

Quarterly report

Q3 2013

Quarterly report for third quarter 2013



# Strengthened order intake in a challenging quarter

- \* Major industrial contract secured
- \* Weaker demand led to lower profitability
- \* Kitron invests in Lithuania
- \* Operational streamlining continues

A strong order intake during the quarter has increased the order backlog to last year's level. A decline in revenues led to lower profitability compared to last year. Negative cash flow development is due to build up of inventories.

## Major industrial contract secured

The order backlog was strengthened with NOK 101,1 million during the quarter, and ended at NOK 847,1 million, which is at last year's level. It is primarily the offshore/marine and industrial segments that have increased.

Kitron ASA has signed an agreement with a leading industrial supplier. The agreement, which is an extension of a previous contract, covers manufacturing of electronics and related technical services for automation and power technologies. The estimated total contract value is NOK 150 million over a three-year period.

## Weaker demand led to lower profitability

Kitron's revenue for third quarter amounted to NOK 346.6 million, a 5.2 per cent decrease compared with the same period last year. EBIT was reduced from NOK 15.4 million to NOK 7.6 million for the third quarter.

In addition to the weaker demand for the quarter, a challenging product mix for production during the second half of the quarter and changes in technical specifications from customers have ended up causing production postponements.

The postponed production has a negative impact on the inventory levels and therefore the primary reason for the negative cash flow of minus NOK 33.5 million, compared to minus NOK 15.4 million the same period last year.

## Kitron invests in Lithuania

Kitron invests over 37 million NOK in expansion of the factory in Lithuania. The approved investment is another step towards Kitron's ambition to increase the PCBA (Printed Circuit Board Assembly) capacity in Lithuania. The investment involves an expansion of 5000m<sup>2</sup> of premises and a fourth SMT line. On top of Kitron's investment, the Ministry of Economy of the Republic of Lithuania has granted 7 million NOK of financial support. Construction works start in November 2013 and the project is due to be completed in the second half of 2014.

## Operational streamlining continues

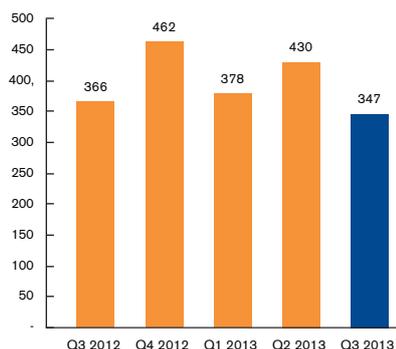
The Kitron improvement initiatives, which aim to reduce working capital, increase overall profitability and stimulate top line growth, continue. Several actions have been implemented, but the effects on cost and profitability will not start to be visible before fourth quarter of 2013. The improvement initiatives will have continuous focus throughout this and the next year.

## Key figures

| NOK million         | Q3 2013 | Q3 2012 | Change | 30.09.2013 | 30.09.2012 | Change | 31.12.2012 |
|---------------------|---------|---------|--------|------------|------------|--------|------------|
| Revenue             | 346.6   | 365.8   | (19.1) | 1 155.2    | 1 232.6    | (77.4) | 1 695.0    |
| EBIT                | 7.6     | 15.4    | (7.8)  | 20.8       | 47.5       | (26.7) | 72.0       |
| Order backlog       | 847.1   | 855.5   | (8.4)  | 847.1      | 855.5      | (8.4)  | 776.2      |
| Operating cash flow | (33.5)  | (15.4)  | (18.1) | (22.5)     | (42.4)     | 19.9   | 42.4       |
| Net working capital | 498.2   | 508.3   | (10.1) | 498.2      | 508.3      | (10.1) | 505.4      |

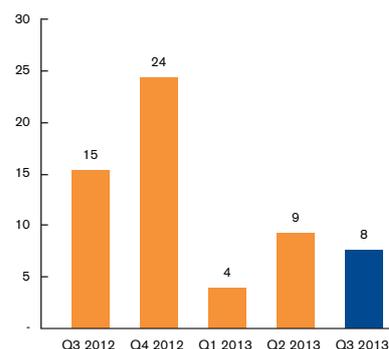
## REVENUE Group

NOK million



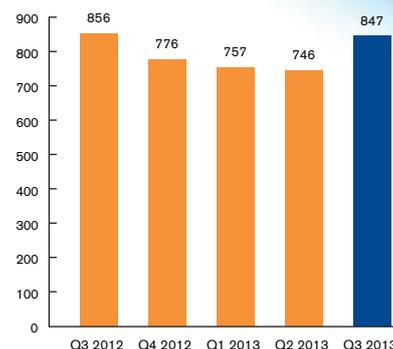
## EBIT Group

NOK million



## ORDER BACKLOG Group

NOK million



### Revenue

Kitron's revenue in the third quarter was 5.2 per cent lower than in the same period last year, and amounted to NOK 346.6 million (NOK 365.8 million). Revenue in the market segment Defence/Aerospace was down 11.3 per cent, Energy/Telecoms was similar to last year, Industry increased by 13.2 per cent, Medical equipment was down by 11.1 per cent and Offshore/Marine was down 16.5 per cent compared to the third quarter of 2012.

