Kitron Your ambition. Our passion.

Q3 results 2014

October 22 2014

Dag Songedal, Interim CEO

Cathrin Nylander, CFO

Financial highlights for Q3:

Continued growth outside Norway

- Growth and improved profitability outside Scandinavia
- Profitability challenge in Norway continued into Q3
- Positive cash flow development

NOK mill.	Q3 2014 vs Q3 2013
Revenue 382,1	**10,2 %**
EBIT 6,9	**-9,6 %**
Order backlog 807,2	**-4,7 %**
Operating cash flow -9,7	**71,3 %**
Net working capital 488,0	**-2,0 %**

Major new orders:

Important Defence orders for Kitron USA

- **Orders from Kongsberg Protech**
  - In June and July , orders were received of NOK 18 and 13 million respectively, and will be fulfilled in the fall of 2014 until mid-2016.
  - Electronic modules that are part of Kongsberg Protech's Remote Weapon Station (RWS). The orders are connected to the CROWS program in the United States.
  - Production at Kitron USA

- **Orders from Kongsberg Protech**
  - In the beginning of October, Kitron Inc. received a another order from KONGSBERG worth approximately NOK 51 million. Product deliveries will begin in early 2015 and continue throughout 2015.
  - Electronic modules that are also part the RWS.
  - Production at Kitron's plant in Johnstown, USA

Additional information:

Growth and improved profitability outside Scandinavia

- **Operations in Lithuania, China and US**
  - Revenue increase by 42 per cent and the results have increased by over 200 per cent in Q3 compared to last year
  - The improvement in profitability is due to improved utilisation of factory capacity as a result of increased volumes.
  - Lithuanian growth is with existing customers within the Industry sector. It is a combination of additional orders and growth in general.
  - China growth comes from existing customers primarily in the Industry and Medical sectors that are ramping up volume.
  - US revenue growth due to KONGSBERG orders within the Defence sector

Operational information:

Restructuring of operation in Norway

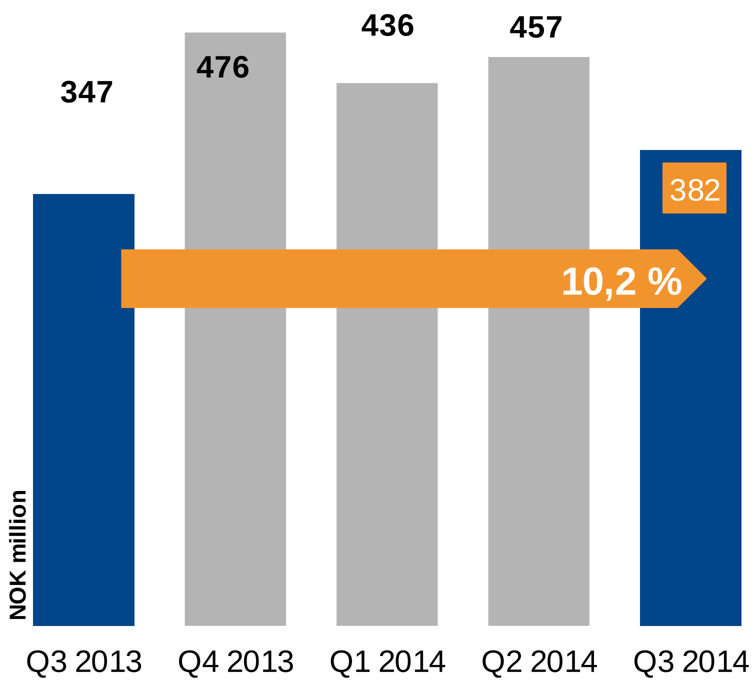
- **In order to secure a competitive setup**
  - Several activities are initiated to reduce operational cost and increase profitability
  - The current plans imply a reduction of 85 employees during 2014. At the end of September, 70 of these have left the company.
  - The full reduction in number of employees will be in effect from year-end 2014.
  - During the fourth quarter the need for further reductions in employees and operational cost will be assessed.

