

Quarterly presentation Q2 2006

Kitron ASA



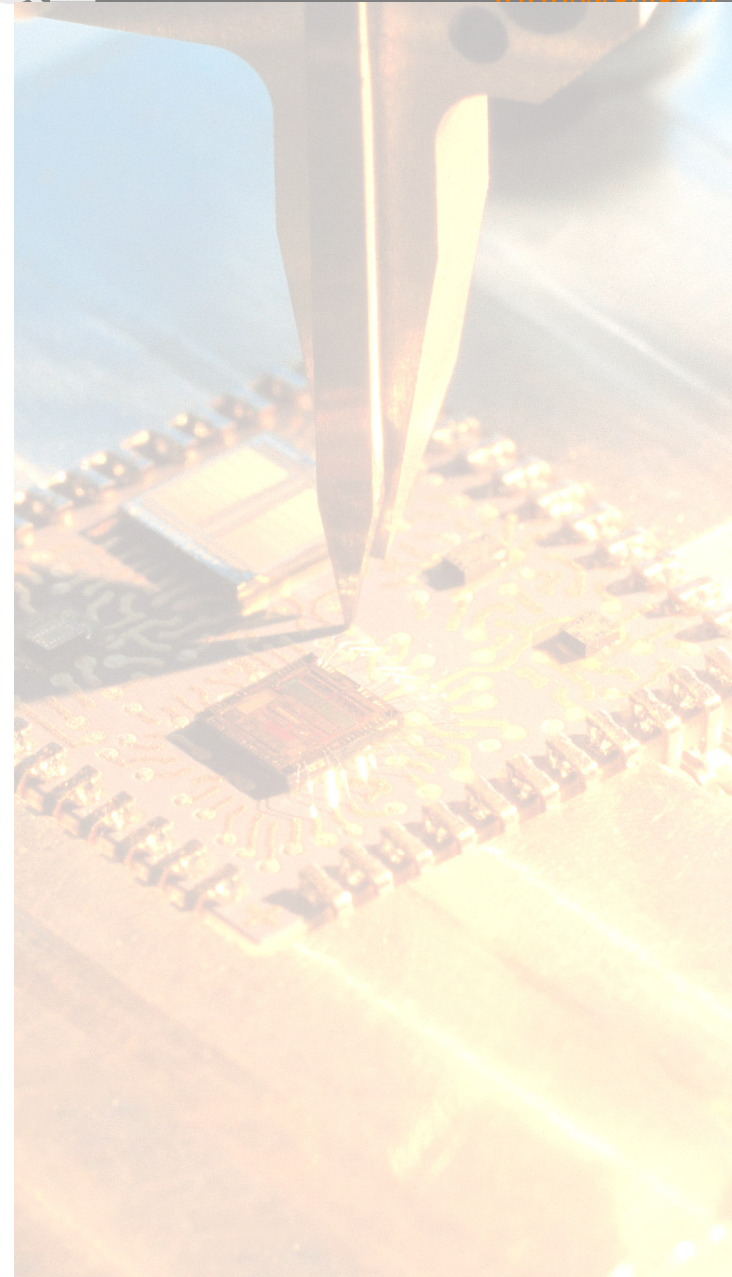
16 August 2006



High level of activity during Q2

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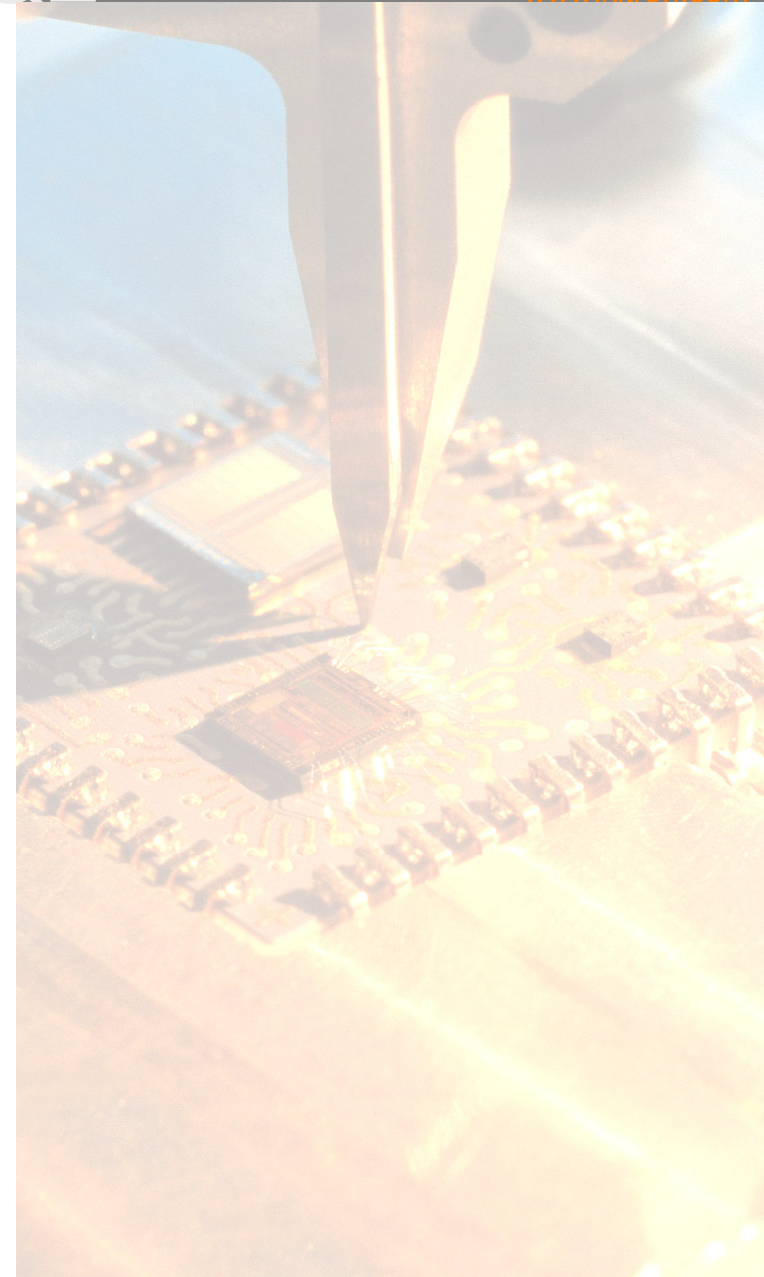
- **Operating profits in both business areas**
- **Temporary reduction in turnover**
 - Linked to work in moving and collocating in Kitron AS. One week's downtime (MNOK -20) – the move is now completed
 - Completion of certain production orders has been delayed to Q3
 - Large demand for prototype production
- **Cost reductions according to plan**
 - Reduced pay and operating expenses
- **Strengthened order reserves through increased inflow of orders**
- **Satisfactory gross margin**
- **Restructuring in Norway (EMS) has been completed**



Organisational changes in Q2

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- Carl Espen Wollebekk new chairman – replaced Nerijus Dagilis who is continuing as a member of the Board of Directors
- Ian Hague new member of the Board of Directors – replaced Per-Erik Mohlin
- Arne Solberg and Kjell Almskog reelected as members of the Board of Directors
- Jørgen Bredesen new CEO after Jan T. Jørgensen



