Q1 results 2012

26 April 2012

Jørgen Bredesen, CEO

Björn Wigström, CFO

Higher profitability

Financial highlights for Q1 (vs Q1 2011)

- **Stable demand - order intake increased by 9.2 per cent and order backlog decreased by 2.5 per cent.**
- **Strong activity level - Revenue increased by 4.8 per cent to NOK 450.4 million.**
- **Higher profitability – operating margin reached 4.8 per cent and operating profit (EBIT) NOK 21.5 million.**
- **The negative impact from start up entities was NOK 6.7 million in Q1.**
- **Working capital remain at a high level.**

Operational highlights

- **Close-down of the Karlskoga site**
  - **The process continues with negotiations with the employees and the customers.**
  - **Most customers have agreed to transfer operations to other Kitron sites**
  - **The close down cost was fully provided for in 2011**
- **Start up entities ramping up**
  - **Increased activity across all new entities. Target to reach break even at all new sites during 2012.**

Major new orders in Q1

- **Kitron AS in Arendal has won two new F-35 contracts with a potential value of more than NOK 250 million over the life of the program. Deliveries will start in 2012.**
- **UAB Kitron in Kaunas has received new orders within the Industrial segment of about NOK 150. Deliveries will start in the second quarter of 2012.**
- **Kitron AS has received orders totalling to NOK 55 million from a leading company within the offshore industry. The orders are for delivery during second half of 2012 and first half of 2013.**
- **Kitron AB in Jönköping, Sweden, has received orders of about NOK 40 million from a leading supplier of optical networking solutions. The orders are for delivery during second quarter of 2012.**

Financial statements Q1 2012

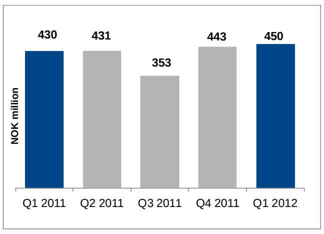
Stable revenue

- **Revenue at NOK 450.4 million, 4.8 per cent higher than Q1 2011.**
- **Q1 change by market segment** **(Q1 2012 vs Q1 2011):**

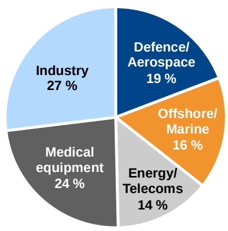
Defence/Aerospace	13.5 %
Energy/Telecoms	-31.8 %
Industry	27.5 %
Medical	-14.5 %
Offshore/Marine	74.5 %

  - Defence/Aerospace shows trend shift in revenue.
  - Energy/Telecoms declines due to phase out of one customer account.
  - Industry segment boosted by recovery in the Swedish industrial sector.
  - Medical affected by short term and customer specific demand fluctuations.
  - Offshore/Marine shows strong recovery in demand from existing customers.

Revenue Group



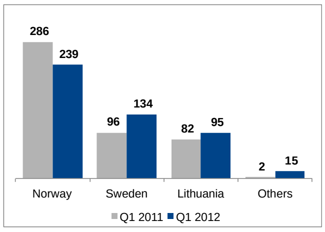
Revenue by market segment
Total revenue NOK 450 million



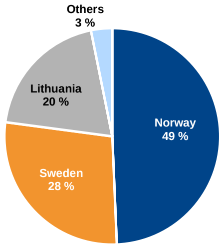
Revenue by country

- **Norway 16.6% lower – Mainly due to drop in Energy/Telecoms and short term lower demand from Norwegian Defence customers.**
- **Sweden up by 39.6% - Strong increase in Swedish industrial segment.**
- **Lithuania 15.8% higher – Growth driven by sales to the Swedish industrial sector.**
- **China, USA and Germany ramping up operation and revenue is growing quarter by quarter.**

Revenue by country *



Revenue by country
Total revenue NOK 450 million

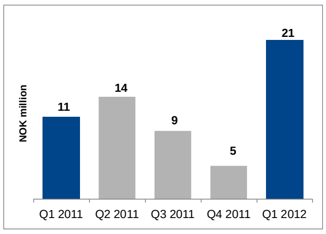


* Before group entities and eliminations

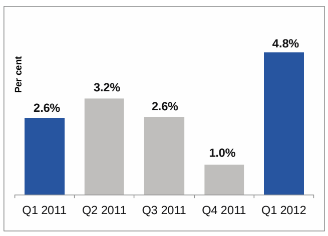
Higher profitability

- **Operating profit NOK 21.5 million (NOK 11.1 million) and the operating margin was 4.8 per cent.**
- **Adjusted for start-up costs and restructuring provision EBIT was NOK 28.2 million and the EBIT margin was 6.3 per cent.**
  - NOK 6.7 million start up costs in new entities booked in 2012.
- **Key reasons for higher profitability:**
  - Increase in turnover
  - Positive margin development on contracts
  - Effects from restructuring of business in Sweden and Norway over the last few years

