

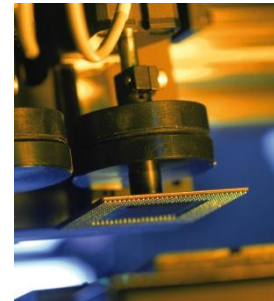
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# Q2 results 2013






23 July 2013

Dag Songedal, interim CEO



# Growth despite challenging markets

- **Stable customer demand despite challenging US and European markets**
- **Inventory reduction program improved cash flow**

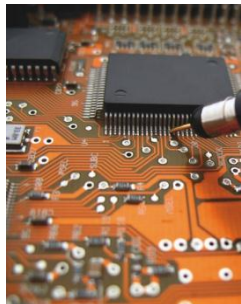
NOK mill.		Q2 2013 vs Q2 2012
<b>Revenue</b> 430,3		<b>3,3 %</b>
<b>EBIT</b> 9,3		<b>-12,3 %</b>
<b>Order backlog</b> 746,0		<b>-9,4 %</b>
<b>Operating cash flow</b> 29,2		<b>-</b>
<b>Net working capital</b> 485,5		<b>-5,1 %</b>

Operational highlights for Q2:

# Operational streamlining continues

- **Effects fully visible in fourth quarter 2013**
  - Cost reductions
  - Optimized supply chain
  - Improved performance within manufacturing
- **Strong focus on working capital improvements**
  - Inventory reductions achieved
  - Common distribution centre to drive further reduction

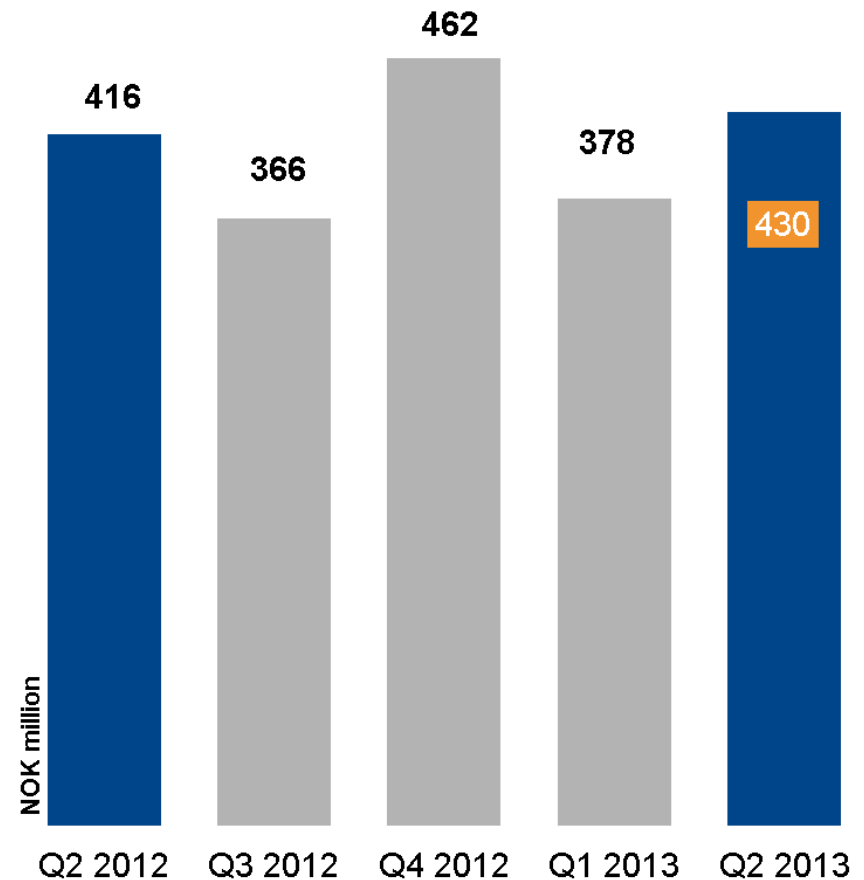
# Financial statements Q2 2013



## Revenue:











# Impacted by economic uncertainty

- **Growth despite:**
  - Customers reducing inventories
  - Shorter order horizon











