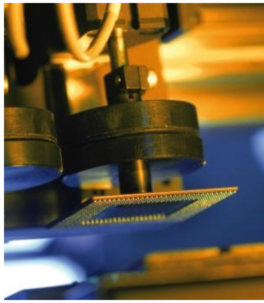
Your ambition. Our passion. Kitron

Q2 results 2012

24 July 2012

Jørgen Bredesen, CEO

Björn Wigström, CFO



Strong development in Offshore

Financial highlights for Q2 (vs Q2 2011)

- **Offshore segment drives top line growth**
- **Order intake increased by 12.2 per cent and order backlog increased by 5.4 per cent.**
- **Activity level in line with last year. Revenue reached NOK 416.4 million.**
- **EBIT at NOK 10.6 million and margin at 2.5% are in line with last year.**

Operational highlights

- **Restructuring of Sweden concluded**
  - **Negotiations with employees and customers finalized.**
  - **Closing Karlskoga by the end of the year and consolidating the Swedish operation in Jönköping.**
  - **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.**
  - **Kitron China approaching 100 employees and an annualized turnover of NOK 100 million.**

Major new orders in Q2

- **Offshore order amounting to NOK 44 mill secured from a leading company within the offshore industry. The orders are for delivery during first and second quarter of 2013.**

- **Defence order for manufacturing of military communication equipment amounting to NOK 37 million from Kongsberg secured. The order is for delivery from the fourth quarter of 2012 and during 2013.**

Financial statements Q2 2012

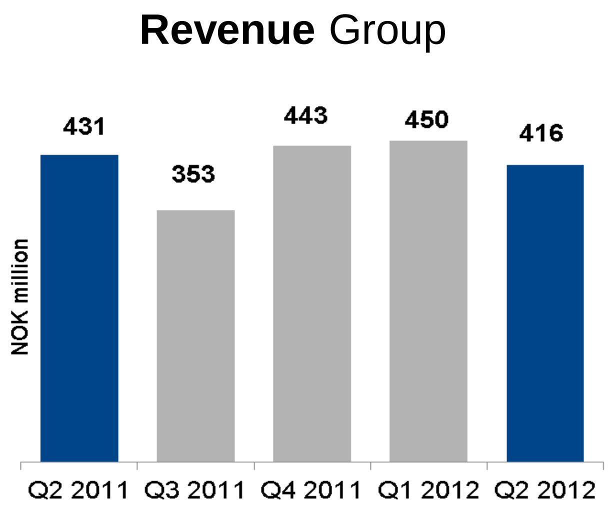


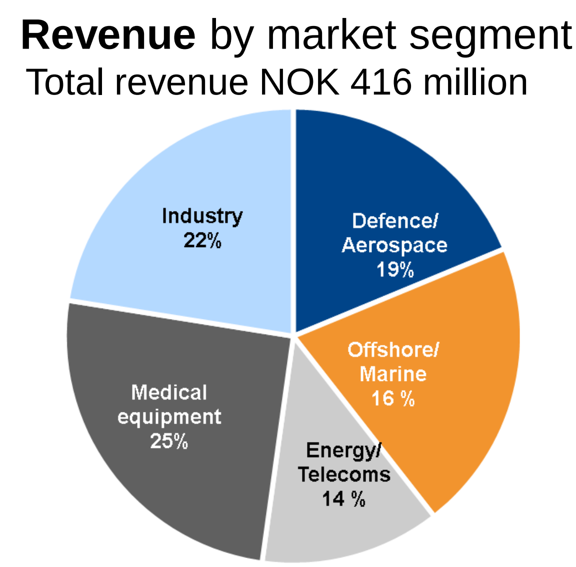
Strong recovery in Offshore

- **Revenue at NOK 416.4 million,
  3.3 per cent lower than Q2 2011.**
- **Q2 change by market segment (Q2 2012 vs Q2 2011):**

Defence/Aerospace	-21.3 %
Energy/Telecoms	-4.1 %
Industry	-8.2 %
Medical	-17.5 %
Offshore/Marine	85.9 %

- Defence/Aerospace short term slow down.
- Energy/Telecoms declines due to lower demand within electrical metering.
- Industry segment show negative trend shift following a period of strong growth.
- Medical affected by short term and customer specific demand fluctuations.
- Offshore/Marine shows strong recovery following increasing demand from existing customers.