Revenue in the Norwegian operation represented 46.0 per cent of Kitron's gross revenue during the third quarter (48.1 per cent). The Swedish operation represented 22.9 per cent of the group (26.7 per cent) and Kitron's operation in Lithuania provided for 20.8 per cent (15.3 per cent).

Kitron's revenue in the third quarter of 2013 was distributed as follows:

|                   |             |
|-------------------|-------------|
| Defence/Aerospace | 16 % (17 %) |
| Energy/Telecoms   | 14 % (13 %) |
| Industry          | 27 % (23 %) |
| Medical equipment | 27 % (29 %) |
| Offshore/Marine   | 16 % (18 %) |

Revenue from customers in the Swedish market represented a 46.3 per cent share of the total revenue during the third quarter (51.2 per cent). The Norwegian market represented 42.1 per cent of Kitron's total revenue in the third quarter (41.4 per cent).

### Gross and net margin

The gross margin in third quarter 2013 increased compared to third quarter last year, and amounted to 39.2 per cent (37.7 per cent). The net margin, defined as revenue minus cost of materials and direct payroll expenses, increased from 23.4 per cent to 24.6 per cent in the same period last year. The main reason for the change in margin is product mix variances.

### Profit

Kitron's operating profit (EBIT) in the third quarter was NOK 7.6 million, which was a decrease of NOK 7.8 million compared with same period last year (NOK 15.4 million).

Profit before tax and discontinued operations in the third quarter of 2013 was NOK 2.7 million, which was a decrease of NOK 4.2 million compared to the same period last year.

The company's total payroll expenses in the third quarter were NOK 1.5 million higher than the corresponding period in 2012. The relative payroll costs went from 24.3 per cent of revenue in third quarter 2012 to 26.1 per cent of revenue in the third quarter this year. Other operating costs increased to 8.3 per cent of revenue in the third quarter of 2013 (7.9 per cent).

During the quarter net financial items amounted to a cost of NOK 4.9 million. This was a decrease of NOK 3.6 million compared to the same period last year. The main reason for the decrease was currency effects on intra-group financial loans.

### Balance sheet

Kitron's gross balance as at 30 September 2013 amounted to NOK 1 040.1 million, against NOK 1 053.2 million at the same time in 2012. Equity was NOK 474.3 million (NOK 448.6 million), corresponding to an equity ratio of 45.6 per cent (42.3 per cent).

Inventory was NOK 386.9 million at 30 September 2013 (NOK 386.3 million). Inventory turns was at the same level as last year, 3.3 in third quarter 2013.

Trade debtors and other receivables amounted to NOK 345.4 million at the end of the third quarter of 2013. The corresponding amount at the same time in 2012 was NOK 350.4 million.

The group's reported interest-bearing debt amounted to NOK 288.4 million as of 30 September 2013. Interest-bearing debt at the end of the third quarter 2012 was NOK 324.3 million.

Cash flow from operational activities for the third quarter of 2013 was NOK minus 33.5 million (negative by NOK 15.4 million). This is mainly due to working capital changes. Kitron's cash and bank credit at 30 September 2013 comprised the following:

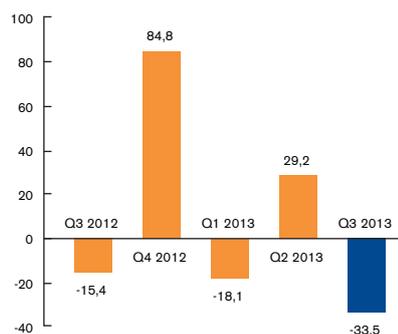
| NOK million                        |               |
|------------------------------------|---------------|
| Cash and cash equivalents          | 12.7          |
| Drawings on the overdraft facility | (72.4)        |
| Restricted bank deposits           | (11.2)        |
| <b>Total</b>                       | <b>(70.9)</b> |

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 133.6 million at the end of the third quarter, versus NOK 119.6 million at the same time in 2012. The overall credit line at 30 September 2013 was NOK 183.9 million versus NOK 190.2 million at the same time last year.

