



Kitron

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Q1 results 2014

April 23 2014

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Continued revenue growth, but profitability remains challenging

- **Revenue growth**

- Exchange rate development strengthens underlying growth

- **Margin pressure**

- Focus on customer profitability
- Cost reduction actions initiated

NOK mill.		Q1 2014 vs Q1 2013
Revenue 435,8		15,2 %
EBIT 2,0		-50,1 %
Order backlog 707,4		-6,6 %
Operating cash flow -17,4		-9,3 %
Net working capital 487,9		3,8 %

Major new orders:

Key contracts secured

- **Kitron signs a new two-year frame agreement with Sensys Traffic**
 - Estimated value of SEK 10-30 million during 2014-2015, with options of prolonging
 - Delivery of automatic speed surveillance and traffic light systems
 - Production in Jönköping

- **Order from Kongsberg Gruppen**
 - Order of NOK 30 million under existing frame agreement with a prognosis for orders of a further NOK 20 million. Deliveries in 2014 and 2015
 - Supply of electronics modules for integration in Kongsberg's weapon guidance system Remote Weapon Station (RWS)
 - Production in Arendal

Operational information:

Operational profitability measures

• Downsizing of Arendal operations

- The Norwegian operations in Arendal will be downsized by 60-100 employees during 2014, compared to the level at year-end 2013. Part of the reduction in employees took effect in March, and further cost reductions have already taken place and will continue throughout the year.
- The reduction is a consequence of lower activity due to transfer of products and customers to other parts of Kitron as well as an expected decline in revenue in the offshore sector during the second half of 2014
- The general cost base in Norway will be addressed

• Reorganisation of sourcing activities

- To accommodate cost savings
- A closer cooperation between the global and local sourcing activities is implemented and global sourcing staff is reduced
- The reorganization have caused one-off cost of NOK 2.0 million in the quarter



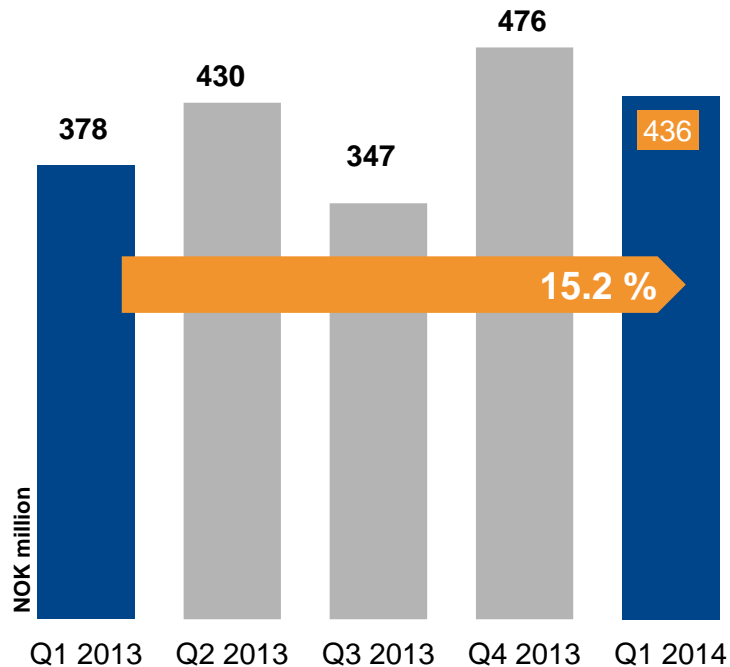
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Financial statements **Q1** 2014

Revenue:









