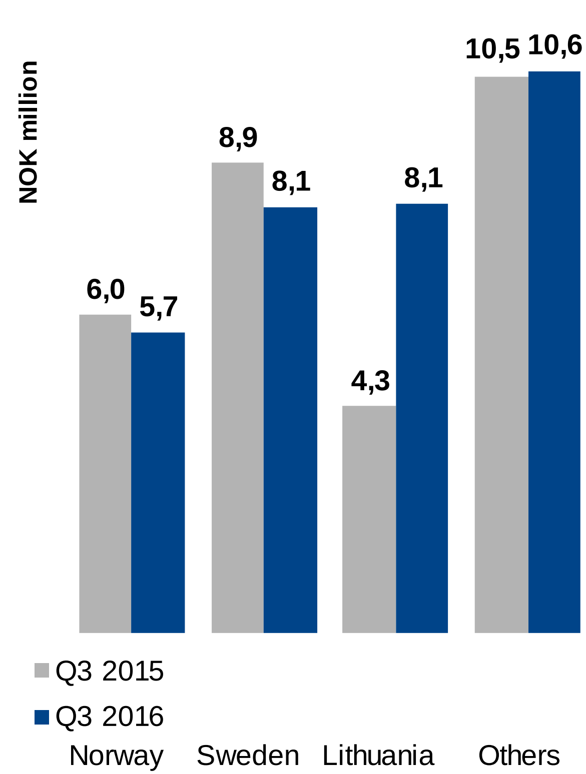
| MNOK | Q3 2016 | Q3 2015 | 30.09.2016 | 30.09.2015 |
|---|---|---|---|---|
| **Operating profit (EBIT)** | **30,1** | **26,3** | **83,7** | **69,1** |
| *Other financial items* | *-3,2* | *-3,8* | *-10,0* | *-12,7* |
| *Net agio* | *-4,2* | *8,7* | *-11,5* | *13,0* |
| **Net financial items** | **-7,4** | **4,9** | **-21,5** | **0,3** |
| **Profit (loss) before tax** | **22,7** | **31,1** | **62,2** | **69,4** |
| Tax | 5,0 | 8,3 | 13,0 | 19,8 |
| **Profit (loss) for the period** | **17,7** | **22,8** | **49,2** | **49,6** |
| **Earnings per share-basic** | 0,10 | 0,13 | 0,28 | 0,29 |
| **Earnings per share-diluted** | 0,10 | 0,13 | 0,28 | 0,28 |

## EBIT by country Q3:

# Lithuania drives profitability

- **Norway**
  - Cost reductions drives margin improvement
- **Sweden**
  - Efficiency challenges affects margins
- **Lithuania**
  - EBIT improvement driven by strong Revenue growth
- **Other**
  - Revenue growth and improved profitability in China, US volumes and profitability lower than last year but improved in Q3

EBIT*




| | | | | |
|---|---|---|---|---|
| Margin | 3,6 % | 5,8 % | 6,3 % | 10,3 % |
| | 3,3 % | 7,2 % | 3,8 % | 9,8 % |

* Before group entities and eliminations

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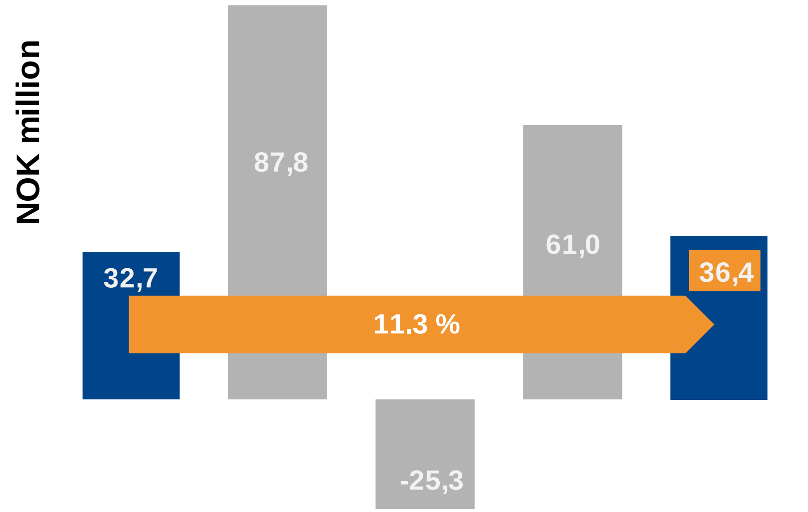
Balance sheet:

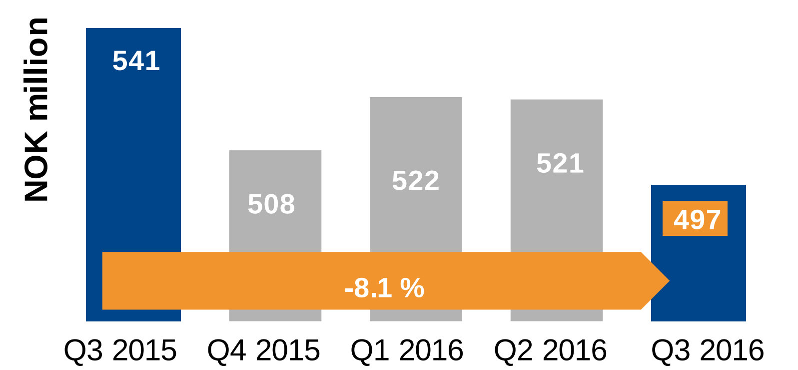
# Cash flow

- **Cash flow**
  - Q2 Cash flow MNOK 36.4 (32.7)
- **Working capital**
  - Working capital reduction compared to last year primarily attributable to improved supplier terms.
  - Cash conversion (R3*) cycle 99, a reduction from 104 last year
  - ROOC (R3*) at 19.3% improved from 17.2% last year

## Operating cash flow




## Net working capital






* Three months rolling average

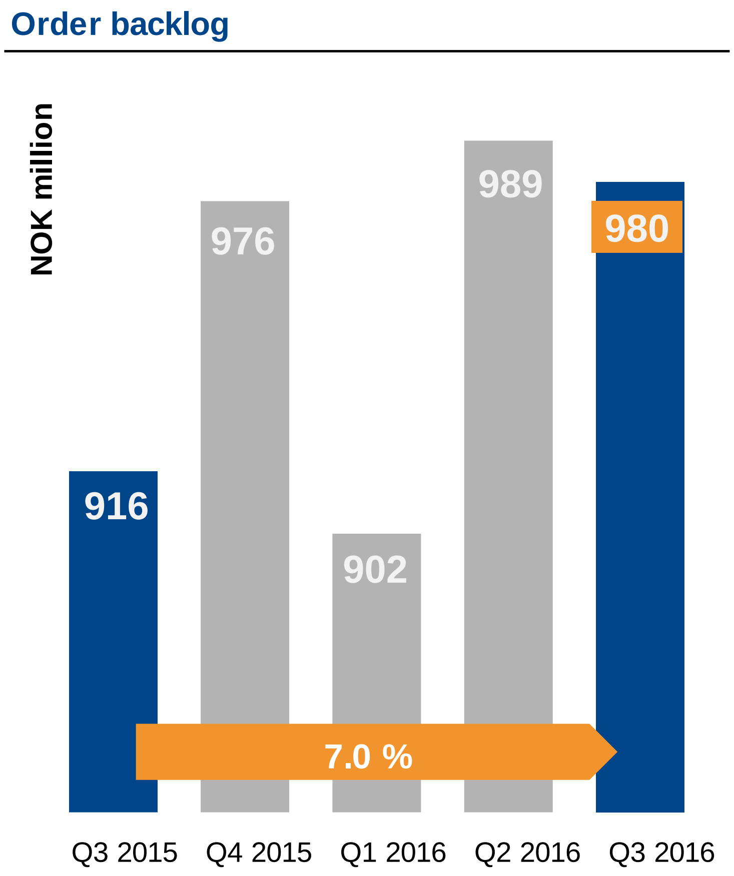
# Market development

Order backlog:

# Strong growth in Industry

## Order Backlog MNOK

- 980 vs. 916 last year. Increase of 7% with 11% underlying growth.
  - Defence: 417 +6% (392)
  - Medical: 182 +2% (178)
  - Industry: 255 +14% (223)
  - Energy/Telecom: 111 +35% (82)
  - Offshore: 14 -65% (41)




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

# Outlook

# Outlook

- For 2016, Kitron expects revenue of between NOK 2 050 and 2 250 million and EBIT margin of 5.3 to 6.3 per cent.

  Due to currency effects and postponed projects, revenue is now expected to be in the lower half of the indicated range

- The growth is driven by increased demand in the Industry and Defence/Aerospace sectors.

- The profitability increase is driven by cost reduction activities and improved efficiency.

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# Thank you!