The Annual General Meeting approved on 22 April 2013 the introduction of a share option program for executive management comprising up to 5 485 000 shares. The share option program entails that executive management, on certain terms, may be granted the right to subscribe new shares in the Company at NOK 0.10 per share after a vesting period of three years. The number of options vested is inter alia linked linearly to the development of the quote of the Company's shares on Oslo Børs. The share options were allocated to executive management with effect from 2 July 2013. A cost of NOK 0.6 million related to the program is included in payroll expenses in third quarter 2013.

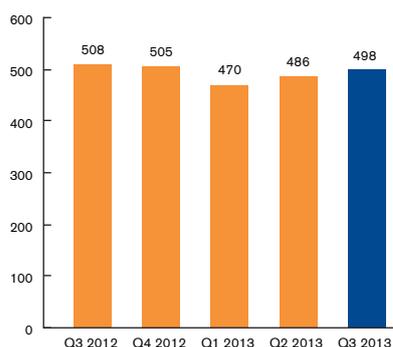
## OPERATING CASH FLOW Group

NOK million



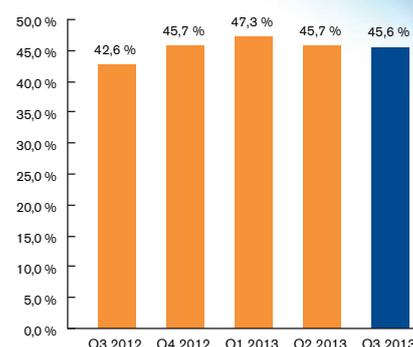
## NET WORKING CAPITAL Group

NOK million



## EQUITY RATIO Group

Per cent



## Revenue business entities

| NOK million            | Q3 2013      | Q3 2012      | Change        | 30.09.2013     | 30.09.2012     | Change        | 31.12.2012     |
|------------------------|--------------|--------------|---------------|----------------|----------------|---------------|----------------|
| Norway                 | 181.2        | 201.1        | (19.9)        | 650.8          | 683.6          | (32.8)        | 954.7          |
| Sweden                 | 90.2         | 111.8        | (21.6)        | 272.5          | 371.2          | (98.7)        | 500.0          |
| Lithuania              | 81.7         | 63.9         | 17.8          | 244.5          | 225.7          | 18.8          | 298.0          |
| Others                 | 40.5         | 41.3         | (0.8)         | 119.6          | 81.2           | 38.5          | 119.3          |
| Group and eliminations | (47.0)       | (52.3)       | 5.4           | (132.2)        | (129.0)        | (3.2)         | (176.9)        |
| <b>Total group</b>     | <b>346.6</b> | <b>365.8</b> | <b>(19.1)</b> | <b>1 155.2</b> | <b>1 232.6</b> | <b>(77.4)</b> | <b>1 695.0</b> |

## EBIT business entities

| NOK million            | Q3 2013    | Q3 2012     | Change       | 30.09.2013  | 30.09.2012  | Change        | 31.12.2012  |
|------------------------|------------|-------------|--------------|-------------|-------------|---------------|-------------|
| Norway                 | 5.5        | 8.1         | (2.6)        | 13.5        | 21.7        | (8.3)         | 41.6        |
| Sweden                 | 2.3        | 5.3         | (3.0)        | 6.1         | 23.6        | (17.4)        | 31.6        |
| Lithuania              | 4.4        | 3.1         | 1.3          | 16.3        | 18.3        | (2.1)         | 22.2        |
| Others                 | (2.7)      | (1.6)       | (1.1)        | (7.8)       | (13.7)      | 5.9           | (14.4)      |
| Group and eliminations | (1.9)      | 0.6         | (2.5)        | (7.2)       | (2.4)       | (4.9)         | (9.1)       |
| <b>Total group</b>     | <b>7.6</b> | <b>15.4</b> | <b>(7.8)</b> | <b>20.8</b> | <b>47.5</b> | <b>(26.7)</b> | <b>72.0</b> |