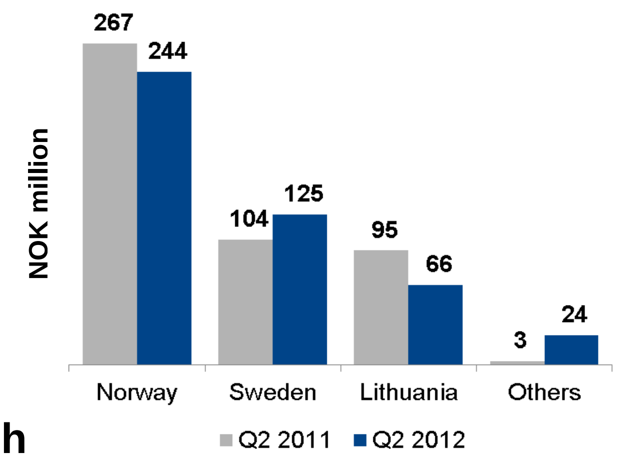




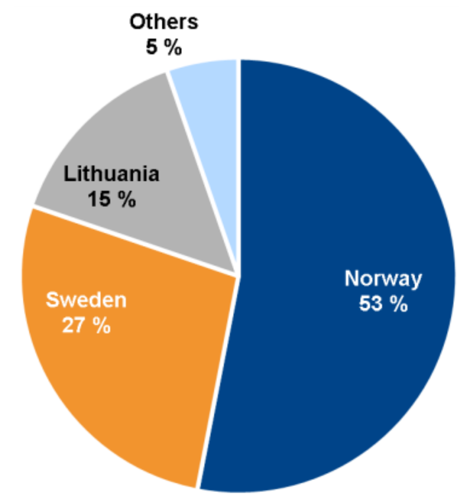
Revenue by country

- **Norway 8.7% lower – Mainly due to drop in Energy/Telecoms and short term lower demand from Norwegian Defence customers.**
- **Sweden up by 20.3% - Demand in the Swedish industrial segment remains strong.**
- **Lithuania 30% lower – Drop in demand across several accounts. New products to be started up in Q3.**
- **China, USA and Germany ramping up operation and revenue is growing quarter by quarter.**

Revenue by country *



Revenue by country
Total revenue NOK 416 million

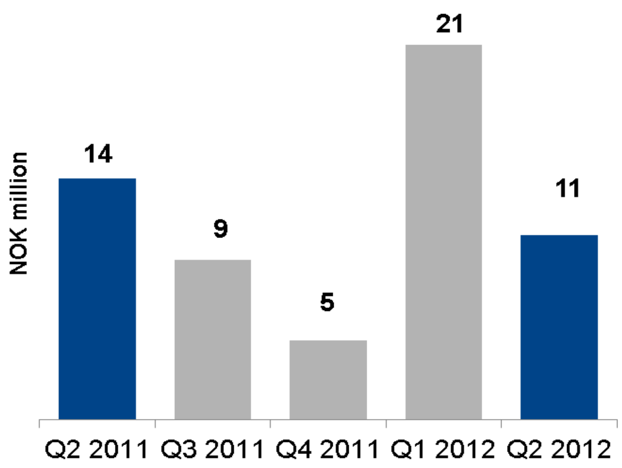


* Before group entities and eliminations

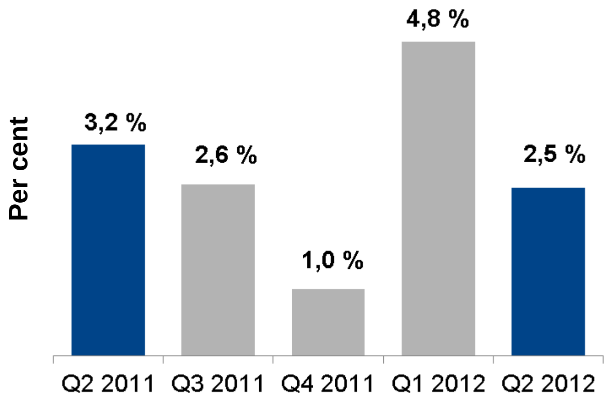
Profitability somewhat lower

- **Operating profit NOK 10.6 million (NOK 13.8 million) and the operating margin was 2.5 per cent.**
- **Adjusted for start-up costs and restructuring provision EBIT was NOK 16 million and the EBIT margin was 3.8 per cent.**
  - NOK 5.4 million start up costs in new entities booked in Q2 2012.
- **Key profitability drivers:**
  - Turnover and revenue mix
  - Positive effects from restructuring of business

