



Kitron

Your ambition. Our passion.

Capital Markets Presentation

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AGENDA

- Strategy
- Market & Operations
- Financials
- Covid-19
- Summary



Peter Nilsson
President & CEO



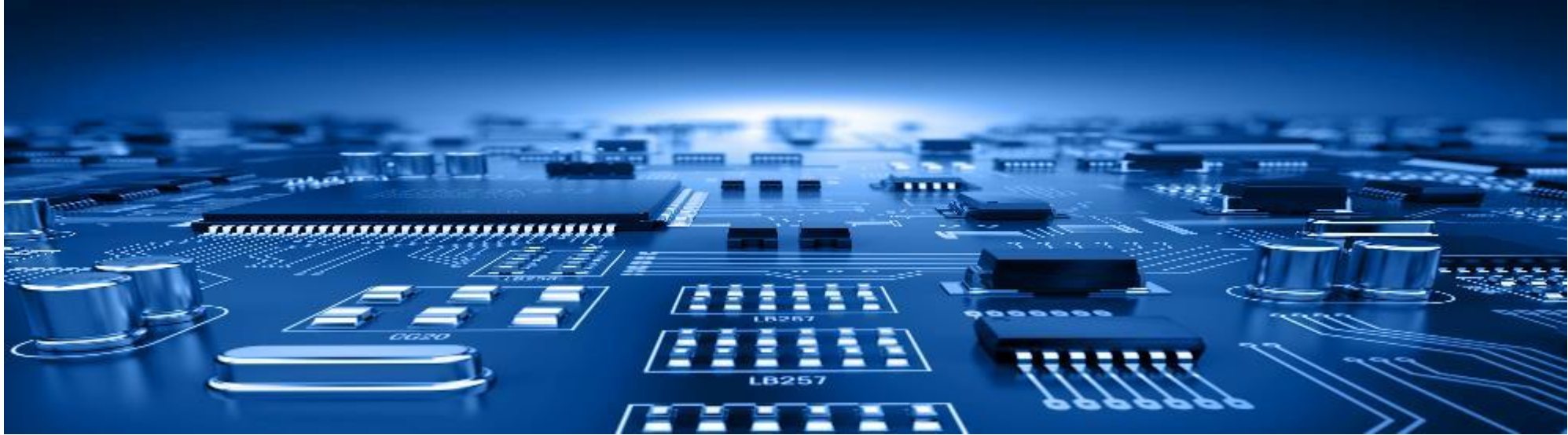
Israel Losada Salvador
COO and Sales Director



Cathrin Nylander
CFO

Strategy

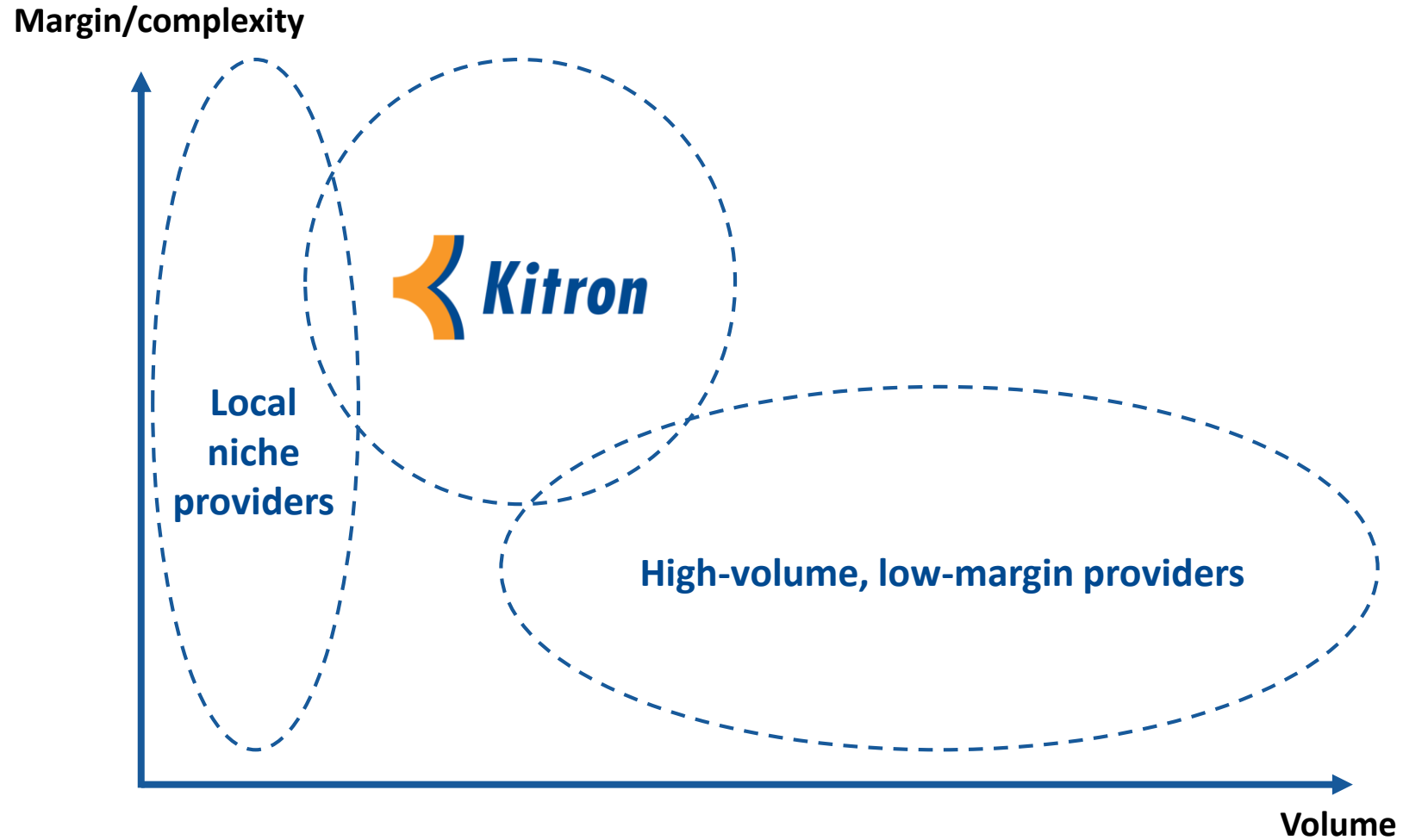
The essence of Kitron



Kitron is a leading Scandinavian **Electronics Manufacturing Services** company, delivering improved flexibility, cost efficiency, and innovation power throughout the value chain.