## Order backlog business entities and market segments

| NOK million        | Defence/<br>Aerospace | Energy/<br>Telecoms | Industry     | Medical<br>equipment | Offshore/<br>Marine | Total        |
|--------------------|-----------------------|---------------------|--------------|----------------------|---------------------|--------------|
| Norway             | 189.0                 | 0.4                 | 32.6         | 94.2                 | 181.9               | 498.3        |
| Sweden             | 13.1                  | 52.4                | 21.2         | 58.6                 | -                   | 145.4        |
| Lithuania          | -                     | (0.9)               | 113.4        | 9.1                  | 0.4                 | 121.9        |
| Other              | 62.7                  | (0.1)               | 16.2         | 2.7                  | -                   | 81.5         |
| <b>Total group</b> | <b>264.8</b>          | <b>51.9</b>         | <b>183.4</b> | <b>164.6</b>         | <b>182.3</b>        | <b>847.1</b> |

## Revenue geographic markets

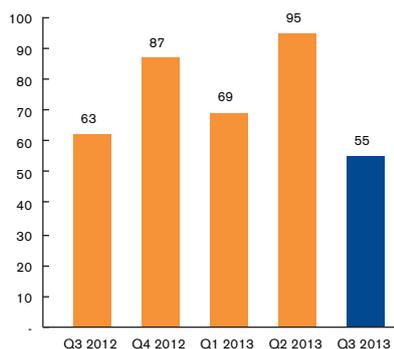
| NOK million        | Q3 2013      | Q3 2012      | Change        | 30.09.2013     | 30.09.2012     | Change        | 31.12.2012     |
|--------------------|--------------|--------------|---------------|----------------|----------------|---------------|----------------|
| Norway             | 145.8        | 151.5        | (5.6)         | 548.2          | 512.6          | 35.6          | 738.5          |
| Sweden             | 160.6        | 187.2        | (26.6)        | 496.4          | 641.9          | (145.5)       | 842.4          |
| Rest of Europe     | 26.7         | 14.5         | 12.2          | 62.7           | 40.5           | 22.2          | 58.0           |
| USA                | 12.9         | 12.0         | 1.0           | 46.0           | 36.7           | 9.3           | 52.3           |
| Others             | 0.6          | 0.6          | (0.1)         | 1.9            | 0.9            | 1.0           | 3.8            |
| <b>Total group</b> | <b>346.6</b> | <b>365.8</b> | <b>(19.1)</b> | <b>1 155.2</b> | <b>1 232.6</b> | <b>(77.4)</b> | <b>1 695.0</b> |

## Full time employees

|                    | 30.09.2013   | 30.09.2012   | Change      | 31.12.2012   |
|--------------------|--------------|--------------|-------------|--------------|
| Norway             | 508          | 525          | (17)        | 516          |
| Sweden             | 148          | 159          | (11)        | 139          |
| Lithuania          | 339          | 352          | (13)        | 349          |
| Other              | 168          | 151          | 17          | 165          |
| <b>Total group</b> | <b>1 163</b> | <b>1 187</b> | <b>(24)</b> | <b>1 169</b> |

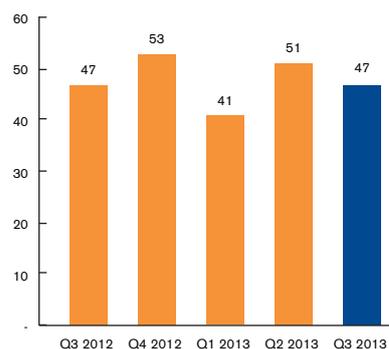
## REVENUE Defence/Aerospace

NOK million



## REVENUE Energy/Telecoms

NOK million



## REVENUE Industry

NOK million



At the same Annual General Meeting it was decided to reduce the company's share capital with NOK 155 665 462.50 from NOK 172 961 625 to NOK 17 296 162.50. The share capital reduction shall be implemented by reducing the nominal value of the shares with NOK 0.90 from NOK 1 to NOK 0.10. The reduction amount shall be allocated to other equity. The share capital reduction was completed during third quarter.

### Organisation

The Kitron workforce corresponded to 1 163 FTEs at 30 September 2013. This represents a reduction of 24 FTEs since the third quarter of 2012. The reduction of the workforce is mainly related to the operations in Norway, Sweden and Lithuania, while there is an increase in workforce in China.

### Market

Kitron's services are most competitive within complex products. Kitron has chosen to focus its sales and marketing activities within the Defence/Aerospace, Energy/Telecoms, Industry, Medical equipment and Offshore/Marine market segments.

Order intake in the quarter was NOK 447.7 million, which is 12.6 per cent higher than for the third quarter 2012. The order backlog ended at NOK 847.1 million, which is 1.0 percent lower than the same period last year. Four-quarter moving average order intake was up from NOK 389.8 million at the beginning of the third quarter to NOK 402.3 million at the end of the quarter. Kitron's order backlog generally includes four months customer forecast plus all firm orders for later delivery.