  - The Arendal operation expects to have positive EBIT in the fourth quarter of 2014.

Financial statements Q3 2014

Revenue:

Strong development in Defence/aerospace, Offshore/Marine reductions continues

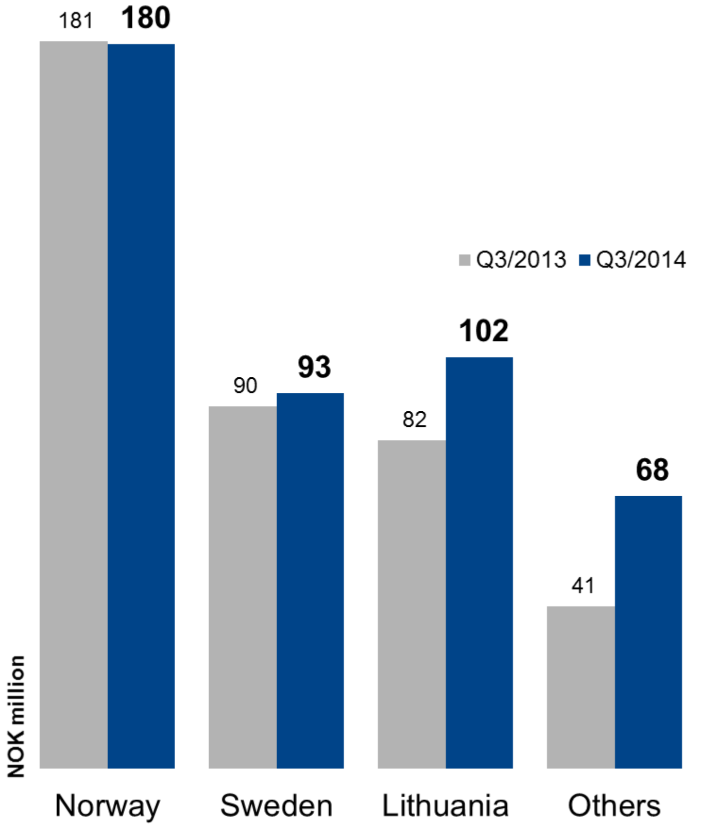


	Q3 2014 vs Q3 2013	Share of total revenue
Offshore/Marine	-25,9 %	10,9 %
Medical equipment	3,1 %	25,4 %
Defence/Aerospace	38,1 %	20,1 %
Energy/Telecoms	6,4 %	13,0 %
Industry	24,4 %	30,7 %

Revenue by country*:

Strong growth outside Scandinavia

	Q3 2014 vs Q3 2013	Share of total revenue
Norway	-0,4 %	40,6 %
Sweden	3,6 %	21,0 %
Lithuania	25,4 %	23,1 %
Others	67,5 %	15,3 %

