

Quarterly report

Q1 2013

Quarterly report for first quarter 2013



Weaker demand led to lower profitability

- * Lower demand from key customers
- * Delay in US operations
- * Operational streamlining continues
- * Cost reductions initiated

Kitron's revenue amounted to NOK 378.3 million in the first quarter of 2013, a 16.0 per cent decrease compared with the same period last year. EBIT was reduced from NOK 21.5 million to NOK 4.0 million. Operating cash flow for the first quarter was negative by NOK 18.1 million compared to minus NOK 10.9 million same period last year.

Weaker demand led to lower profitability in the first quarter 2013. Kitron has introduced a wide range of initiatives that aim to increase profitability and stimulate top line growth.

Lower demand from key customers

During Q1 there has been a negative trend in the demand from several key customers. The recessionary trend in the European market is the main explanation for this development. In addition the demand in the US defence segment has been significantly lower than previously expected.

Kitron has a strong focus on driving growth through capturing new customers and entering new markets. In the long term these effects are expected to have a positive impact.

Delay in US break-even

Due to the lower demand from the US defence sector there is a delay in the start-up of the US operation. While it was previously expected to reach break-even in Q2 2013 the outlook is now uncertain.

Operational streamlining continues

Kitron has introduced a wide range of improvement initiatives to increase profitability, reduce capital and stimulate top line growth. These measures span the entire value chain, and include inventory reduction, manufacturing efficiency improvements and supply chain optimization.

As part of the operational streamlining, Kitron launched a new organization in April. All manufacturing and supply chain activities will be organized in a global organization under the Chief Operating Officer (COO) while the customer delivery organization will be organized in three business areas. The purpose is to create a more customer centric organization while driving global standardization in the manufacturing and supply chain processes.

Cost reductions initiated

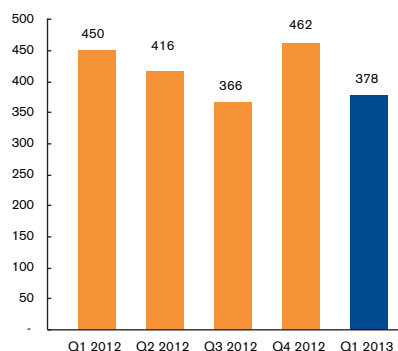
Cost reduction measures have been initiated in response to a market that is weaker than expected. Management is in process to evaluate further measures to be taken. As a large proportion of the costs is personnel related, headcount reductions can not be ruled out.

Key figures

NOK million	Q1 2013	Q1 2012	Change	31.12.2012
Revenue	378.3	450.4	(72.1)	1 695.0
EBIT	4.0	21.5	(17.5)	72.0
Order backlog	757.4	797.0	(39.6)	776.2
Operating cash flow	(18.1)	(10.9)	(7.2)	42.4
Net working capital	470.0	487.7	(17.7)	489.0

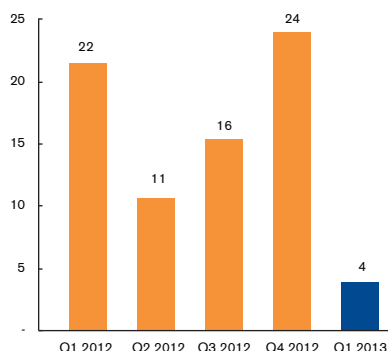
REVENUE Group

NOK million



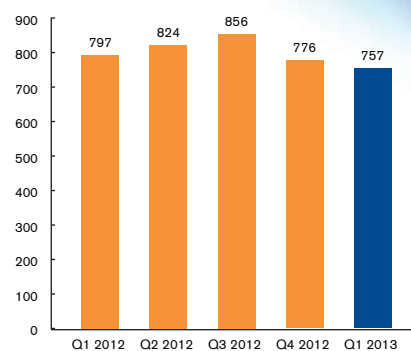
EBIT Group

NOK million



ORDER BACKLOG Group

NOK million



Revenue

Kitron's revenue in the first quarter was 16.0 per cent lower than in the same period in 2012, and amounted to NOK 378.3 million (NOK 450.4 million). There was an overall decrease in revenue in all market segments. Defence/Aerospace decreased by 20.3 per cent, Energy/Telecoms by 35.9 per cent, Industry by 17.2 per cent, Medical equipment by 9.6 per cent and Offshore/Marine decreased by 1.3 per cent compared to the first quarter of 2012.