There is still uncertainty in both Europe and in the US. The development in the Swedish industry is still uncertain, and there is uncertainty within the defence segment for some markets. The Norwegian markets look more stable. Kitron is pursuing new customers and markets, which may strengthen Kitron's position and has the potential to generate growth.

### Defence/Aerospace

The Defence/Aerospace segment consists of three main product divisions: military and civil avionics, military communication and weapon control systems.

Kitron is currently involved in defence programs with among others KONGSBERG and Lockheed Martin. Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. Defence/Aerospace is a prioritised area for our operation in Germany, and Kitron is working towards specific new prospective customers in both Germany and Norway.

The market outlook has improved during the quarter, although there is still uncertainty in the US market.

### Energy/Telecoms

Within the Energy/Telecoms segment Kitron offers clients particular expertise in manufacturing products such as transmission systems, high frequency microwave modules, radio frequency (RF) and remote measurement of electrical metering.

## Revenue market segments

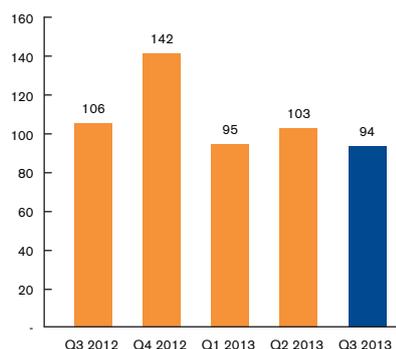
| NOK million        | Q3 2013      | Q3 2012      | Change        | 30.09.2013     | 30.09.2012     | Change        | 31.12.2012     |
|--------------------|--------------|--------------|---------------|----------------|----------------|---------------|----------------|
| Defence/Aerospace  | 55.5         | 62.6         | (7.1)         | 219.5          | 227.2          | (7.7)         | 314.1          |
| Energy/Telecoms    | 46.5         | 46.8         | (0.2)         | 137.7          | 163.1          | (25.3)        | 215.9          |
| Industry           | 94.4         | 83.4         | 11.0          | 299.6          | 298.4          | 1.2           | 392.3          |
| Medical equipment  | 94.0         | 105.7        | (11.7)        | 292.2          | 316.6          | (24.4)        | 458.2          |
| Offshore/Marine    | 56.2         | 67.3         | (11.1)        | 206.3          | 227.4          | (21.1)        | 314.5          |
| <b>Total group</b> | <b>346.6</b> | <b>365.8</b> | <b>(19.1)</b> | <b>1 155.2</b> | <b>1 232.6</b> | <b>(77.4)</b> | <b>1 695.0</b> |

## Order Backlog market segments

| NOK million        | 30.09.2013   | 30.09.2012   | Change       | 31.12.2012   |
|--------------------|--------------|--------------|--------------|--------------|
| Defence/Aerospace  | 264.8        | 239.3        | 25.6         | 252.5        |
| Energy/Telecoms    | 51.9         | 83.5         | (31.6)       | 62.7         |
| Industry           | 183.4        | 168.6        | 14.8         | 181.8        |
| Medical equipment  | 164.6        | 166.6        | (2.0)        | 132.5        |
| Offshore/Marine    | 182.3        | 197.6        | (15.3)       | 146.7        |
| <b>Total group</b> | <b>847.1</b> | <b>855.5</b> | <b>(8.4)</b> | <b>776.2</b> |

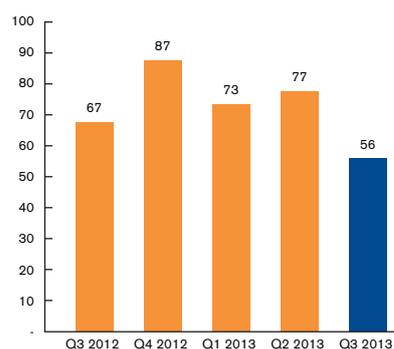
## REVENUE Medical equipment

NOK million



## REVENUE Offshore/Marine

NOK million



Looking forward we expect that the volume will stabilize on the current lower level. While the metering business has been shrinking for Kitron and is not expected to recover, it is expected that other key customers in the Telecoms market will show a modest growth.

### Industry

Within the Industry segment Kitron operates and delivers a complete range of services within industrial applications like automation, environmental, material warehousing and security. The Industry segment consists of three main product areas: control systems, electronic control units (ECU) and automats.

