

Your ambition. Our passion.

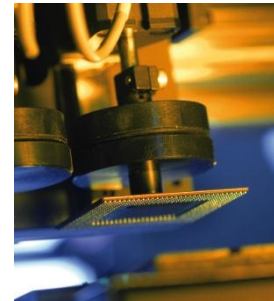


Q1 results 2013

22 April 2013






Jørgen Bredesen, CEO

Björn Wigström, CFO



Weaker demand affect EBIT

- Lower demand from key customers drove down top line
- Top line slippage and delay in start up of US operation caused lower EBIT

NOK mill.	Q1 2013 vs Q1 2012	
Revenue 378,3		-16,0 %
EBIT 3,9		-81,6 %
Order backlog 757,4		-5,0 %
Operating cash flow -18,1		-65,9 %
Net working capital 470,0		-3,6 %

Operational highlights for Q1:

Toward increased profitability and cash flow

- **Operational streamlining continues**
 - Cost reductions being implemented
 - Optimizing supply chain process
 - Improving performance within manufacturing
 - Leverage Kitron competence within technical services
- **New organization as of April 1**
 - Customer centric organization
 - New COO taking charge of operations globally
- **Strong focus on working capital improvements**
 - Inventory reduction program under implementation
 - Establishment of common distribution centre to drive further reduction

Major new orders:

Key contract secured

- **First contract with HMS Industrial Networks**
 - Value of NOK 100 million over three years
 - New customer for Kitron
 - Manufacturing to take place in Lithuania

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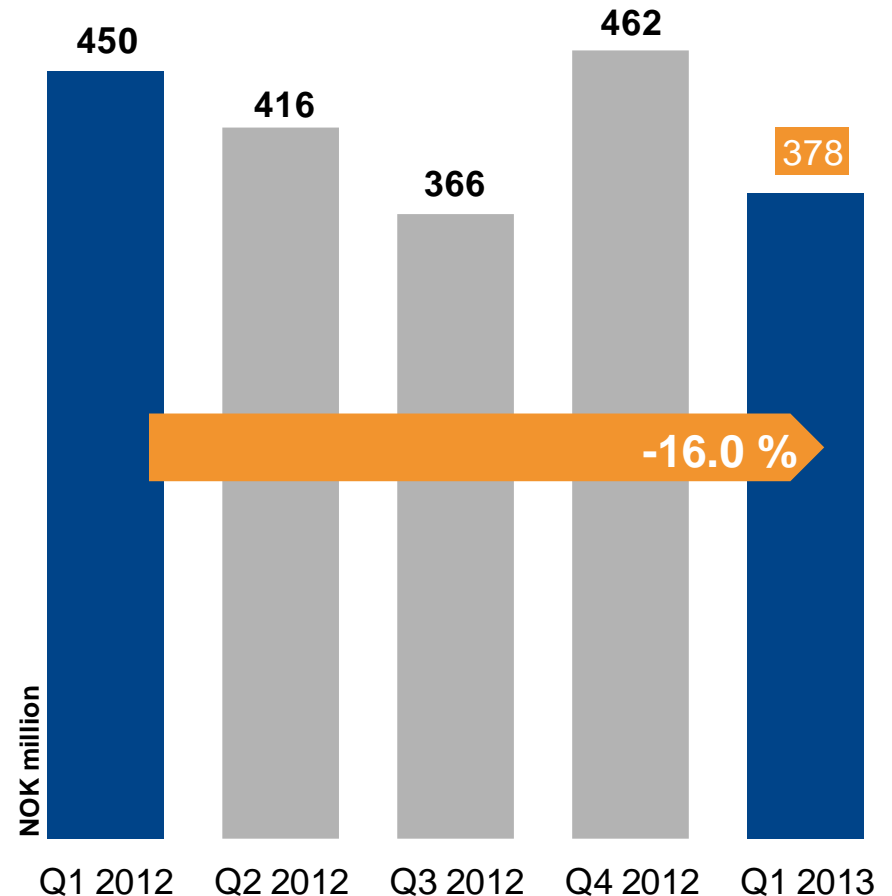
Financial statements Q1 2013



Revenue:











Impact of the recession

- **Weaker demand across all market segments**
 - Customers reducing inventories
 - Shorter order horizon
- **Some seasonality impact due to the Easter holiday**