Revenue in the Norwegian operation represented 52.2 per cent of Kitron's gross revenue during the first quarter (49.3 per cent). The Swedish operation represented 20.2 per cent of the group (27.8 per cent) and Kitron's operation in Lithuania provided for 19.4 per cent (19.7 per cent).

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

Defence/Aerospace	18% (19%)
Energy/Telecoms	11% (14%)
Industry	27% (27%)
Medical equipment	25% (24%)
Offshore/Marine	19% (16%)

Revenue from customers in the Swedish market represented a 41.1 per cent share of the total revenue (53.9 per cent). The Norwegian market represented 49.8 per cent of Kitron's total revenue (40.6 per cent).

Gross and net margin

The gross margin in first quarter 2013 was improved compared to last year, and amounted to 40.3 per cent (38.8 per cent). The net margin decreased from 24.2 per cent to 23.4 per cent this year.

EBIT

Kitron's operating profit (EBIT) in the first quarter was NOK 4.0 million, which is a decrease of NOK 17.5 million compared with same period last year (NOK 21.5 million).

Profit before tax was NOK 0.9 million, which was a decrease of NOK 13.0 million compared to the same period last year.

The company's total payroll expenses were NOK 4.2 million lower than the corresponding period in 2012. The relative payroll costs went from 25.5 per cent of revenue in 2012 to 29.3 per cent of revenue in the first quarter this year. Other operating costs decreased with NOK 0.4 million to NOK 28.7 million. This was 7.6 per cent of revenue (6.5 per cent).

During the quarter net financial items amounted to a cost of NOK 3.1 million. This was a decrease of NOK 4.5 million compared to the same period last year. The main reasons for the decrease are

currency effects.

Balance sheet

Kitron's gross balance as at 31 March 2013 amounted to NOK 996.5 million, against NOK 1 082.2 million at the same time in 2012. Equity was NOK 471.0 million (NOK 440.6 million), corresponding to an equity ratio of 47.3 per cent (40.7 per cent).

Inventory was NOK 350.2 million at 31 March 2013 (NOK 382.7 million). Inventory turns was down from 3.7 in first quarter 2012 to 3.3 in first quarter 2013.

Trade debtors and other receivables amounted to NOK 315.5 million at 31 March 2013. The corresponding amount at the same time in 2012 was NOK 356.7 million.

The group's reported interest-bearing debt amounted to NOK 270.5 million as of 31 March 2013. Interest-bearing debt at the end of the first quarter 2012 was NOK 291.1 million.

IAS 19 (revised) "Employee benefits" has been implemented with retrospective effect as from 01.01.2013. The 2012 financial statements have been restated accordingly. 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. For more information around the change in accounting principle see note 5 to the financial statements.

Cash flow from operational activities for the first quarter of 2013 was negative by NOK 18.1 million (negative NOK 10.9 million). This is mainly due to a reduction in factoring debt.

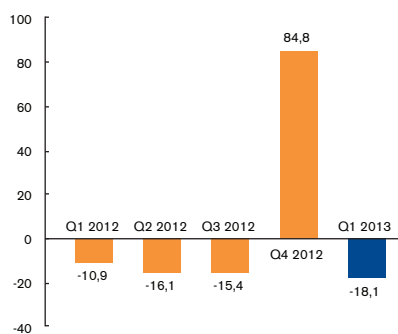
Kitron's cash and bank credit at 31 March 2013 comprised the following:

(NOK million)	
Cash and cash equivalents	37.7
Drawings on the overdraft facility	(58.1)
Restricted bank deposits	(11.2)
Total	(31.6)

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 149.2 million at the end of the first quarter, versus NOK 124.8 million at the same time in 2012. The overall credit line at 31 March 2013 was NOK 180.8 million versus NOK 145.1 million at the same time last year.