Industry is the market segment within Kitron that is most closely correlated with the general economic development. However, despite a challenging market the key customers in this segment indicate a modest growth. In addition, Kitron has new customers that are in a ramp-up phase and will have growth in the next year.

### Medical equipment

The Medical equipment segment consists of three main product areas: ultrasound and cardiology systems, respiratory medical devices and Lab/IVD (In-Vitro Diagnostics).

The medical segment is less sensitive to the development in the global economy. Kitron focuses on additional growth in this segment and expects a long-term positive development with customers in Norway, Sweden and Germany. In the short term, however, we believe in a flat development in sales, as the market growth offsets reduced production scope for one of the key customers in this segment.

### Offshore/Marine

Kitron divides the Offshore/Marine segment into three main areas; subsea production systems, oil and gas exploration equipment and navigation, positioning, automation and control systems for the marine sector.

While the long term prospects in the Oil and Gas market segment remain positive, Kitron foresees stable demand at previous levels.

### Outlook

Kitron's markets are mainly Norway and Sweden, but most customers of Kitron sell their products on international markets, which are still affected by the turbulence in the US and the European markets, even though Kitron sees growth from some of the existing customers. This, together with ramp-up of manufacturing for new customers and an increased backlog, indicates growth going into 2014. For the second half year of 2013 the revenue is expected to be at the same level as same period of 2012.

The board emphasises that every assessment of future conditions necessarily involves an element of uncertainty.

Board of directors, Kitron ASA  
Kaunas, 22 October 2013

## Condensed profit and loss statement

| NOK 1 000  | Q3 2013       | Q3 2012       | 30.09.2013    | 30.09.2012    | 31.12.2012     |
|--|---------------|---------------|---------------|---------------|----------------|
| Revenue  | 346 641       | 365 773       | 1 155 249     | 1 232 623     | 1 695 026      |
| Cost of materials  | 210 129       | 227 987       | 699 117       | 754 551       | 1 039 980      |
| Payroll expenses   | 90 544        | 89 052        | 318 775       | 320 986       | 430 543        |
| Other operational expenses   | 28 752        | 29 027        | 87 973        | 85 089        | 120 705        |
| Other gains / (losses)   | (758)         | 4 843         | (2 011)       | 2 280         | 3 748          |
| <b>Operating profit before depreciation and impairments (EBITDA)</b> | <b>16 458</b> | <b>24 549</b> | <b>47 372</b> | <b>74 277</b> | <b>107 545</b> |
| Depreciation and impairments   | 8 875         | 9 117         | 26 534        | 26 746        | 35 592         |
| <b>Operating profit (EBIT)</b>                                       | <b>7 583</b>  | <b>15 432</b> | <b>20 838</b> | <b>47 531</b> | <b>71 953</b>  |
| Net financial items  | (4 896)       | (8 517)       | (7 027)       | (20 548)      | (26 095)       |
| <b>Profit (loss) before tax</b>                                      | <b>2 687</b>  | <b>6 915</b>  | <b>13 811</b> | <b>26 983</b> | <b>45 858</b>  |
| Tax  | (511)         | 1 832         | 1 449         | 7 701         | (1 288)        |
| <b>Profit (loss) for the period</b>                                  | <b>3 198</b>  | <b>5 083</b>  | <b>12 363</b> | <b>19 282</b> | <b>47 146</b>  |
| Earnings per share (basic and diluted)                               | 0.02          | 0.03          | 0.07          | 0.11          | 0.27           |