Revenue by market segment:

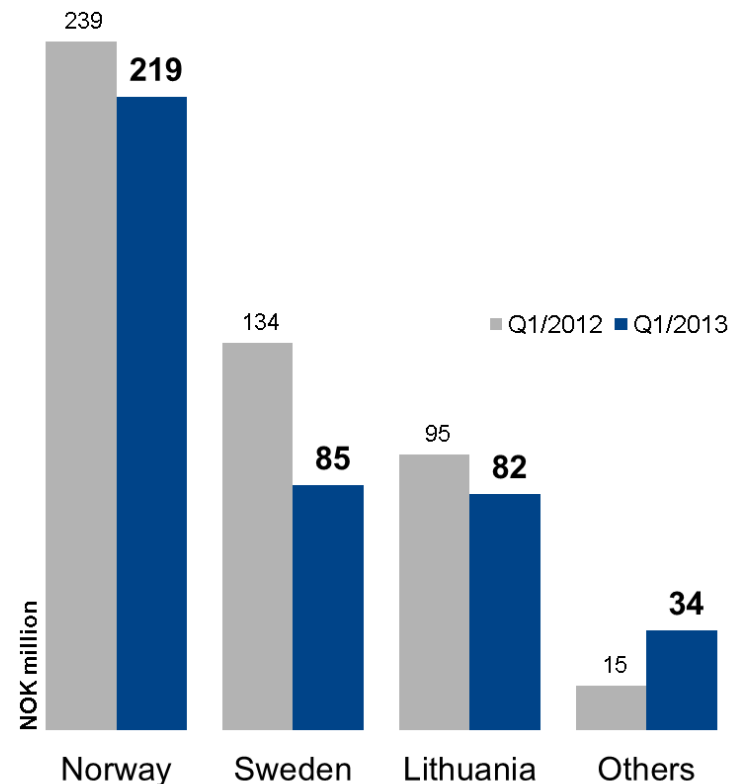
All segments affected

		Q1 2013 vs Q1 2012	Share of total revenue
Offshore/Marine	Activity level stable	-1,3 % 	19,3 % 
Medical equipment	Reduced manufacturing scope from key customers	-9,6 % 	25,2 % 
Defence/Aerospace	Lower demand from US Army and weak market in Sweden	-20,3 % 	18,2 % 
Energy/Telecoms	Recessionary trend for European industry	-35,9 % 	10,7 % 
Industry	Recessionary trend for European industry	-17,2 % 	26,6 % 

Revenue by country*:

Increased revenue in new entities

	Q1 2013 vs Q1 2012	Share of total revenue
Norway	-8,0 % 	52,2 % 
Sweden	-36,8 % 	20,2 % 
Lithuania	-14,3 % 	19,4 % 
Others	124,3 % 	8,2 % 