Strong development in Defence/Aerospace and Energy/Telecoms

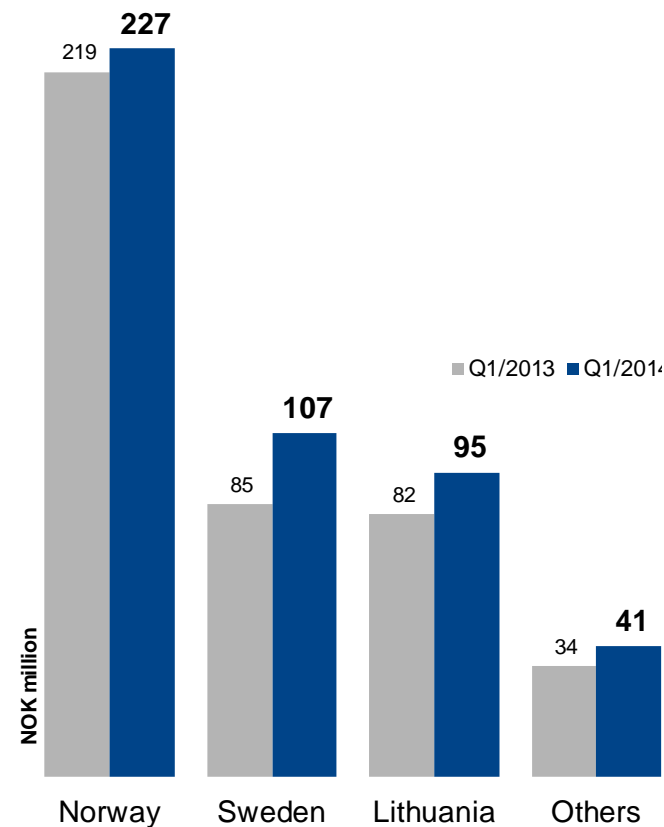


	Q1 2014 vs Q1 2013	Share of total revenue
Offshore/Marine	13,2 % 	19,0 % 
Medical equipment	12,5 % 	24,6 % 
Defence/Aerospace	27,1 % 	20,1 % 
Energy/Telecoms	23,2 % 	11,4 % 
Industry	7,9 % 	24,9 % 

Revenue by country*:

Growth in all countries

	Q1 2014 vs Q1 2013	Share of total revenue
Norway	3,2 % 	48,3 % 
Sweden	26,4 % 	22,8 % 
Lithuania	16,0 % 	20,2 % 
Others	17,9 % 	8,7 % 

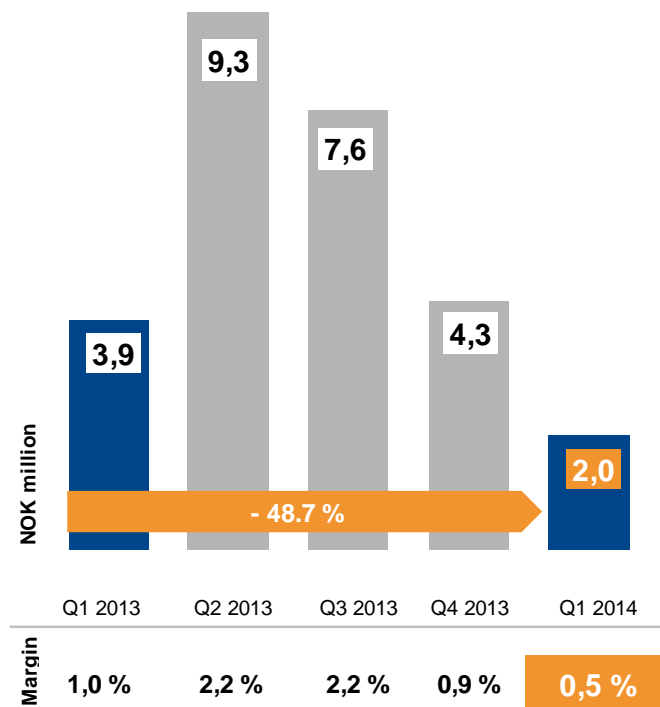


* Before group entities and eliminations

EBIT:

Significant reduction in EBIT

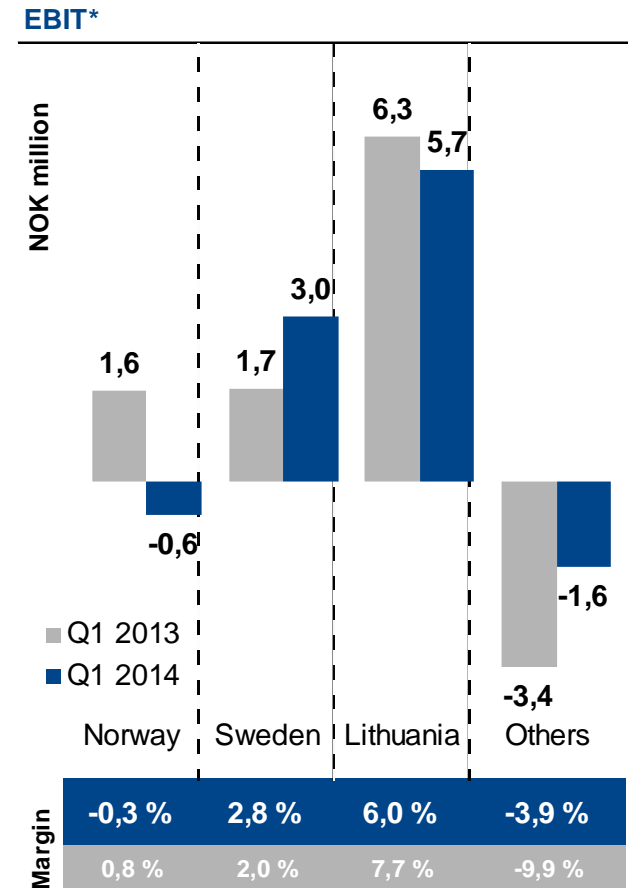
- **Profitability reduction**
 - Change in revenue mix
 - Margin pressure, both on existing and new customers
- **Cost reduction measures initiated**
 - Downsizing of Arendal
 - Sourcing