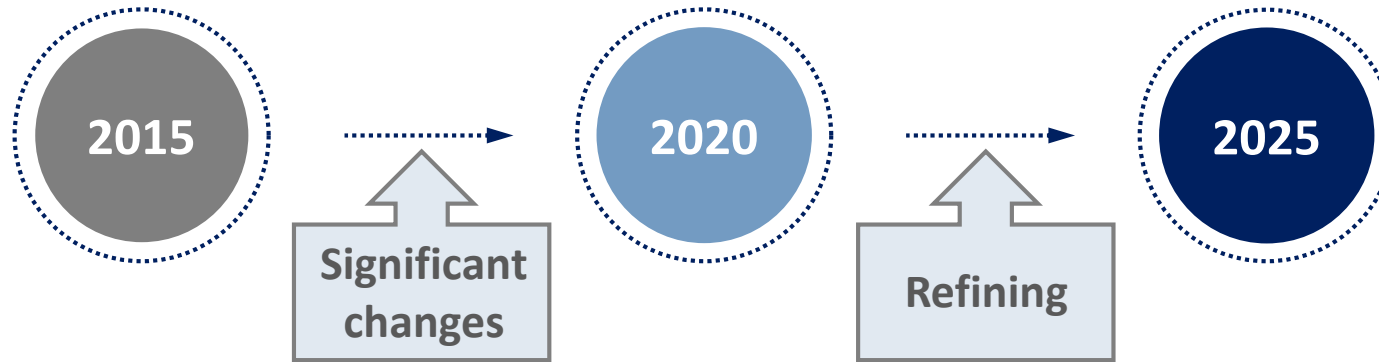
Complex, high-margin products, medium volumes



Kitron on three continents



Strategic Horizon towards 2025



Overall strategy: Complex, high-margin products, medium volumes

Growth

- Growth, existing customers
- Growth, new customers
- Technical services sales

Operations

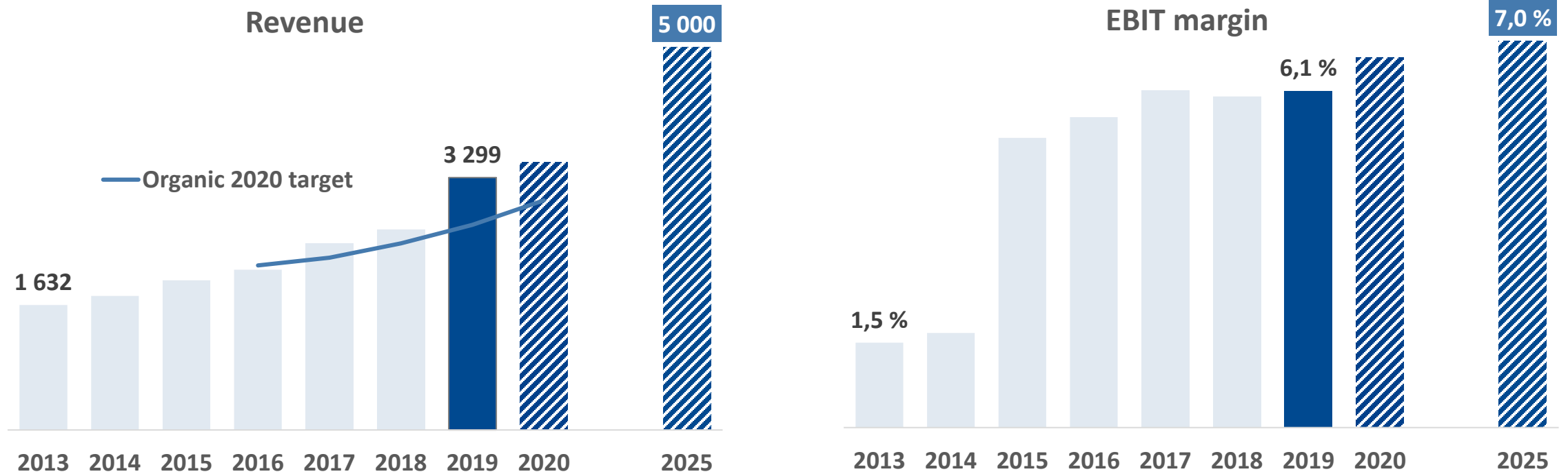
- Capacity expansion
- Operational excellence
- Competence roadmap
- Digitalization
- Technical roadmap