## Revenue by market segment:

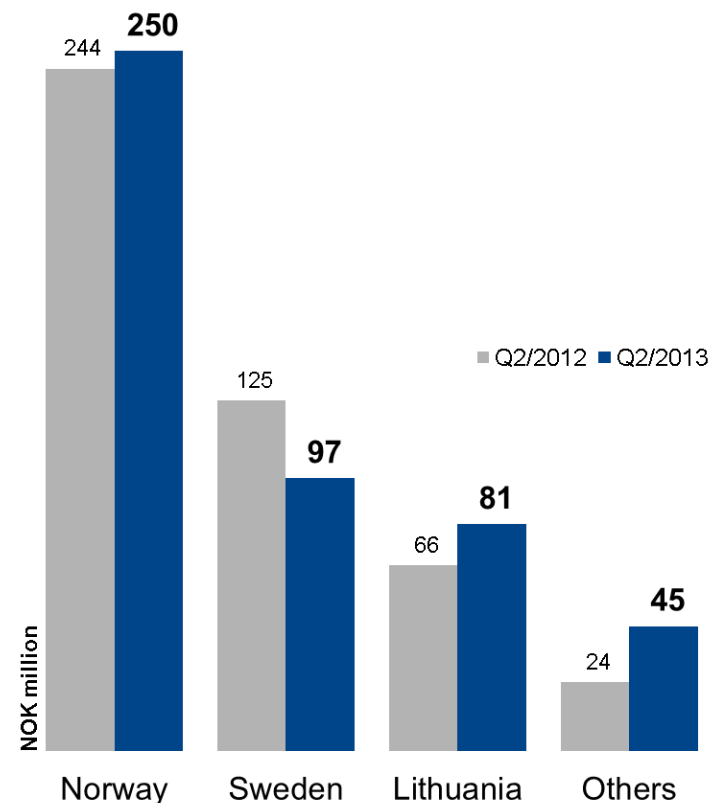
# Industry segment shakes off recession

		Q2 2013 vs Q2 2012	Share of total revenue
<b>Offshore/Marine</b>	Long-term prospects remain positive	-10,5 % 	17,9 % 
<b>Medical equipment</b>	Market growth offsets reduced manufacturing scope from key customers	-2,5 % 	23,9 % 
<b>Defence/Aerospace</b>	High activity towards Norwegian defence customers. Still uncertainty in the US market	21,7 % 	22,1 % 
<b>Energy/Telecoms</b>	Moderest growth within Telecoms while metering business is shrinking	-4,6 % 	11,8 % 
<b>Industry</b>	New customers ramping up and key customers indicate modest growth	11,8 % 	24,3 % 

## Revenue by country\*:

# Strong growth in Lithuania and new entities

	Q2 2013 vs Q2 2012	Share of total revenue
<b>Norway</b>	2,6 % 	52,8 % 
<b>Sweden</b>	-22,1 % 	20,6 % 
<b>Lithuania</b>	22,0 % 	17,1 % 
<b>Others</b>	82,3 % 	9,4 % 