EBIT by country:

Norway profitability under pressure

- **Norway:** Change in revenue mix towards lower-margin products
- **Sweden:** Revenue increase
- **Lithuania:** Higher revenue, but at lower margins
- **Other:** Accrual for sourcing (MNOK 2,0). US and China around break even



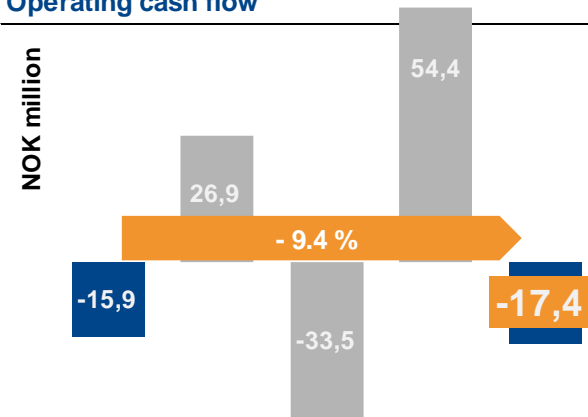
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Balance sheet:

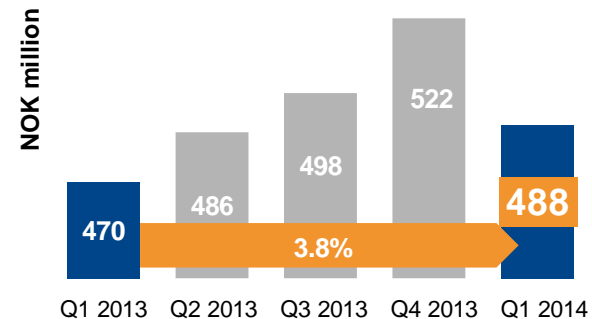
Negative cash flow

- **Reduced profitability and working capital increase**
 - Cash flow in Q1 seasonally weak
- **Working capital increase due to higher inventories**
 - Inventory increased, but inventory turns are improving

Operating cash flow



Net working capital





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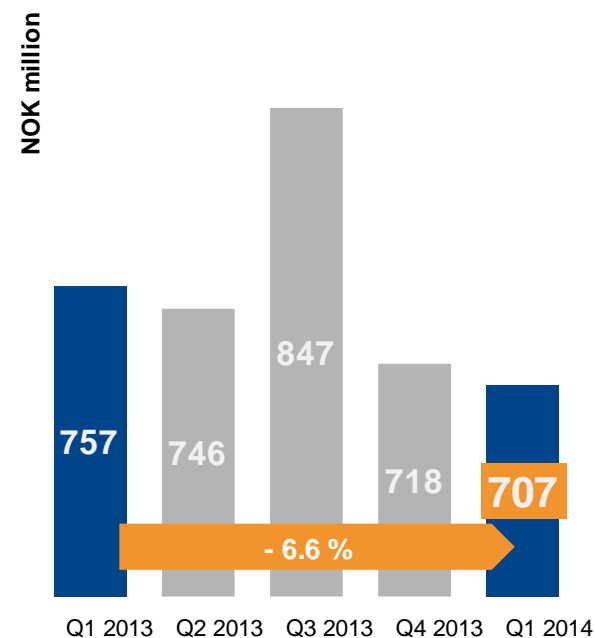
Market development

Order backlog:

Reduction in Norway

- Reduction within Defence/Aerospace and Offshore/Marine segments – primarily in Norway
- The defence orders from Kongsberg reported in April will increase the order backlog for Norway
- Energy/Telecom and Medical show growth
- All sites except Norway show growth in order backlog compared to last year

Order backlog



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

Market development

- **Offshore/Marine**

- Decline in the Norwegian Market

- **Medical equipment**

- Positive development in the Swedish market with growth from existing customers
- Stable development in Norway

Market development

- **Defence/Aerospace**

- Strong growth compared to last year in all our markets
- Order backlog reduction in Norway, partly offset by increasing backlog in the US. However, orders reported in April increases the order backlog for Norway.

- **Energy/Telecoms**

- Growth from increased demand from existing customers
- Increase in order backlog for the Swedish market

- **Industry**

- Industry growth is levelling out, similar development across all markets



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Outlook

Outlook

- **Kitron expects a positive development in the Swedish and German markets, which suggests growth for the factories in Sweden and Lithuania**
- **Growth is also expected in China and the US, whereas a lower volume is expected in the Norwegian operation**
- **Overall, Kitron expects growth in revenue in 2014, partly explained by development in foreign exchange.**
- **As a result of the reorganisation and other actions taken, Kitron expects the profitability to improve during the year.**

Thank you!