M&A

- Value chain expansion
- Entering new geographies
- Existing geographies

Growth and margin improvement on track towards 2025 targets

Organic growth target 2020 of NOK 3 000 million achieved in 2019

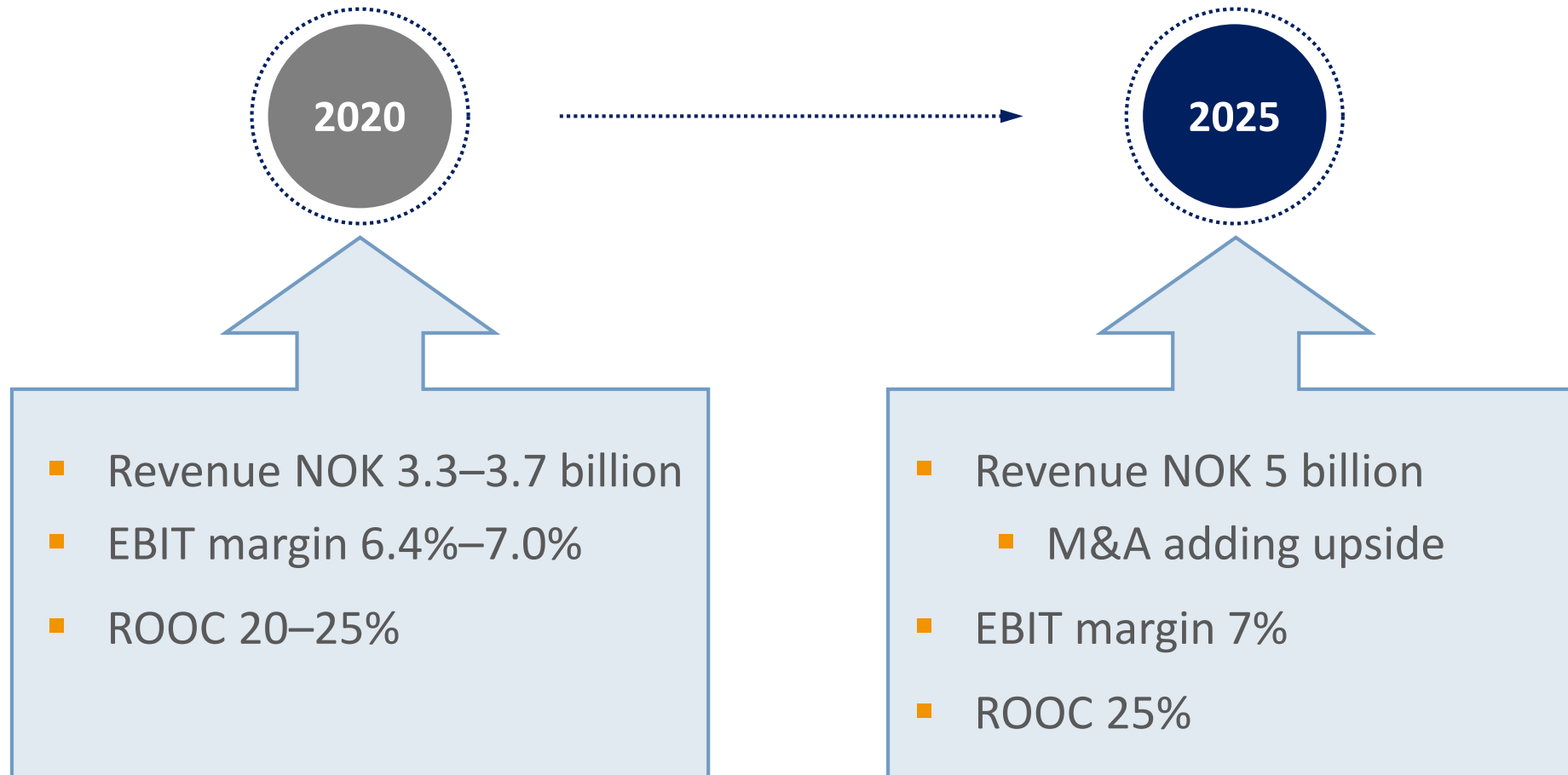


2020 guidance

Revenue NOK 3 300 to 3 700 million

EBIT margin 6.4% to 7.0%

Main financial ambitions

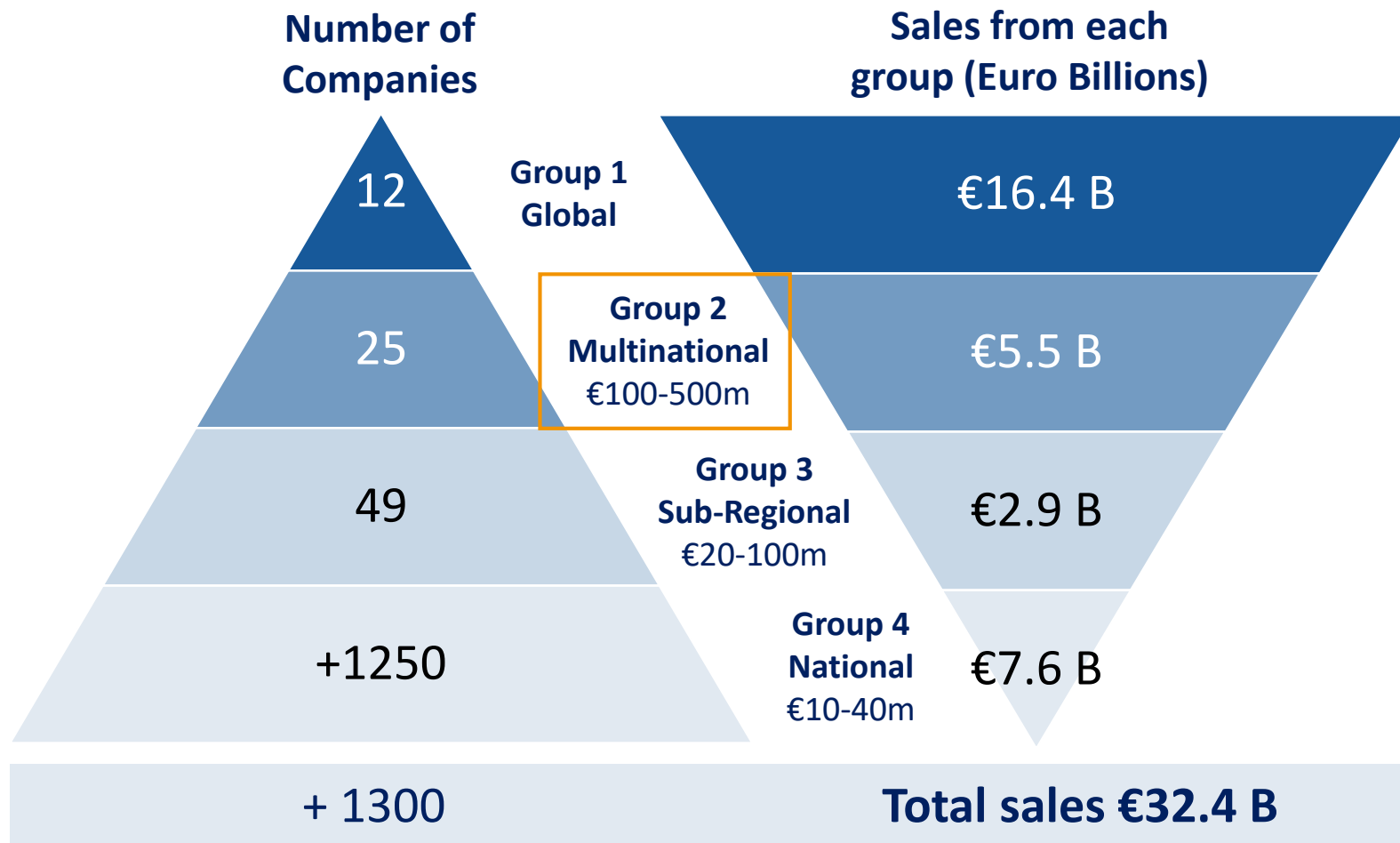


Market

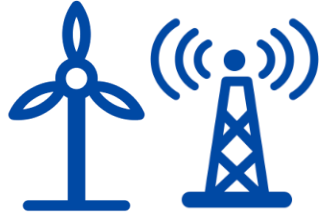
The European EMS Industry

- A few big players, long tail of small, local firms
- Ongoing consolidation
 - Within Europe
 - Chinese entrants
- Entry barriers driven by defence, aerospace and medical, spreading to other sectors
 - Cyber security
 - Contingency planning

Large market, no meaningful restriction for Kitron.



Customers and market sectors



ENERGY/TELECOMS

ABB

Advanced Energy **PCTEL**
Performance Critical

Badger Meter
SENSUS
a xylem brand

WESTERMO

netinsight



DEFENCE/AEROSPACE

LEONARDO
LOCKHEED MARTIN
NORTHROP GRUMMAN

BOEING

HARRIS

HENSOLDT
Detect and Protect.
ROBOTIC RESEARCH

KONGSBERG **Aimpoint**

RHEINMETALL

SAAB **THALES**



OFFSHORE/MARINE

TechnipFMC

EATON



KONGSBERG

magseis



MEDICAL DEVICES

MAQUET
GETINGE GROUP

Dentsply Sirona

Leica
MICROSYSTEMS



permobil

CELLAVISION



INDUSTRY

Husqvarna Group **Atlas Copco**

BOMBARDIER
the evolution of mobility

ABB **Senseair**

VOLVO **QMATIC**

Three growth opportunities for Kitron



**Long-term
outsourcing trend
continues**



**Broad-based
move to
electrification**



**Internet of Things
drives product
connectivity**

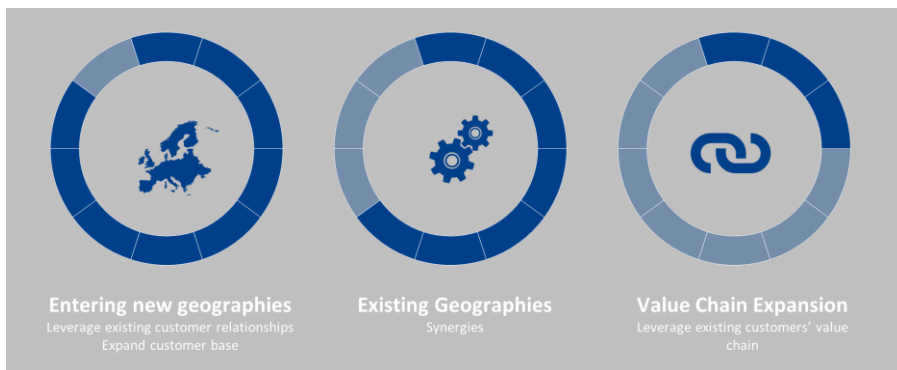
Operations

Modern, highly automated facilities with advanced certifications



2019

- Feb-19 - Completed the acquisition of API Technologies in Windber (PA) – USA. 10,000 sqm
- Jun-19 - Doubled the size of our plant in Ningbo – China. 4,300 sqm
- Oct-19 – Started operating new facility in Grudziadz – Poland. 8,500 sqm



| | Existing geography | New geography |
|-----------------------|--------------------|---------------|
| Existing value chain | More likely | Most likely |
| Value chain expansion | Likely | Not likely |