## Condensed balance sheet

| NOK 1 000                                      | 30.09.2013       | 30.09.2012       | 31.12.2012       | 01.01.2012       |
|--|------------------|------------------|------------------|------------------|
| <b>ASSETS</b>                                  |                  |                  |                  |                  |
| Goodwill                                       | 26 786           | 26 786           | 26 786           | 26 786           |
| Other intangible assets                        | 39 484           | 37 551           | 36 888           | 40 743           |
| Tangible fixed assets                          | 124 264          | 131 312          | 127 168          | 139 520          |
| Available for sale financial assets            | -                | 1                | 1                | 1                |
| Deferred tax assets                            | 104 533          | 90 869           | 99 868           | 96 157           |
| <b>Total fixed assets</b>                      | <b>295 068</b>   | <b>286 520</b>   | <b>290 712</b>   | <b>303 207</b>   |
| Inventory                                      | 386 926          | 386 300          | 336 683          | 346 795          |
| Accounts receivable and other receivables      | 345 358          | 350 448          | 335 077          | 360 829          |
| Cash and cash equivalents                      | 12 699           | 29 980           | 56 820           | 50 916           |
| <b>Total current assets</b>                    | <b>744 984</b>   | <b>766 727</b>   | <b>728 580</b>   | <b>758 541</b>   |
| <b>Total assets</b>                            | <b>1 040 051</b> | <b>1 053 247</b> | <b>1 019 292</b> | <b>1 061 747</b> |
| <b>LIABILITIES AND EQUITY</b>                  |                  |                  |                  |                  |
| Equity   | 474 286          | 448 621          | 466 187          | 432 073          |
| <b>Total equity</b>                            | <b>474 286</b>   | <b>448 621</b>   | <b>466 187</b>   | <b>432 073</b>   |
| Deferred tax liabilities                       | 1 102            | 1 066            | 1 000            | 1 121            |
| Loans  | 40 981           | 49 353           | 44 407           | 53 134           |
| Pension commitments                            | 10 982           | 14 387           | 10 982           | 14 387           |
| <b>Total long-term liabilities</b>             | <b>53 065</b>    | <b>64 806</b>    | <b>56 389</b>    | <b>68 641</b>    |
| Accounts payable and other current liabilities | 265 321          | 250 286          | 228 757          | 285 314          |
| Loans  | 247 379          | 274 950          | 263 690          | 246 042          |
| Other provisions                               | -                | 14 584           | 4 269            | 29 677           |
| <b>Total current liabilities</b>               | <b>512 700</b>   | <b>539 820</b>   | <b>496 716</b>   | <b>561 032</b>   |
| <b>Total liabilities and equity</b>            | <b>1 040 051</b> | <b>1 053 247</b> | <b>1 019 292</b> | <b>1 061 747</b> |

## Condensed cash flow statement

| NOK 1 000                                   | Q3 2013         | Q3 2012         | 30.09.2013      | 30.09.2012      | 31.12.2012     |
|---|-----------------|-----------------|-----------------|-----------------|----------------|
| Net cash flow from operational activities   | (33 469)        | (15 360)        | (22 463)        | (42 377)        | 42 407         |
| Net cash flow from investment activities    | (6 286)         | (3 270)         | (19 419)        | (18 481)        | (23 416)       |
| Net cash flow from financing activities     | 871             | (4 165)         | (23 246)        | (6 188)         | (21 292)       |
| Change in cash and bank credit              | (38 884)        | (22 795)        | (65 128)        | (67 046)        | (2 301)        |
| Cash and bank credit opening balance        | (32 060)        | (47 765)        | (5 815)         | (3 514)         | (3 514)        |
| <b>Cash and bank credit closing balance</b> | <b>(70 944)</b> | <b>(70 560)</b> | <b>(70 944)</b> | <b>(70 560)</b> | <b>(5 815)</b> |

## Consolidated statement of comprehensive income

| NOK 1 000  | Q3 2013      | Q3 2012      | 30.09.2013   | 30.09.2012    | 31.12.2012    |
|--|--------------|--------------|--------------|---------------|---------------|
| Profit (loss) for the period                       | 3 198        | 5 083        | 12 363       | 19 282        | 47 146        |
| Actuarial gain / losses                            | -            | -            | -            | -             | (549)         |
| Currency translation differences and other changes | 6 219        | 307          | (4 264)      | (2 734)       | (3 835)       |
| <b>Total comprehensive income for the period</b>   | <b>9 417</b> | <b>5 390</b> | <b>8 099</b> | <b>16 548</b> | <b>42 762</b> |
| Allocated to shareholders                          | 9 417        | 5 390        | 8 099        | 16 548        | 42 762        |

## Changes in equity

| NOK 1 000  | 30.09.2013     | 30.09.2012     | 31.12.2012     | 01.01.2012     |
|--|----------------|----------------|----------------|----------------|
| Equity opening balance before change in accounting principle       | 466 187        | 432 073        | 432 073        | 436 009        |
| Change in accounting principle                                     | -              | -              | -              | (3 936)        |
| <b>Equity opening balance after change in accounting principle</b> | <b>466 187</b> | <b>432 073</b> | <b>432 073</b> | <b>432 073</b> |
| Profit (loss) for the period                                       | 12 363         | 19 282         | 47 146         | -              |
| Other comprehensive income for the period                          | 13 032         | (2 734)        | (4 384)        | -              |
| Dividends  | (17 296)       | -              | (8 648)        | -              |
| <b>Equity closing balance</b>                                      | <b>474 286</b> | <b>448 621</b> | <b>466 187</b> | <b>432 073</b> |

## Notes to the financial statements

### Note 1 – General information and principles

The condensed consolidated financial statements for the third quarter of 2013 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Kitron has applied the same accounting policies as in the consolidated financial statements for 2012. The interim financial statements do not include all the information required for a full financial report and should therefore be read in conjunction with the consolidated financial statements for 2012, which were prepared in accordance with the Norwegian Accounting

Act and IFRS, as adopted by the EU. The consolidated financial statements for 2012 are available upon request from the company and at [www.kitron.com](http://www.kitron.com).