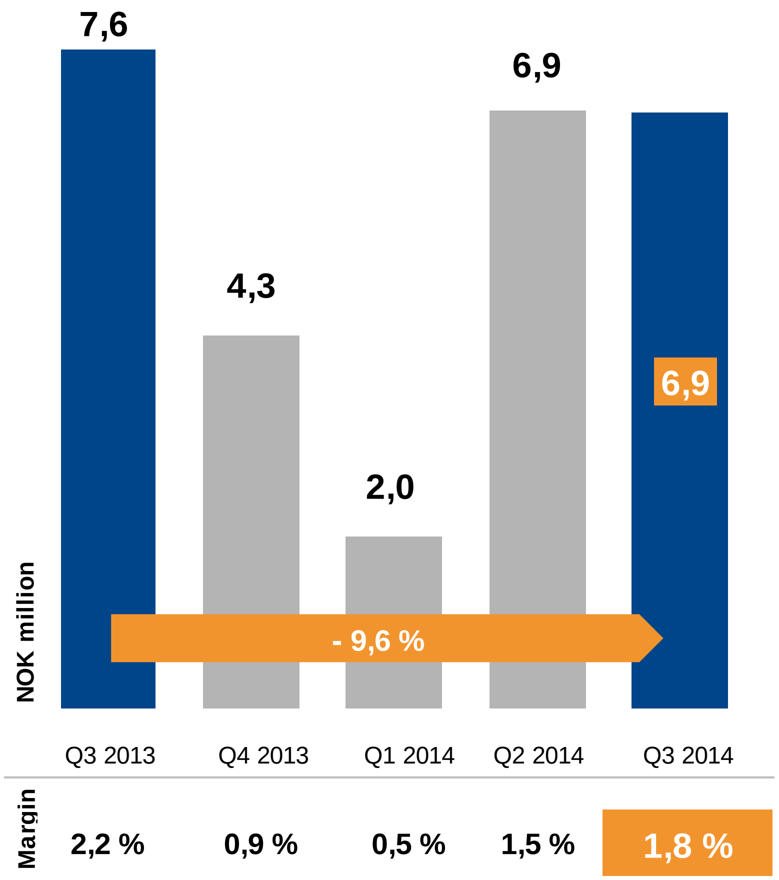


* Before group entities and eliminations

EBIT:

Reduction in EBIT

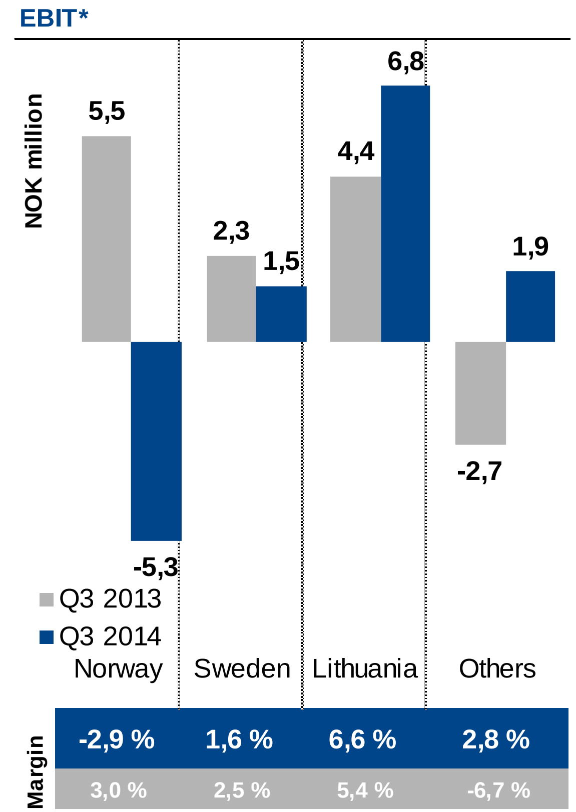
- **Profitability reduction**
  - Arendal profitability continue to be challenging but partially compensated by improved profitability in the other units
  - EBIT margin improved compared to the last three quarters
- **Cost reduction measures initiated**
  - Restructuring of operation in Norway continues



EBIT by country:

Norway still challenging, strong profitability improvement other sites

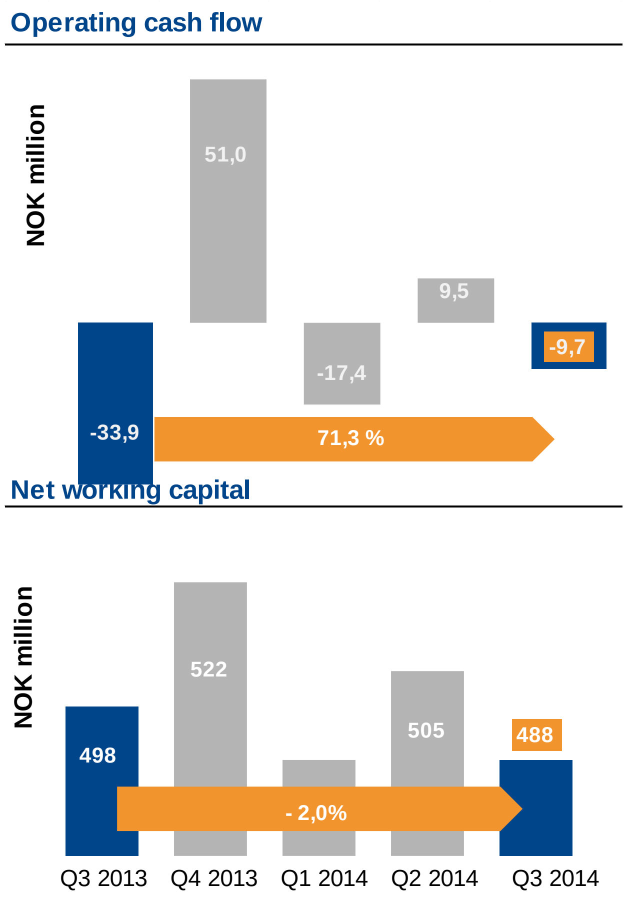
- **Norway**
  - Product mix change
  - Adverse effects on profitability due to development of the Norwegian krone
- **Sweden**
  - Revenue stabilised, margins reduced
- **Lithuania**
  - Revenue growth from existing customers and new orders
- **Other**
  - China and US now both with positive EBIT



* Before group entities and eliminations

Balance sheet:
Cash flow improvement

- **Cash flow increase**
  - Trade payables increased more than inventory
- **Working capital reduction**
  - Inventory turns up to 3.5 from 3.3 last year.



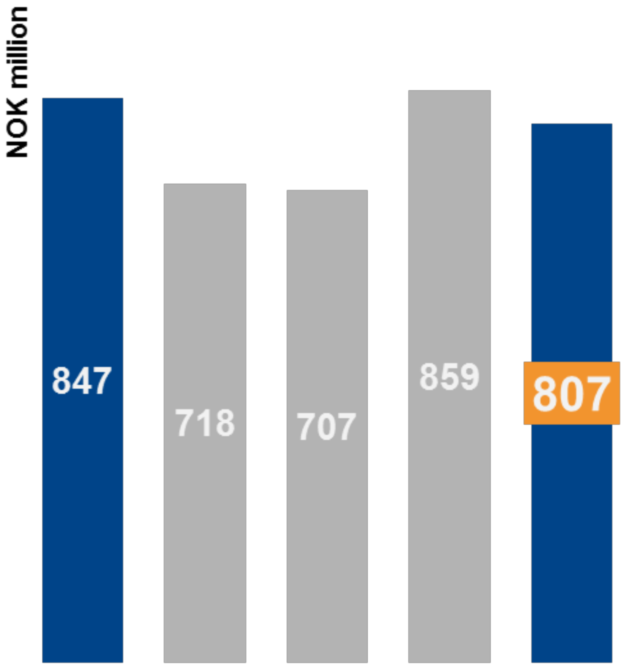
Market development

Order backlog:

Strong development in Defence, reductions in marine & Offshore

- Defence increase of NOK 96,1 million
- Offshore Marine reductions of NOK 96,4 million
- Industry reductions of NOK 29,3 million

- Reductions across the sites



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

Market development

- **Offshore/Marine**
  - General adjustment in the oil service market in Norway

- **Medical equipment**
  - Stable development in both Norway and Sweden

Market development

- **Defence/Aerospace**
  - Strong growth and positive outlook

- **Energy/Telecoms**
  - Stable demand

- **Industry**
  - Conservative forecasting even though the current revenue is strong.

Outlook

Outlook

Kitron expects growth in revenue in 2014, partly explained by development in foreign exchange. The growth in the first nine months has been significant, while the expectations for the fourth quarter are slightly lower than in 2013.

In spite of revenue growth, profitability is not satisfactory for the first three quarters, and actions are initiated to rectify the situation and target improved profitability.

Thank you!