Ongoing industry consolidation creates M&A opportunities

- Actively evaluating opportunities
- Revenue range €10–100 million
- Must see potential for same profitability as rest of group
 - But time lag while optimizing to be expected
- Transactions most likely financed through combination of own cash and debt

M&A may add upside to 2025 revenues

Financials

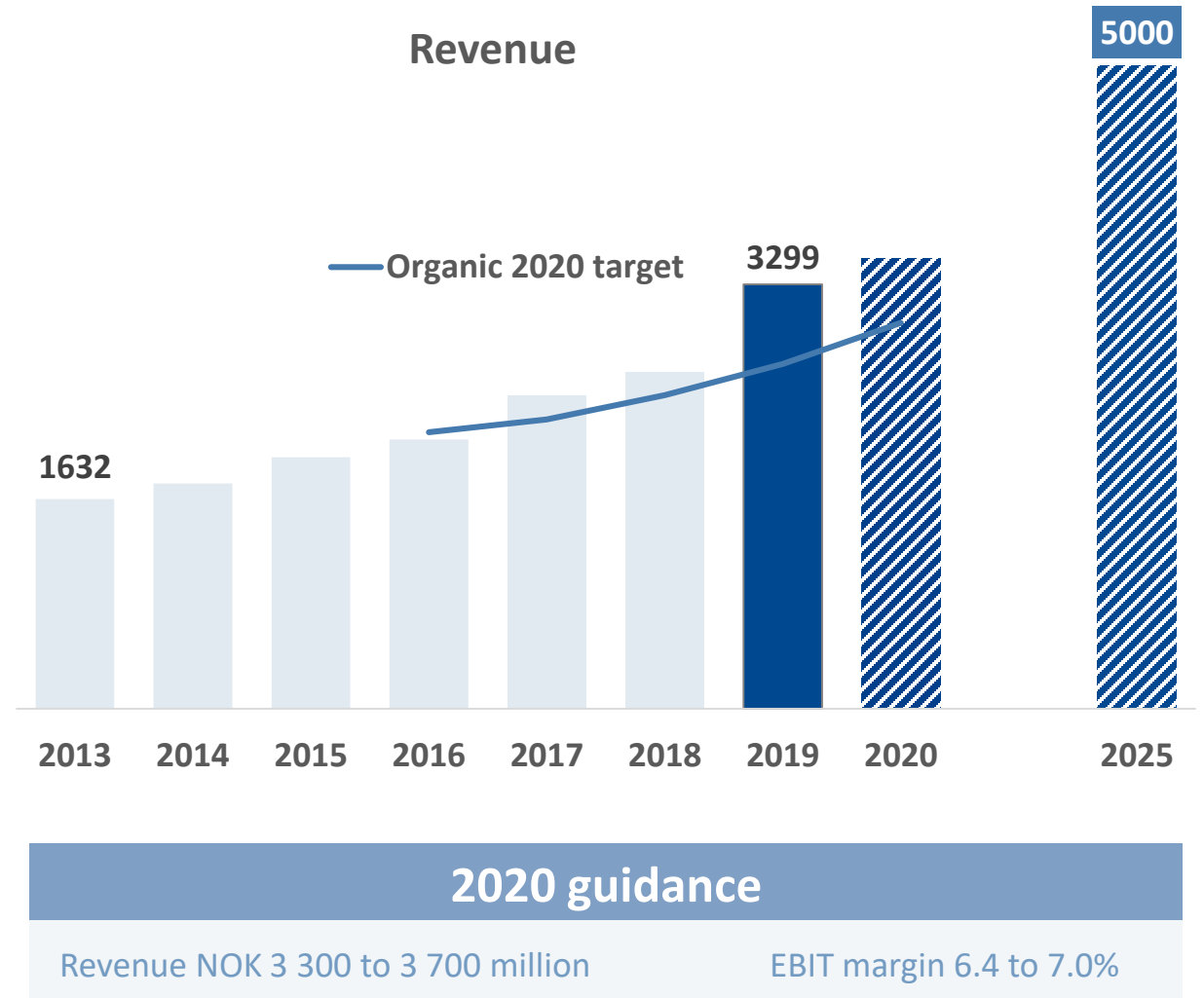
Growth beyond 2020: “5 in 25”

2020

- 2020 Organic growth target of NOK 3 billion achieved in 2019
- Revenue growth continues according to strategy

2025

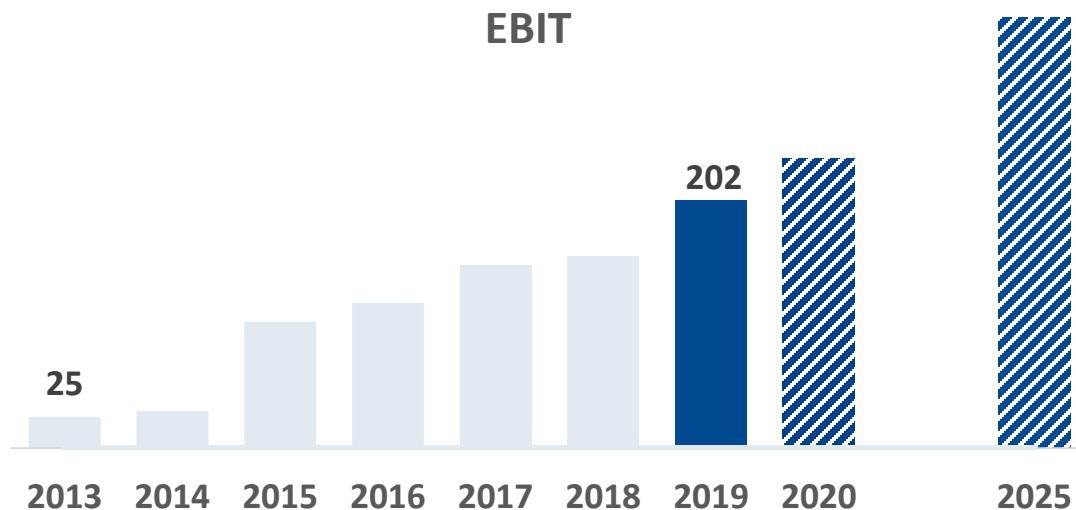
- Organic ambition: NOK 5 billion
- Annual organic trend growth 2020–2025: approximately 10%
- M&A adds potential upside
- Assuming no dramatic macro or currency changes