Operating profit Group



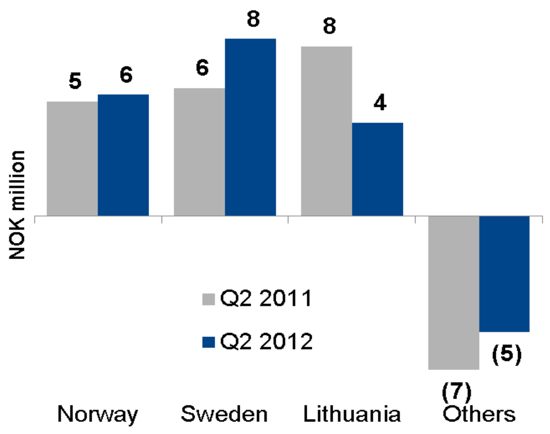
Operating margin Group



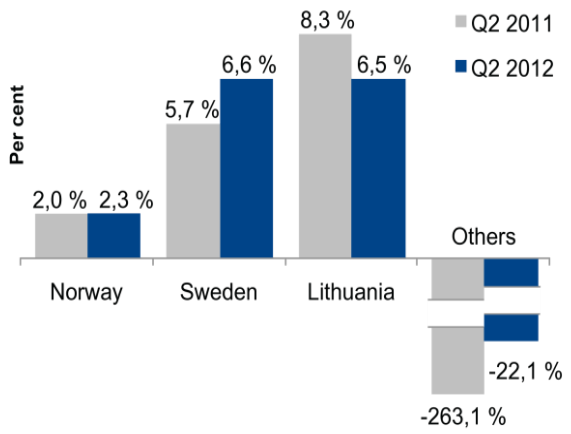
Profitability by country

- **Norway – Positive change in revenue mix and growth in higher margin segments**
- **Sweden – Strong top line development and positive effects of restructuring.**
- **Lithuania – Lower revenue cause drop in margin, however still on high level.**
- **Start up costs mainly in USA and China pull down the result. Positive development expected.**

Operating profit by country *



Operating margin by country*

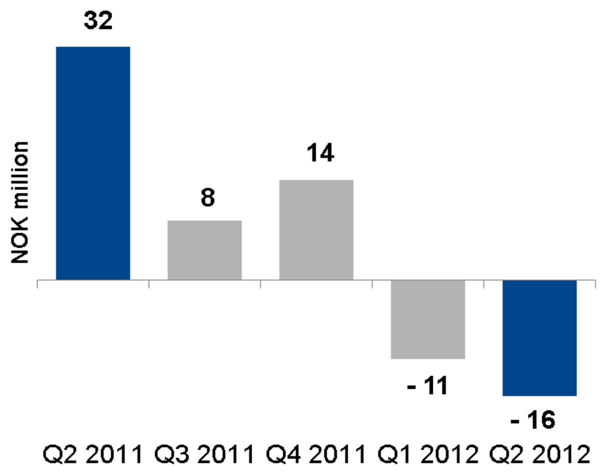


* Before group entities and eliminations

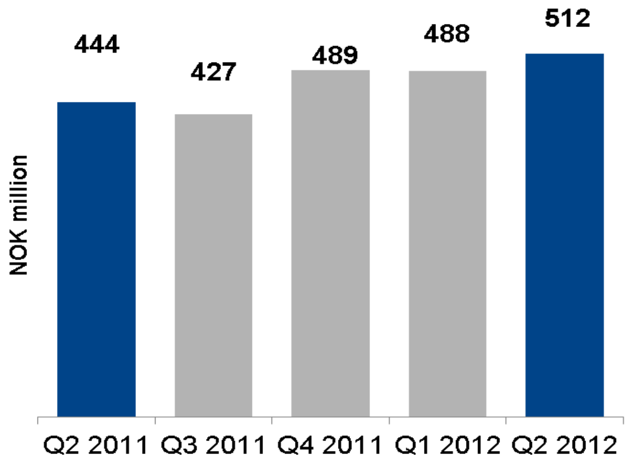
Net working capital on a high level

- **Cash flow was negative by NOK 16.1 million (NOK 32.4 million) in the quarter.**
- **Net working capital remains on a (too) high level.**
  - Partly explained by high receivable level in June.
  - Inventory turnover not satisfactory. Actions initiated to improve performance.
- **Satisfactory and stable liquidity position maintained.**