### Note 2 – Estimates

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the

same for the interim financial statements as for the consolidated statements for 2012.

### Note 3 – Financial risk management

Kitron's business exposes the company to financial risks. The purpose of the company's procedures for risk management is to minimise possibly negative effects caused by the company's financial arrangements. There has been no change of impact or material incidents in 2013.

### Note 4 – Other gains and losses

Other gains and losses consist of net currency gains and losses.

### Note 5 – Implementation of IAS 19R

The revised standard on accounting for employee benefits, IAS 19R, has been implemented from January 1st 2013. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised in the profit and loss in the period when a plan is amended. To get figures which are

comparable the actuarial gains and losses by end of 2011 are included in the balance per January 1st 2012. New actuarial gains and losses are calculated by the end of the year and there is no effect of this in the third quarter in 2012 or 2013. The total effect in the profit and loss for 2012 is shown by the end of the year. The tables in connection with this note show the changes in profit and loss, balance and comprehensive income. For the equity there is shown a reconciliation from earlier reported values in 2012 and new values after implementing

IAS 19R in the ordinary reconciliation earlier in the report. As of 31.12.2012 pension commitments are increased by NOK 5.2 million (NOK 5.5 million per 01.01.2012) and deferred tax assets increased by NOK 1.5 million (NOK 1.5 million per 01.01.2012). The accounting effect on the Group's equity amounts to NOK minus 3.9 million per 01.01.2012 and NOK minus 3.7 million per 31.12.2012.

## Impact on condensed profit and loss statement

| NOK 1 000                           | Q3 2013 | Q3 2012 | 30.09.2013 | 30.09.2012 | 31.12.2012   |
|-------------------------------------|---------|---------|------------|------------|--------------|
| Payroll expenses                    | -       | -       | -          | -          | (1 040)      |
| <b>Operating profit (EBIT)</b>      | -       | -       | -          | -          | <b>1 040</b> |
| Tax                                 | -       | -       | -          | -          | 291          |
| <b>Profit (loss) for the period</b> | -       | -       | -          | -          | <b>749</b>   |

## Impact on consolidated statement of comprehensive income

| NOK 1 000  |            |
|--|------------|
| Profit (loss) for the period                     | 749        |
| Actuarial gain / losses                          | (549)      |
| <b>Total comprehensive income for the period</b> | <b>200</b> |

## Impact on condensed balance sheet

| NOK 1 000                           | 30.09.2013 | 30.09.2012     | 31.12.2012     | 01.01.2012     |
|-------------------------------------|------------|----------------|----------------|----------------|
| <b>ASSETS</b>                       |            |                |                |                |
| Deferred tax assets                 | -          | 1 530          | 1 452          | 1 530          |
| <b>Total assets</b>                 | -          | <b>1 530</b>   | <b>1 452</b>   | <b>1 530</b>   |
| <b>LIABILITIES AND EQUITY</b>       |            |                |                |                |
| Equity                              | -          | (3 936)        | (3 735)        | (3 936)        |
| <b>Total equity</b>                 | -          | <b>(3 936)</b> | <b>(3 735)</b> | <b>(3 936)</b> |
| Pension commitments                 | -          | 5 466          | 5 187          | 5 466          |
| <b>Total long-term liabilities</b>  | -          | <b>5 466</b>   | <b>5 187</b>   | <b>5 466</b>   |
| <b>Total liabilities and equity</b> | -          | <b>1 530</b>   | <b>1 452</b>   | <b>1 530</b>   |

Your ambition. Our passion.



**Kitron** is a medium-size Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Germany, China and the US and has about 1 200 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

**Kitron** offers all parts of the value chain: from design via industrialisation, manufacturing and logistics, to repairs. The electronics content may be based on conventional printed circuit boards or ceramic substrates.

**Kitron** also provides various related services such as cable harness manufacturing and components analysis, and resilience testing, and also source any other part of the customer's product. Customers typically serve international markets and provide equipment or systems for professional or industrial use.

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