EBIT growth continues, margin expected to modestly increase, then stabilize

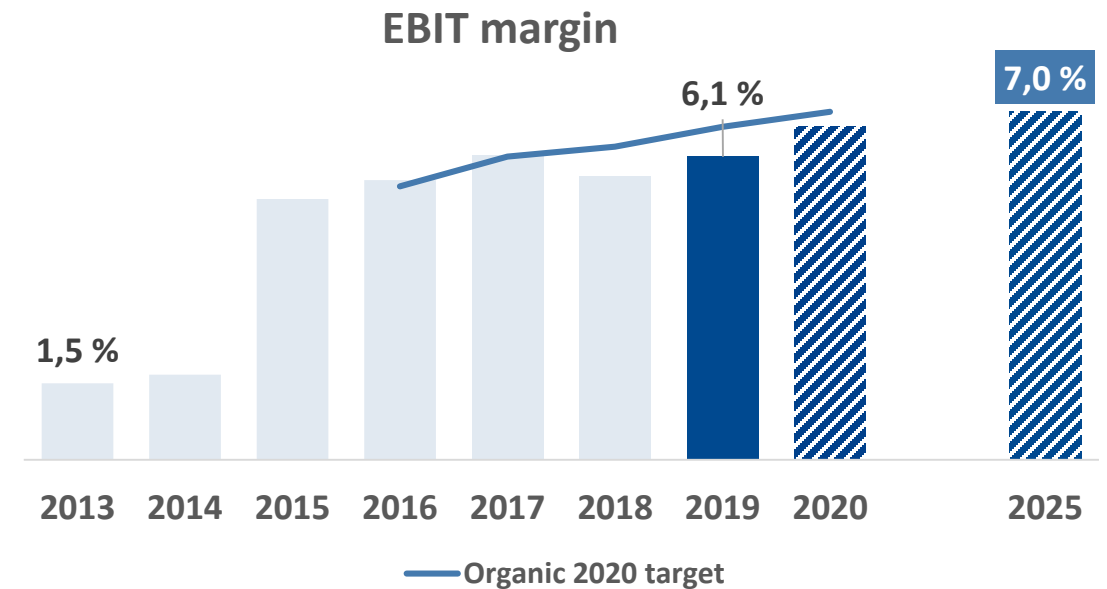
2020

- Operational improvement continued
- 2019 affected by Poland startup and ramp-ups of new customers
- Gradually normalised operations in 2020

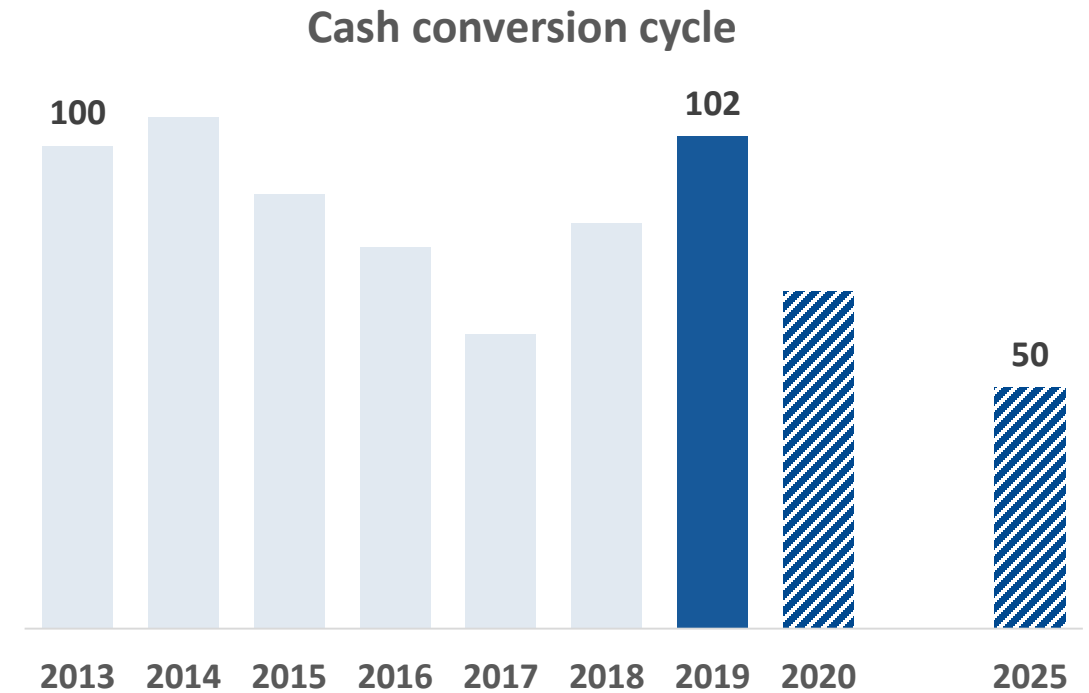
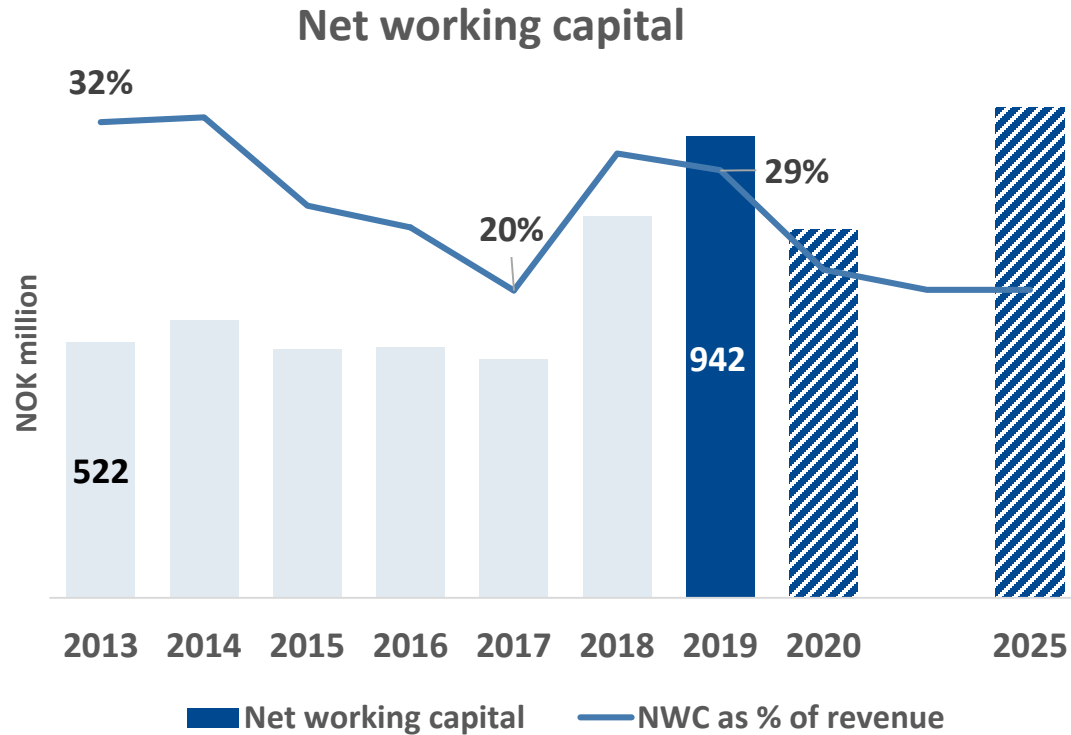