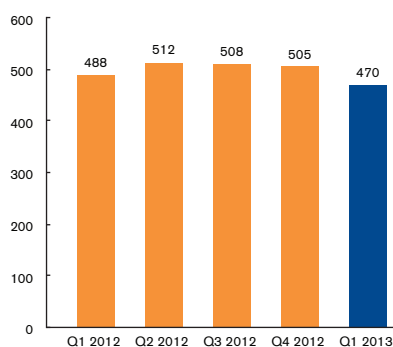
OPERATING CASH FLOW Group

NOK million



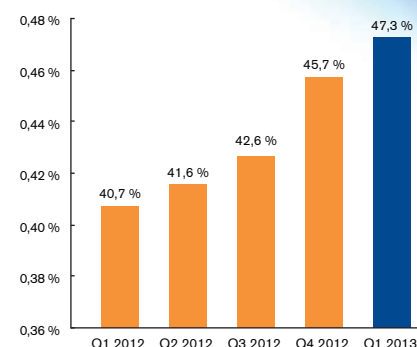
NET WORKING CAPITAL Group

NOK million



EQUITY RATIO Group

Per cent



Revenue business entities

NOK million	Q1 2013	Q1 2012	Change	31.12.2012
Norway	219.5	238.6	(19.1)	954.7
Sweden	84.8	134.3	(49.5)	500.0
Lithuania	81.7	95.4	(13.6)	298.0
Others	34.5	15.4	19.1	119.3
Group and eliminations	(42.2)	(33.2)	(9.0)	(176.9)
Total group	378.3	450.4	(72.1)	1 695.0

EBIT business entities

NOK million	Q1 2013	Q1 2012	Change	31.12.2012
Norway	1.6	8.0	(6.4)	41.6
Sweden	1.7	10.0	(8.4)	31.6
Lithuania	6.3	10.9	(4.6)	22.2
Others	(3.4)	(6.7)	3.3	(14.4)
Group and eliminations	(2.3)	(0.8)	(1.5)	(9.0)
Total group	4.0	21.5	(17.5)	72.0

Order backlog business entities and market segments

NOK million	Defence/ Aerospace	Energy/ Telecoms	Industry	Medical equipment	Offshore/ Marine	Total
Norway	195.0	0.4	43.6	71.2	162.3	472.6
Sweden	19.1	50.3	20.5	32.2	-	122.0
Lithuania	-	8.1	90.8	7.8	0.7	107.4
Other	42.1	(0.1)	10.8	2.6	-	55.5
Total group	256.3	58.7	165.7	113.8	163.0	757.4

Revenue geographic markets

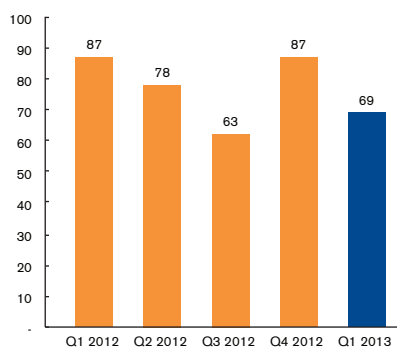
NOK million	Q1 2013	Q1 2012	Change	31.12.2012
Norway	188.5	182.7	5.8	738.5
Sweden	155.6	242.9	(87.3)	842.4
Rest of Europe	18.7	13.2	5.5	58.0
USA	14.7	11.6	3.0	52.3
Others	0.8	-	0.8	3.8
Total group	378.3	450.4	(72.1)	1 695.0

Full time employees

	31.03.2013	31.03.2012	Change
Norway	518	516	3
Sweden	136	182	(46)
Lituhania	338	393	(55)
Other	171	116	55
Total group	1 163	1 207	(44)

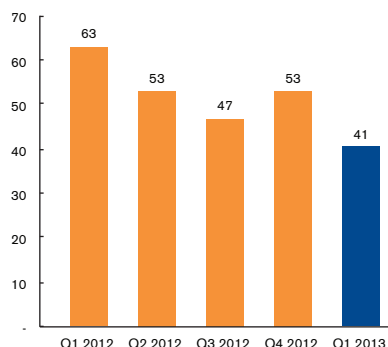
REVENUE Defence/Aerospace

NOK million



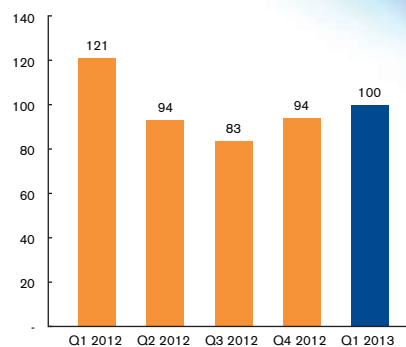
REVENUE Energy/Telecoms

NOK million



REVENUE Industry

NOK million



Organisation

The Kitron workforce corresponded to 1 163 FTEs at 31 March 2013. This represents a decrease of 44 FTEs since the first quarter of 2012.