Operating cash flow Group

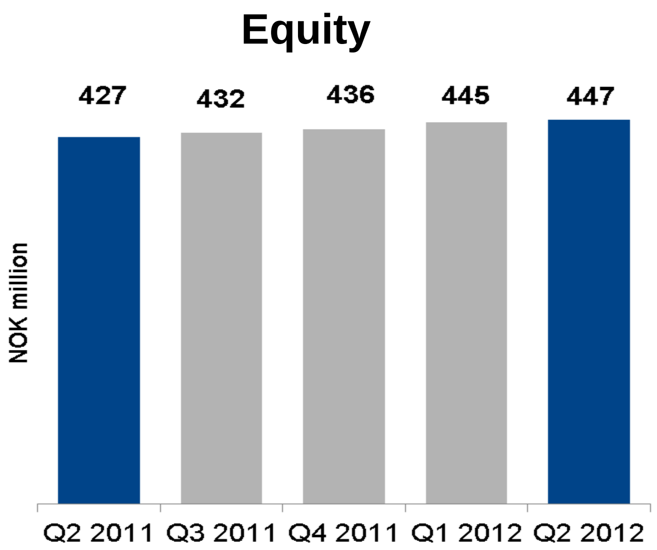


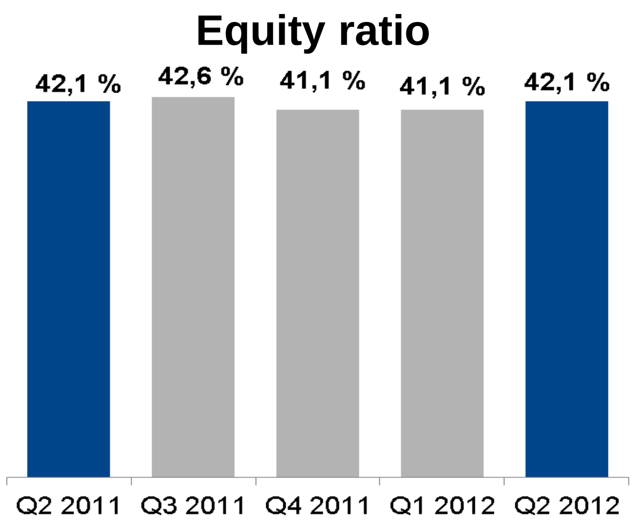
Net working capital Group



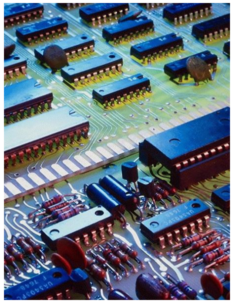
Stable equity level

- **Equity of NOK 447.2 million (427.3 million) and equity ratio of 42.1% (42.1%)**
- **Working capital focus to increase equity ratio**





Market development


Market development

- **Defence/Aerospace**
  - Lower demand in the short to medium term
  - Long term outlook remains promising with several major programs secured that are expected to ramp up
- **Energy/Telecoms**
  - Competitive market segment with strong price pressure.
  - Lower demand in metering business
- **Industry**
  - Risk for a slow down, customers more cautious and reducing inventory levels due to the market uncertainty.

Market development

- **Medical equipment**
  - Mixed trend by customer account
  - Overall segment fundamentals remain positive and continued growth expected

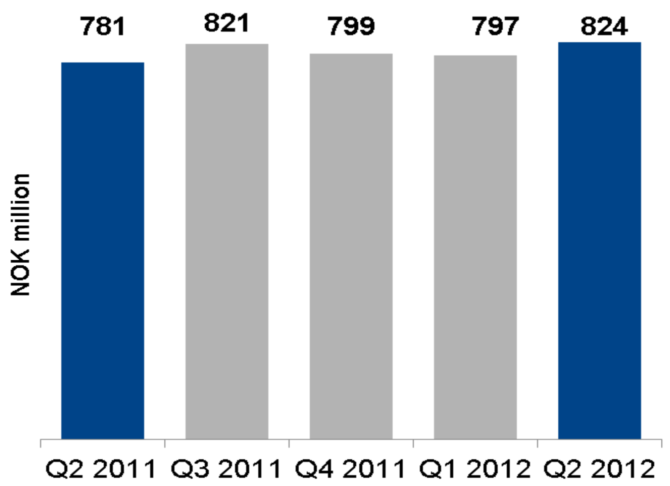
- **Offshore/Marine**
  - A continued positive trend in Offshore expected
  - Kitron expect growth above segment average based on customer projections

Order backlog trend

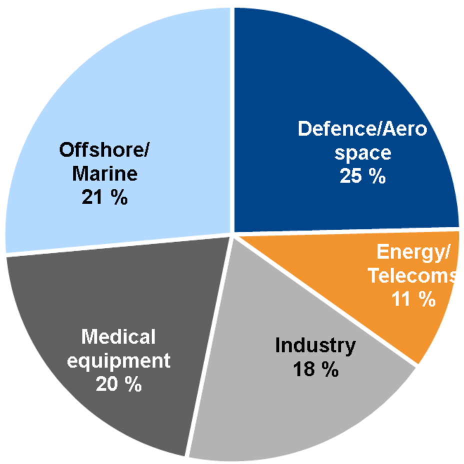
- **Order backlog strengthening due to positive trend in Offshore**
- **Solid portfolio of contracts in Offshore/Marine and Defence/Aerospace (only partly booked to the backlog)**
- **Stable backlog trend forecasted:**
  - Strong positive trend in Offshore/Marine
  - Slow down in Energy/Telecoms and Industry
  - 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

Your ambition. Our passion. Kitron

Outlook

- **Overall a stable market trend expected**

- **Kitron believe in a 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

Thank you!

Your ambition. Our passion. Kitron