2025

- Target 7% but with an upside ambition
- Acquired businesses or start-ups may temporarily be below margin ambition



Capital efficiency: Temporary setback, ambitions maintained



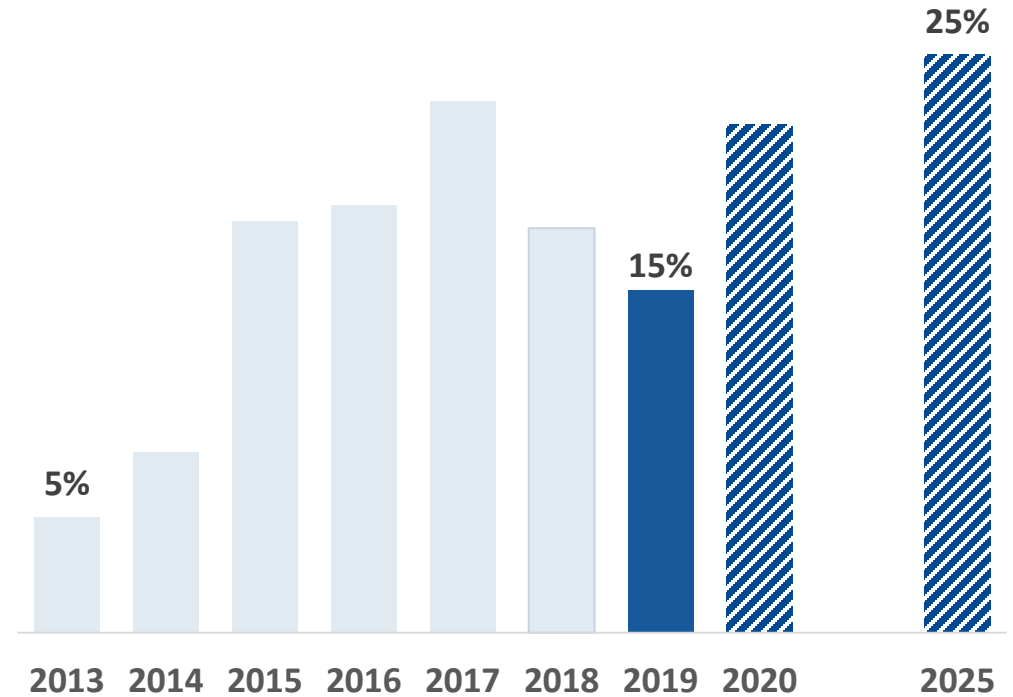
- Target NWC 20% of revenue
- Temporary balance sheet expansion to handle component shortages

- Cash conversion cycle key metric, target 50 days
- Temporary balance sheet expansion to handle component shortages

Improving return on capital

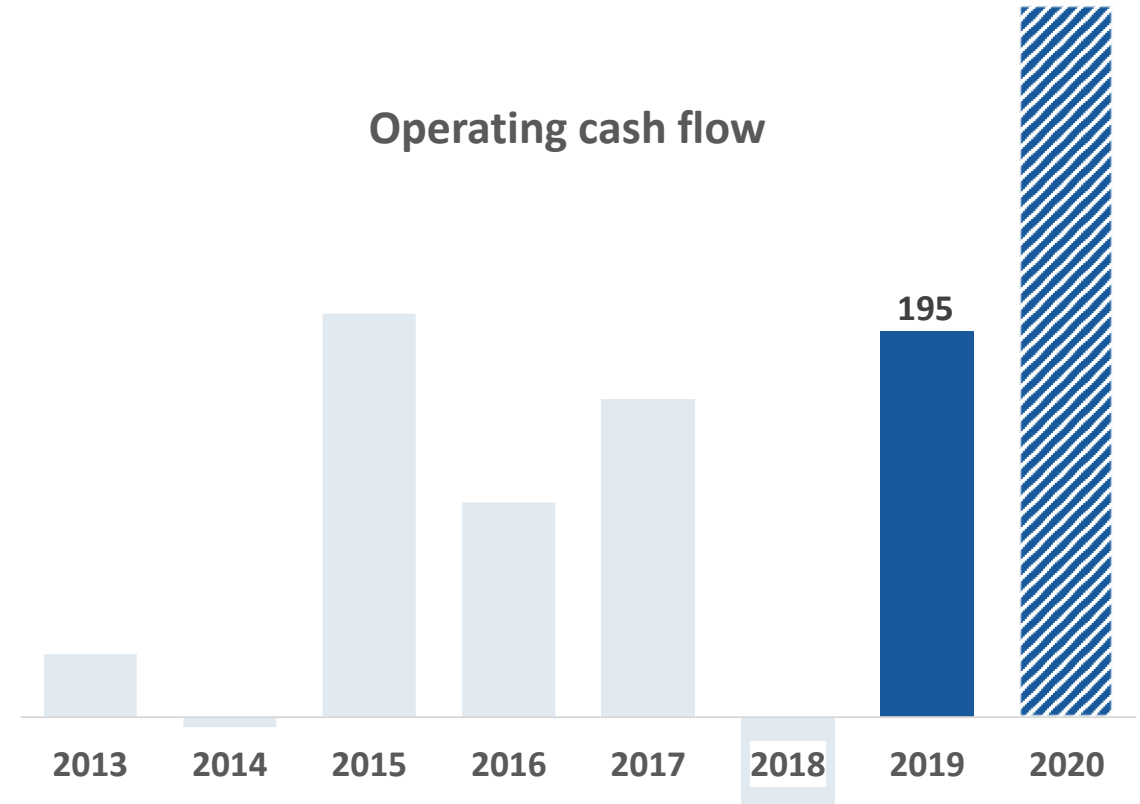
- Higher EBIT, temporary balance sheet expansion
- Improvement expected to continue:
 - Higher profit
 - Capital efficiency
- IFRS 16 affects ROOC negatively in 2019 with approximately 1.5 %-points
- Long-term target 25%

Return on operating capital



Cash flow rebounding, normal capex stable as percentage of revenue

- Strong underlying operating cash flow trend
- Temporary increase of inventory to handle component shortages starting in 2018 and continued into 2019
- Normal capex expected to be approximately 2-3% of revenue