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 359.7 million, which is 19.7 per cent lower than for the first quarter 2012. The order backlog ended at NOK 757.4 million, which is 5.0 per cent lower than the same period last year. Four quarter moving average order intake was down from NOK 417.9 million at the beginning of the first quarter to NOK 395.9 million at the end of the quarter. Kitron's order backlog generally includes four months customer forecast plus all firm orders for later delivery.

In 2013 Kitron foresee a challenging market development due to the financial crisis in Europe and the US. To reduce risk many customers are shortening their order horizon and lowering inventories. The Swedish industry is looking increasingly uncertain, and the demand from the defence sector is expected to contract during the year. On the contrary, the Norwegian market looks 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 other KONGSBERG and Lockheed Martin. Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. New and prospective contracts with KONGSBERG are further strengthening an already close relationship. Defence/Aerospace is a prioritised area for our new operation in Germany.

In 2013 Kitron foresee a weaker development in the defence market than previously expected. In particular there is an increased uncertainty in the US market that may lead to a weaker demand from this sector.

Energy/Telecoms

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

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.

Revenue market segments

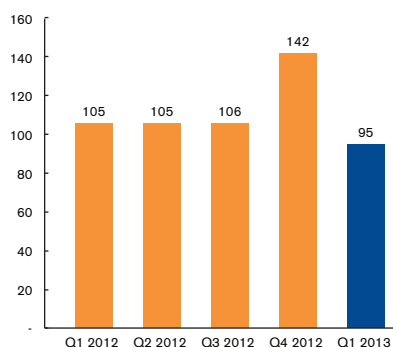
NOK million	Q1 2013	Q1 2012	Change	31.12.2012
Defence/Aerospace	68.9	86.5	(17.6)	314.1
Energy/Telecoms	40.5	63.2	(22.7)	215.9
Industry	100.5	121.3	(20.8)	392.3
Medical equipment	95.4	105.5	(10.1)	458.2
Offshore/Marine	73.0	73.9	(1.0)	314.5
Total group	378.3	450.4	(72.1)	1 695.0

Order Backlog market segments

NOK million	Q1 2013	Q1 2012	Change	31.12.2012
Defence/Aerospace	256.3	196.1	60.2	252.5
Energy/Telecoms	58.7	89.2	(30.5)	62.7
Industry	165.7	168.6	(3.0)	181.8
Medical equipment	113.8	172.9	(59.1)	132.5
Offshore/Marine	163.0	170.2	(7.2)	146.7
Total group	757.4	797.0	(39.6)	776.2

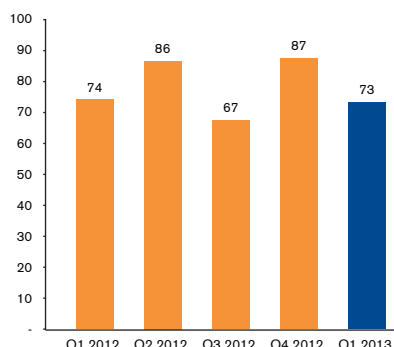
REVENUE Medical equipment

NOK million



REVENUE Offshore/Marine

NOK million



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 and overall we therefore believe in a stable development in 2013.

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 (2013), however, we believe in a flat development in sales as the market growth is offset with reduced production scope for one of the key customers in this segment.

Offshore/Marine

Kitron divides the Offshore/Marine segment into three main areas; sub sea 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 foresee lower revenue from this segment in 2013 compared to 2012.

Outlook

Kitron's markets are mainly Norway and Sweden, but most customers of Kitron sell their products on international markets. The global market outlook has weakened for 2013 compared to earlier outlook particularly due to the financial crisis in Europe and the US. As a result Kitron has reduced its revenue outlook for 2013 and now believes in slightly lower revenues compared to 2012.

Kitron has launched several operational improvement programs that should yield a positive contribution to the profitability going forward. The improvement programs are focusing on driving long term growth, reducing the cost base and increasing the efficiency and reducing the capital tied up in operation. Furthermore the positive development in the new operations as well as the turnaround of the Swedish operation, should have a positive impact going forward.

The negative market development will put pressure on the profit level and margin. To compensate for a lower top line Kitron will take actions to reduce the cost level and the number of FTE's in the company.