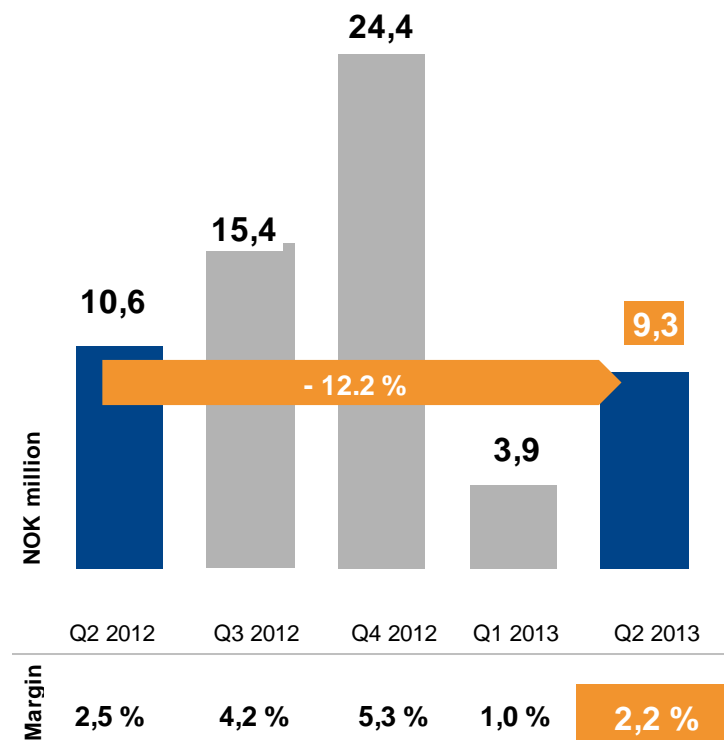


\* Before group entities and eliminations

EBIT:

# Operational streamlining continues

- **Improvement initiatives implemented**
  - Focus on profitability
    - Operational improvement programs
    - Short term focus on cost reductions
- **Effects fully visible in fourth quarter 2013**
- **Offset by volume effects**

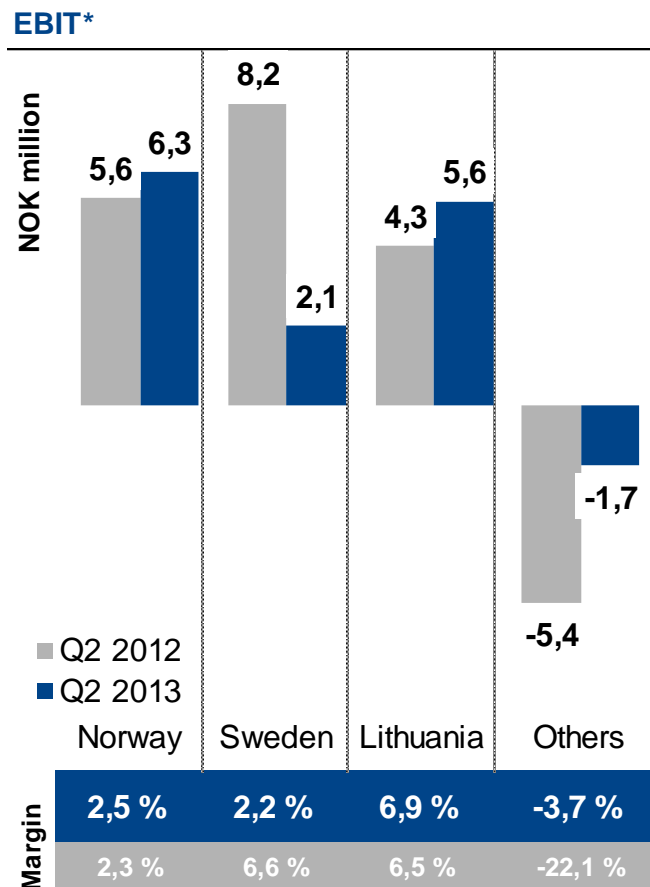




## EBIT by country:

# Hit by volume effects

- **Norway:** Stable profitability, cost reducing measures to improve EBIT initiated
- **Sweden:** Volume impact
- **Lithuania:** Improved profitability due to increased volume
- **New entities:** Making progress despite delay in US start up
  - Lower demand from US Army leading to delay in US profitability build up



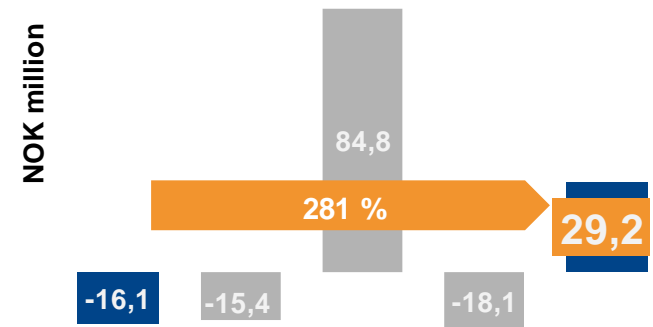
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## Balance sheet:

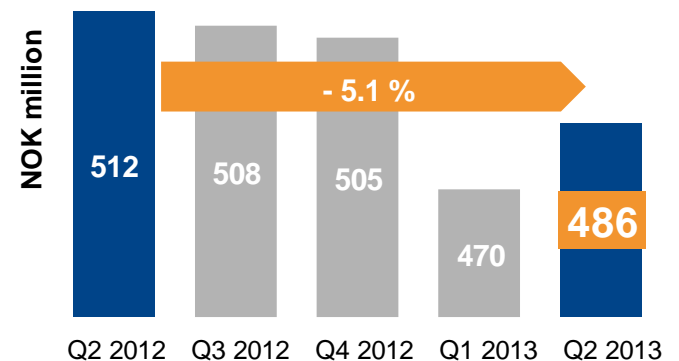
# Getting results of inventory program

- **Focus on inventory reduction across the group continues**
  - Target to reduce NOK 50 million in 2013
  - Establishment of common distribution centre

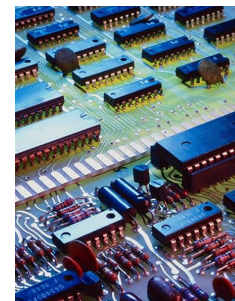
### Operating cash flow



### Net working capital



# Market development



## Order backlog:

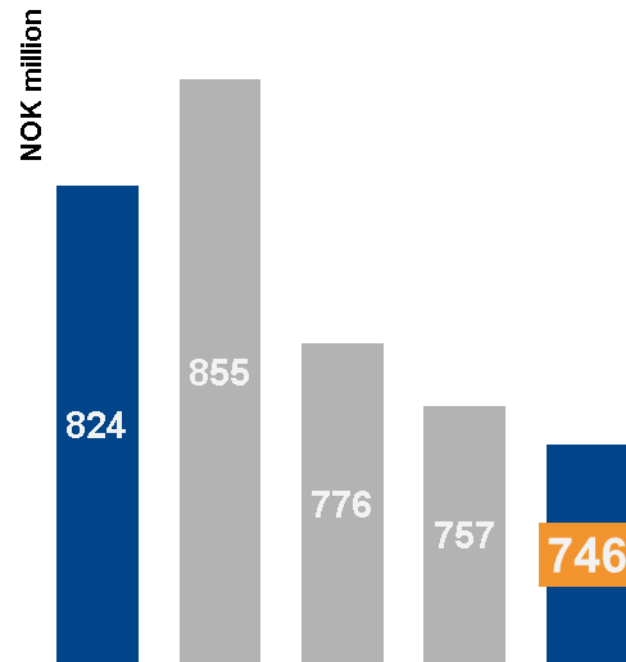
# Mixed trend by market segment

- **Mixed backlog trend**

- Increase in Defence/Aerospace
- Industry show a stable trend
- Reduced backlog in other segments

- **Overall market situation uncertain**

- Customer forecast volatility increasing
- Customers reducing risk through shorter order horizon and lower inventories



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

# Market development

- **Offshore/Marine**

- Kitron foresee a lower revenue in 2013 compared to 2012
- Long term prospects remain positive

- **Medical equipment**

- Flat development expected in short term (2013) as reduced production scope for one customer offsets growth
- Long term healthy market fundamentals for Kitron's product portfolio is expected to drive growth in the longer term

# Market development

- **Defence/Aerospace**

- Promising long term outlook
  - Several major programs secured
- Still uncertainty in the Swedish defence market and slower development in the US

- **Energy/Telecoms**

- Expected to stabilize on current lower level

- **Industry**

- Key customers indicate modest growth
- New customers ramping up
- Risk for a slowdown remains

# Outlook



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# Outlook

- **Revenue expected to be slightly lower in 2013 than 2012**
  - Revenue in second half of 2013 is expected to be at the same level as for second half of 2012
- **Programs to increase profitability and cash flow**
  - Driving top line growth
  - Streamlining internal operations to reduce costs and improve efficiency
  - Short term actions initiated to reduce costs
- **Target to reduce inventory by NOK 50 million in 2013**
  - Establishment of distribution centre important to reach objective



# Thank you!

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