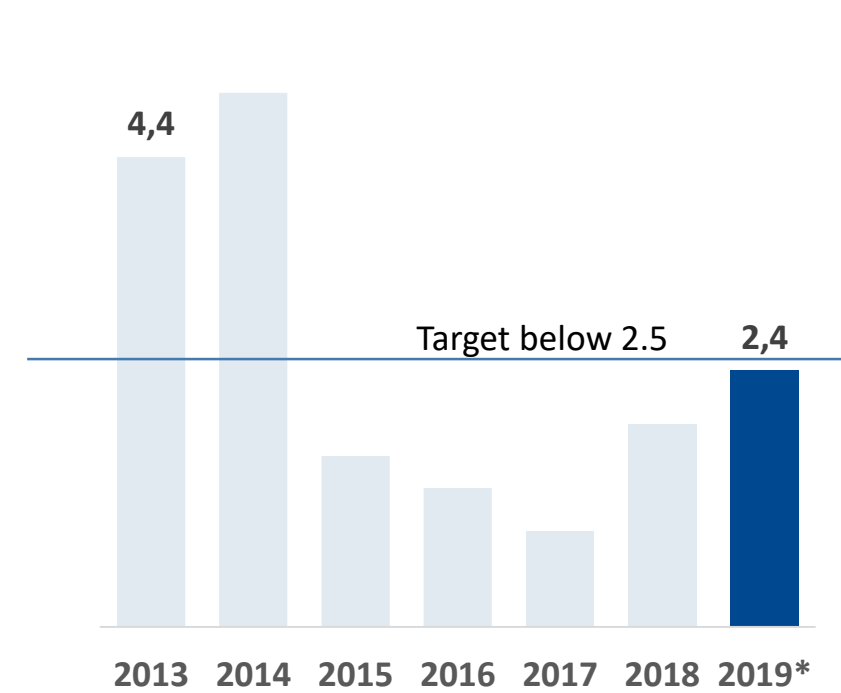
| Capex (MNOK) | Operating cash flow (MNOK) | | | | | | | |
|----------------|----------------------------|------|------|------|------|------|------|------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Normal | 29 | 67 | 76 | 66 | 82 | 70 | 59 | 60 |
| Poland | | | | | | | 51 | |
| US acquisition | | | | | | | 138 | |

Solid financial platform

- Net interest-bearing debt NOK 784 million
 - NOK 650 million excl. IFRS 16
- NIBD/EBITDA 2.8
 - 2.4 excl. IFRS16
- Net gearing 1.1
 - 0.9 excl. IFRS16
- Equity ratio 31% (37%)
- ROE 18% (16%)
- Covenants on Equity % and NIBD/EBITDA

| | |
|--|------------|
| Cash & cash equivalents | 204 |
| Long term debt to credit institutions | 166 |
| <i>Lease Liability IFRS16</i> | 116 |
| Long term debt - Financial leasing | 50 |
| Long term financing | 331 |
| Debt to credit institutions | 323 |
| <i>Factoring debt</i> | 249 |
| Lease Liability IFRS16 | 18 |
| Short term part of long term debt | 67 |
| Short term financing | 657 |
| Interest bearing debt | 988 |
| Net Interest bearing debt | 784 |
| Net Interest bearing debt excl IFRS | 650 |

NIBD/EBITDA



* Adjusted for IFRS16 effects

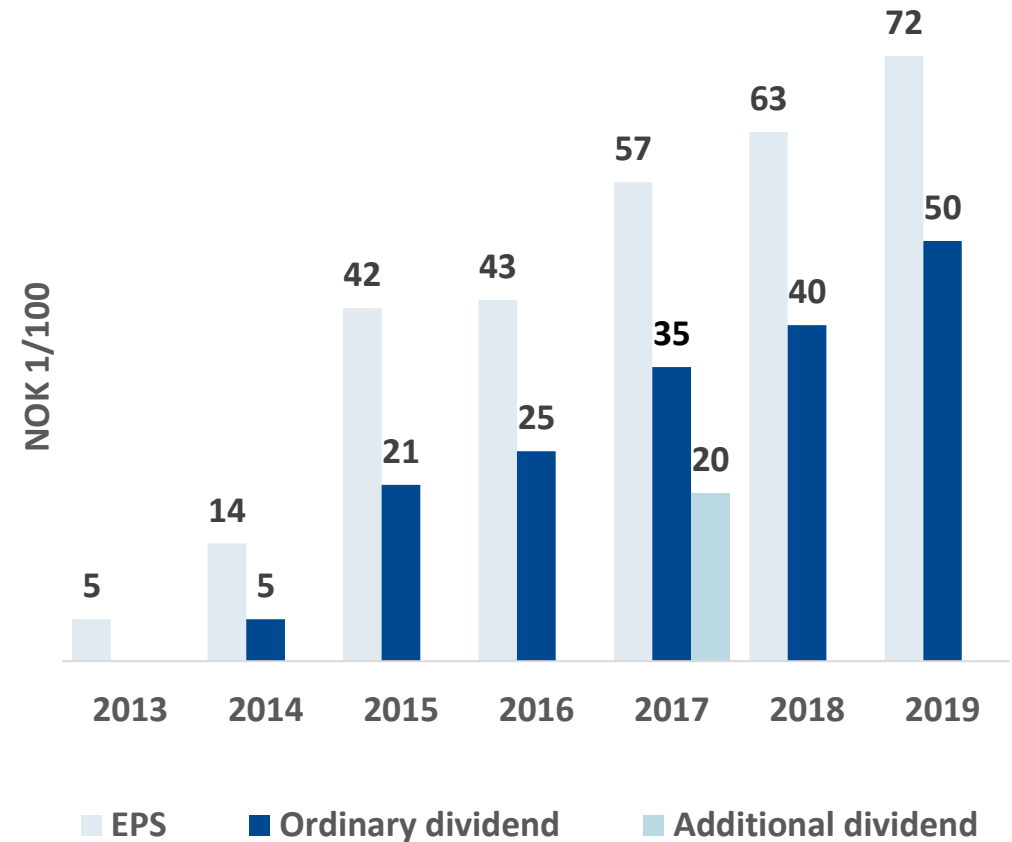
Net interest-bearing debt divided by earnings before interest, taxes, depreciation and amortization.

Strong dividend history

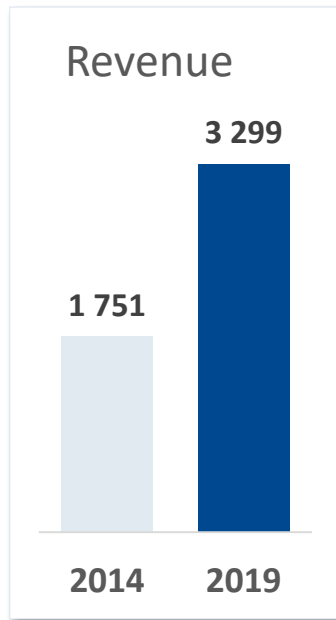
- Strong commitment to dividends
- Proposed for 2019:
 - Ordinary dividend NOK 0.50 per share

“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.”