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

Board of directors, Kitron ASA
Asker, 22 April 2013

Condensed profit and loss statement

NOK 1 000	Q1 2013	Q1 2012	31.12.2012
Revenue	378 291	450 404	1 695 026
Cost of materials	225 730	276 115	1 039 980
Payroll expenses	110 858	115 043	430 543
Other operational expenses	28 743	29 160	120 705
Other gains / (losses)	(196)	324	3 748
Operating profit before depreciation and impairments (EBITDA)	12 764	30 410	107 545
Depreciation and impairments	8 814	8 919	35 592
Operating profit (EBIT)	3 950	21 491	71 953
Net financial items	(3 067)	(7 591)	(26 095)
Profit (loss) before tax	883	13 900	45 858
Tax	(498)	3 919	(1 288)
Profit (loss) for the period	1 381	9 981	47 146
Earnings per share (basic and diluted)	0.01	0.06	0.27

Condensed balance sheet

NOK 1 000	31.03.2013	31.03.2012	31.12.2012	01.01.2012
ASSETS				
Goodwill	26 786	26 786	26 786	26 786
Other intangible assets	36 775	39 685	36 888	40 743
Tangible fixed assets	125 866	133 465	127 168	139 520
Available for sale financial assets	-	1	1	1
Deferred tax assets	103 611	93 052	99 868	96 157
Total fixed assets	293 039	292 989	290 712	303 207
Inventory	350 243	382 743	336 683	346 795
Accounts receivable and other receivables	315 522	356 715	335 077	360 829
Cash and cash equivalents	37 665	49 703	56 820	50 916
Total current assets	703 429	789 162	728 580	758 541
Total assets	996 468	1 082 150	1 019 292	1 061 747
LIABILITIES AND EQUITY				
Equity	470 962	440 605	466 187	432 073
Total equity	470 962	440 605	466 187	432 073
Deferred tax liabilities	1 013	1 096	1 000	1 121
Loans	42 801	49 077	44 407	53 134
Pension commitments	10 982	14 387	10 982	14 387
Total long-term liabilities	54 796	64 560	56 389	68 641
Accounts payable and other current liabilities	242 541	308 048	228 757	285 314
Loans	227 714	241 998	263 690	246 042
Other provisions	455	26 940	4 269	29 677
Total current liabilities	470 710	576 985	496 716	561 032
Total liabilities and equity	996 468	1 082 150	1 019 292	1 061 747

Condensed cash flow statement

NOK 1 000	Q1 2013	Q1 2012	31.12.2012
Net cash flow from operational activities	(18 149)	(10 938)	42 407
Net cash flow from investment activities	(4 901)	(3 924)	(23 416)
Net cash flow from financing activities	(2 767)	(4 929)	(21 292)
Change in cash and bank credit	(25 817)	(19 791)	(2 301)
Cash and bank credit opening balance	(5 815)	(3 514)	(3 514)
Cash and bank credit closing balance	(31 632)	(23 306)	(5 815)

Consolidated statement of comprehensive income

NOK 1 000	Q1 2013	Q1 2012	31.12.2012
Profit (loss) for the period	1 381	9 981	47 146
Actuarial gain / losses	-	-	(549)
Currency translation differences and other changes	3 394	(1 449)	(3 835)
Total comprehensive income for the period	4 775	8 532	42 762
Allocated to shareholders	4 775	8 532	42 762

Changes in equity

NOK 1 000	31.03.2013	31.03.2012	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)
Equity opening balance after change in accounting principle	466 187	432 073	432 073	432 073
Profit (loss) for the period	1 381	9 981	47 146	-
Other comprehensive income for the period	3 394	(1 449)	(4 384)	-
Dividend	-	-	(8 648)	-
Equity closing balance	470 962	440 605	466 187	432 073

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the first 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, except for implementations described in note 5. 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

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 first 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.

Impact on condensed profit and loss statement

NOK 1 000	Q1 2012	31.12.2012
Payroll expenses	-	(1 040)
Operating profit (EBIT)	-	1 040
Tax	-	291
Profit (loss) for the period	-	749

Impact on consolidated statement of comprehensive income

NOK 1 000	Q1 2012	31.12.2012
Profit (loss) for the period	-	749
Actuarial gain / losses	-	(549)
Total comprehensive income for the period	-	200

Impact on condensed balance sheet

NOK 1 000	31.03.2012	31.12.2012	01.01.2012
ASSETS			
Deferred tax assets	1 530	1 452	1 530
Total assets	1 530	1 452	1 530
LIABILITIES AND EQUITY			
Equity	(3 936)	(3 735)	(3 936)
Total equity	(3 936)	(3 735)	(3 936)
Pension commitments	5 466	5 187	5 466
Total long-term liabilities	5 466	5 187	5 466
Total liabilities and equity	1 530	1 452	1 530

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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