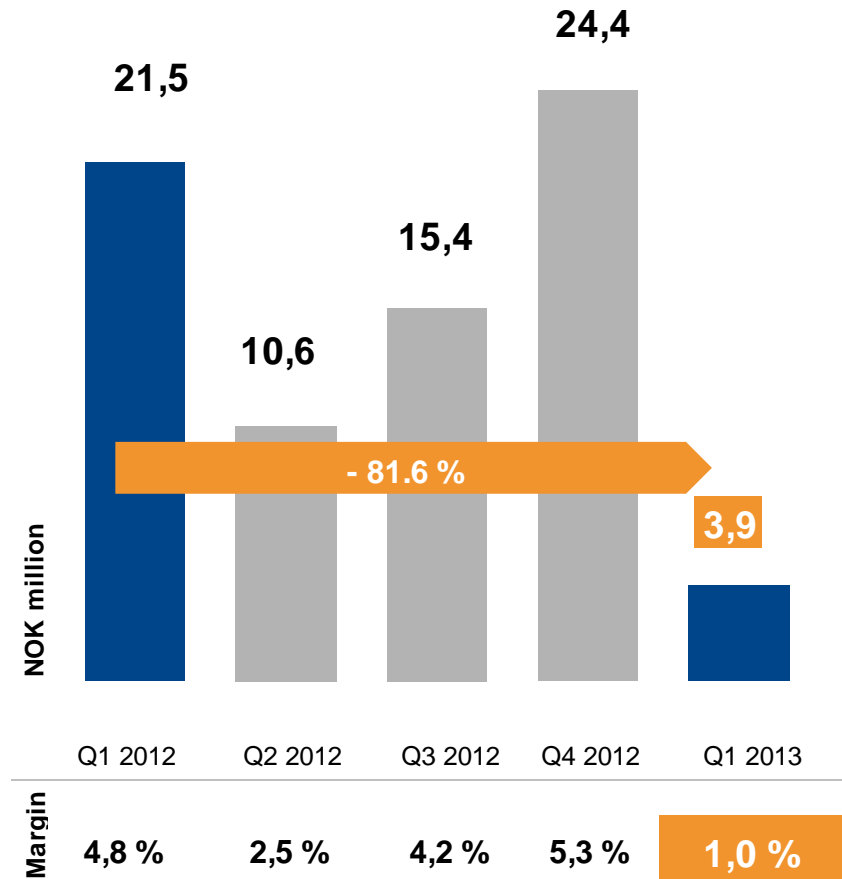


* Before group entities and eliminations

EBIT:

Cost reductions implemented

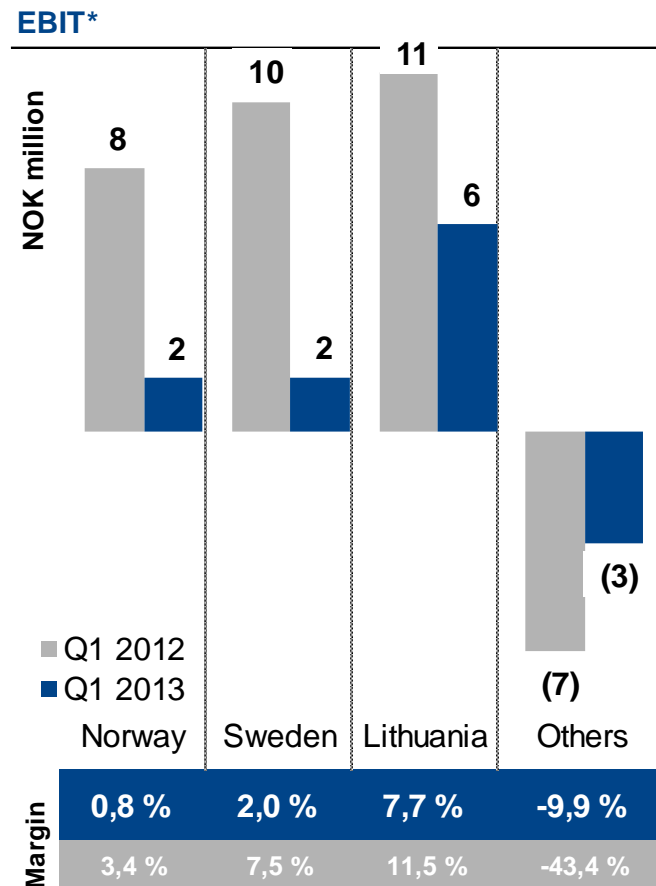
- **Gains achieved**
 - Gross margin improved
 - Lower payroll expenses
 - Lower other expenses
- **Offset by volume effects**
 - Lower demand from US Army leading to delay in US profitability build up
- **Focus on profitability**
 - Operational improvement programs
 - Short term focus on cost reductions



EBIT by country:

Alleviated by operational streamlining

- **Norway:** High portion of fixed costs in the short term
- **Sweden:** Volume impact mitigated by significantly reduced cost structure
- **Lithuania:** Profitability maintained through rapid organizational adjustment
- **New entities:** Making progress despite delay in US start up