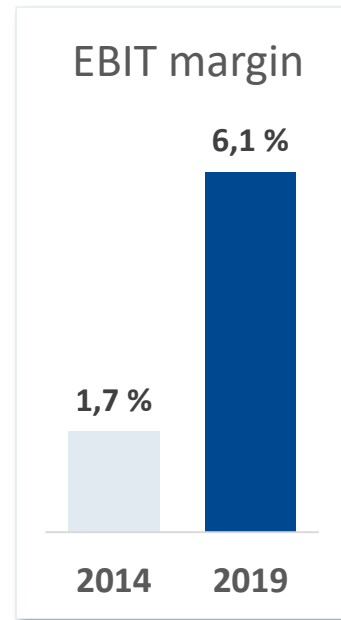
Earnings and dividends



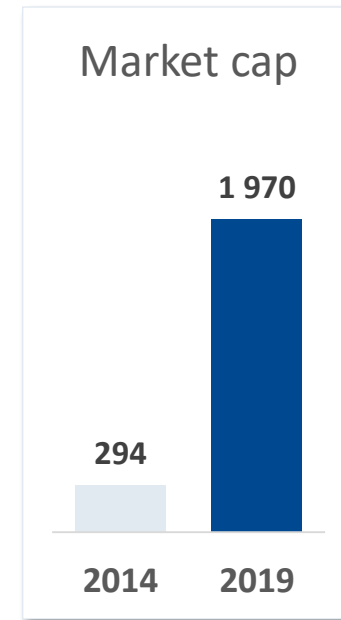
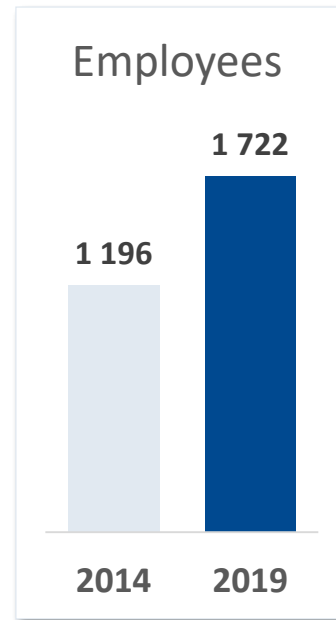
Then 2014 and now 2019



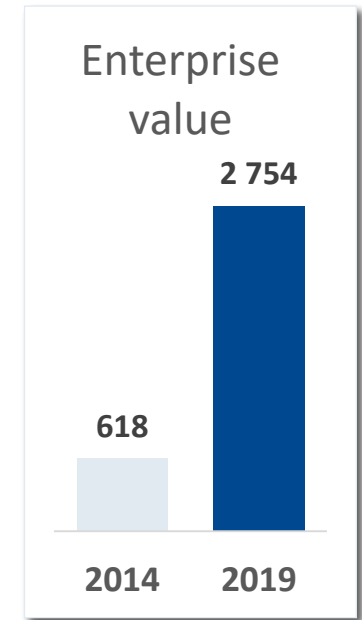
CAGR 14%



CAGR 46%*



CAGR 46%



CAGR 38%

Covid-19 situation

Covid-19 situation

- We are following international and national advice from the health organisations and authorities
- To date, no knowledge of Kitron's employees worldwide have been infected
- We're asking all of our employees, to take appropriate preventative measures. This includes keeping safety distance between people, regular and consistent use of hand sanitizer and disinfecting spray and wipes, and increased cleaning and sanitizing for all company facilities.
- All employees that can do their work from home are doing so, the purpose is to minimize the exposure of our blue-collar workers
- Visitors will not be allowed to access Kitron facilities (exception needs Managing Director approval)
- And finally, any employee who does not feel well is to stay at home, get well, and avoid interacting with other people

Covid-19 situation

- All our factories are up and running without constraints to capacity
- We have been working closely with our suppliers to avoid any mayor disruption to our operations
 - All tier-1 suppliers in China have re-started operations, gradually increasing capacity.
 - So far no major disruption to supply chain outside China
 - Kitron is preparing for some component allocations moving forward
- Demand situation supports current guiding
 - Demand consist of Firm orders and 12 months forecast from customers

Covid-19 situation

- **Going forward**

- Demand fluctuations

- Kitron continuously makes capacity adjustments based on demand fluctuations but are now preparing for significantly larger fluctuations, if they should occur
- Customers are asked to convert forecast to fixed and firm orders
- We see strengthening within the demand of the Medical devices sector

- Supply chain

- Customers are asked to place firm orders for immediate purchase of allocated materials
- Supply chain is continuously monitored

So far, demand supports current revenue outlook for 2020, but Covid-19 adds uncertainty

Summary

Progressing on path set out towards 2025

- Maintain strategy and financial ambitions for 2025
- Several growth opportunities identified
- So far, demand supports current revenue outlook for 2020, but Covid-19 adds uncertainty

Thank You!

Appendix

Appendix: Definition of alternative performance measures

Order backlog

All firm orders and 4 months of committed customers forecast at revenue value as at balance sheet date.

Foreign exchange effects

Group consolidation restated with exchange rates as comparable period the previous year. Change in volume or balance calculated with the same exchange rates for the both periods are defined as underlying growth. Change based on the change in exchange rates are defined as foreign exchange effects. The sum of underlying growth and foreign exchange effects represent the total change between the periods.

EBITDA

Operating profit (EBIT) + Depreciation and Impairments

EBIT

Operating profit

EBIT margin (%)

Operating profit (EBIT) / Revenue

Net working capital

Inventory + Accounts Receivable – Accounts Payable

Operating capital

Other intangible assets + Tangible fixed assets + Net working capital

Return on operating capital (ROOC) %

Annualised Operating profit (EBIT) / Operating Capital

Return on operating capital (ROOC) R3 %

$(\text{Last 3 months Operating profit (EBIT)} * 4) / (\text{Last 3 months Operating Capital} / 3)$

Direct Cost

Cost of material + Direct wages (subset of personnel expenses only to include personnel directly involved in production)

Days of Inventory Outstanding

$360 / (\text{Annualised Direct Costs} / \text{Inventory})$

Days of Inventory Outstanding R3

$360 / ((\text{Last 3 months Direct Costs} * 4) / (\text{Last 3 months Inventory} / 3))$

Days of Receivables Outstanding

$360 / (\text{Annualised Revenue} / \text{Trade Receivables})$

Days of Receivables Outstanding R3

$360 / ((\text{Last 3 months Revenue} * 4) / (\text{Last 3 months Trade Receivables} / 3))$

Days of Payables outstanding

$360 / ((\text{Annualised Cost of Material} + \text{Annualised other operational expenses}) / \text{Trade Payables})$

Days of Payables Outstanding (R3)

$360 / (((\text{Last 3 months (Cost of Material} + \text{other operational expenses)} * 4) / (\text{Last 3 months Trade Payables} / 3))$

Cash conversion cycle (CCC)

Days of inventory outstanding + Days of receivables outstanding –

Days of payables outstanding

Cash conversion cycle (CCC) R3

Days of inventory outstanding (R3) + Days of receivables outstanding (R3) – Days of payables outstanding (R3)

Net Interest-bearing debt

- Cash and cash equivalents + Loans (Non- current liabilities) + Loans (Current liabilities)

Interest-bearing debt

Loans (Non- current liabilities) + Loans (Current liabilities)

Net gearing

Net Interest-bearing debt / Equity

Free Cash flow

Net Cash Flow from operating activities – Cash flows from acquisition of tangible fixed assets – Cash flows from acquisition of other intangible assets

Equity ratio

Total Equity / Total Assets

EPS

Earnings Per Share