Operating profit Group



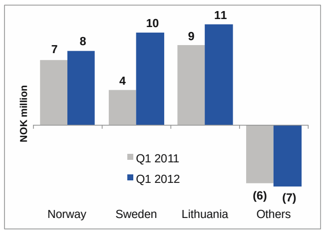
Operating margin Group



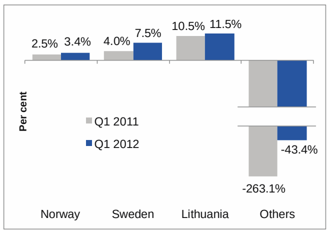
Positive development by country

- **Norway – Positive change in revenue mix and growth in higher margin segments**
- **Sweden – Strong top line development and positive effects of restructuring.**
- **Lithuania – Further improvement of an already strong margin.**
- **Start up costs mainly in USA and China pull down the result. Positive development expected.**

Operating profit by country *



Operating margin by country*

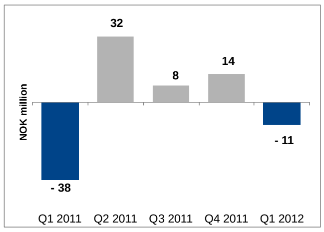


* Before group entities and eliminations

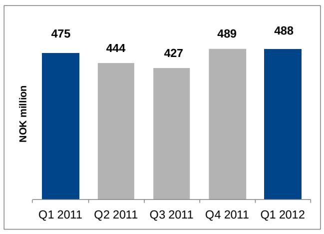
Net working capital on a high level

- **Cash flow was negative by minus NOK 11 million (NOK -38.3 million) in the quarter.**
- **Net working capital remains on a (too) high level.**
  - Partly explained by increase in turnover which drive an increase in receivables and inventory.
  - Inventory turnover not satisfactory. Actions initiated to improve performance.
- **Satisfactory and stable liquidity position maintained.**

Operating cash flow Group



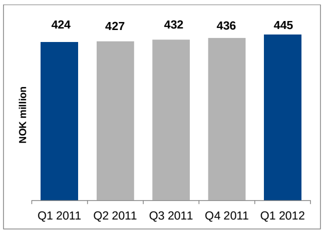
Net working capital Group



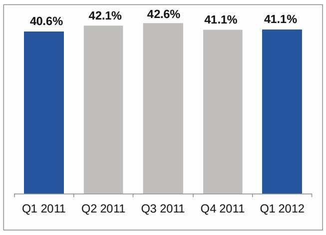
Steady equity improvement

- Equity of NOK 444.5 million (424.5 million) and equity ratio of 41.1% (40.6%)
- Four quarters with a steady increase
- Working capital focus to increase equity ratio

Equity



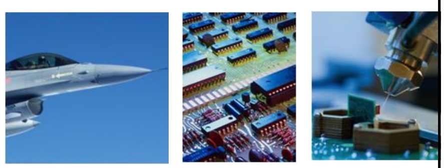
Equity ratio



Your ambition. Our passion. Kitron

Your ambition. Our passion. Kitron

Market development



Market development

- **Energy/Telecoms**
  - Competitive market segment with strong price pressure.
  - Kitron has a good portfolio of customers that continue to project growth
- **Defence/Aerospace**
  - Lower demand in the short to medium term
  - Long term outlook remains promising with several major programs secured and ramping up
- **Industry**
  - Positive trend expected to continue, particularly in Sweden
  - Some uncertainty due to sensitivity to the economic development

Market development

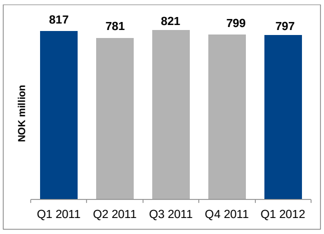
- **Medical equipment**
  - Mixed trend by customer account
  - Overall segment fundamentals remain positive and continued growth expected
- **Offshore/Marine**
  - A positive trend in offshore and marine expected
  - Kitron expect growth above segment average based on customer projections

Order backlog trend

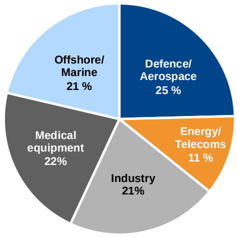
- **Order backlog relatively stable**
- **Solid portfolio of contracts in Offshore/Marine and Defence/Aerospace (only partly booked to the backlog)**
- **Optimistic about the outlook:**
  - Strong positive trend in Offshore/Marine and Industry expected to continue
  - Backlog in China and US building up

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

Order backlog Group



Order backlog Segment



Outlook

- **Overall a stable market trend expected - no signs of a slow down due to the global economic development.**
- **Kitron believe in a relatively stable turnover and improved profitability in 2012 compared with 2011:**
  - Focus on manufacturing efficiency and global sourcing remains a priority area
  - Restructuring in Sweden expected to have a positive impact on profitability
  - Target to reach break even in USA, China and Germany during 2012