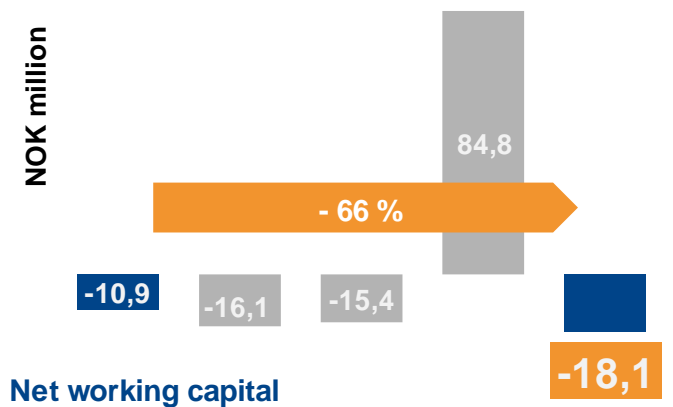
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Balance sheet:

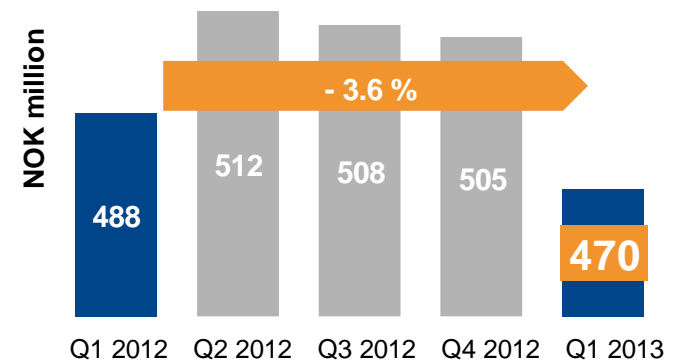
Taking action to reduce inventory

- Reduction in trade receivable drive positive working capital trend
- Positive cash effect from lower receivables offset by reduced funding from factoring
- Continued focus on inventory reduction
 - Focus on inventory reduction across the group – target to reduce NOK 50 million in 2013
 - Establishment of common distribution centre

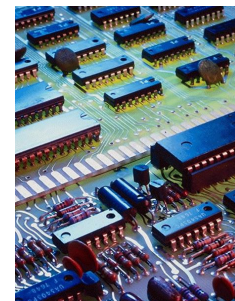
Operating cash flow



Net working capital



Market development



Order backlog:

Mixed trend by market segment

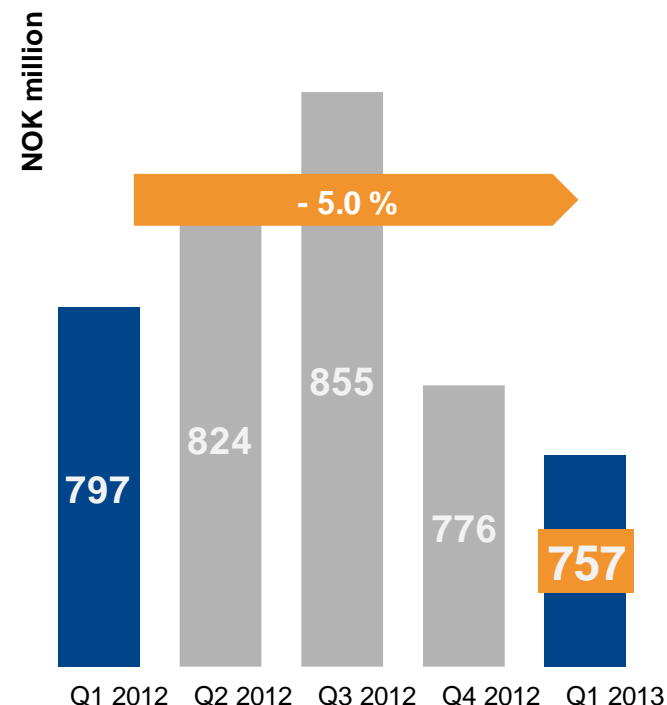
- **Mixed backlog trend**

- Increase in Defence/Aerospace
- Offshore/Marine and 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

Order backlog



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
- In dialogue with existing and new customers about new business opportunities

- **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 and expected to ramp up
- Weaker outlook in 2013 due to low demand from Swedish defence customers and slower development in the US

- **Energy/Telecoms**

- Expected to stabilize on current lower level

- **Industry**

- Key customers indicate modest growth
- Risk for a slowdown remains; customers more cautious and reducing inventory levels due to the market uncertainty

Outlook



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Outlook

- **The market outlook has weakened**
 - Slightly lower revenue expected in 2013 compared with 2012
- **Kitron has launched several 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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