Financial information for Q2 2006

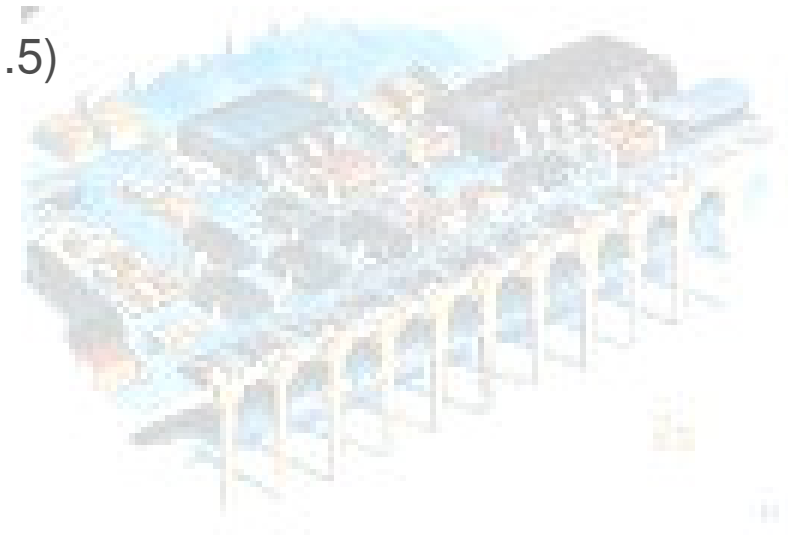




Key items Q2

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- **Operating income MNOK 395.2** (MNOK 421.6)
 - MNOK 828.4 in the first half year (MNOK 801.5)
- **Satisfactory gross profit 40.7%** (40.5%)
- **EBITDA MNOK 12.6** (MNOK 16.3)
- **EBIT MNOK 5.7** (MNOK 6.4)
 - MNOK 26.3 in the first half year (MNOK 5.1)
- **Strong order reserve: MNOK 908** (MNOK 746)
- **Net financial costs MNOK 4.6** (MNOK 6.2)
- **Satisfactory liquidity**





Profit/(loss) account Q2 2006

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Profit/(loss) (NOK mill)	Q2 2006	Q2 2005	30.06.2006	30.06.2005	31.12.2005
Operating income	395,2	421,6	828,4	801,5	1 576,3
Cost of material	234,6	250,7	495,4	472,5	945,3
Gross profit margin	40,7 %	40,5 %	40,2	41	40,0 %
Payroll expences	120,2	123,6	237,9	245,6	475,3
Other operational expences	27,8	31,1	55,4	60,7	151,4
EBITDA	12,6	16,3	39,7	22,6	4,3
Ordinary depreciation	6,9	9,8	13,4	17,5	38,7
Operating profit/loss (EBIT)	5,7	6,4	26,3	5,1	-34,4
Net financial costs	-4,6	-6,2	-9,0	11,9	-23,9
Profit/loss before tax	1,1	0,2	17,3	-6,8	-58,2
Taxes	0,7	0,0	0,9		0,7
Profit/loss after tax	0,5	0,2	16,3	-6,8	-58,9
Earnings per share	0,00	0,00	0,09	-0,05	-0,39
Dilluted earnings per share	0,00	0,00	0,09	-0,05	-0,39



Key items – balance sheet

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- **Equity MNOK 164.0** (MNOK 167.4)
 - Equity ratio 24.5 per cent (28.3 per cent)
- **Total balance MNOK 668.5** (MNOK 590.8)
- **Capital tied up in stocks MNOK 282.2** (MNOK 231.0)
- **Trade debtors and other receivables MNOK 171.5** (MNOK 172.4)
 - Trade debtors MNOK 122.2 (MNOK 111.2)
 - Other receivables MNOK 49.3 (MNOK 61.2)
- **Deferred tax gains MNOK 20** (MNOK 20.0)
- **Capitalized interest-bearing debts MNOK 104.8** (MNOK 37.6)
- **Remaining restructuring provision MNOK 21.1**
 - Collocation Arendal MNOK 15.9
 - Other provisions MNOK 5.2

Balance sheet – assets

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Balance sheet (NOK mill)	30.06.2006	30.06.2005	31.12.2005
Tangible fixed assets	122,0	110,0	112,4
Goodwill	19,1	18,5	18,5
Investment i shares	0,2	0,2	0,2
Deferred tax assets	20,0	20,0	20,0
Other receivables	3,0	7,3	3,9
Total fixed assets	164,4	155,9	155,0
Inventory	282,2	231,0	242,5
Accounts receivable and other receivables	171,5	172,4	141,8
Cash and cash equivalents	50,4	31,4	113,2
Total current assets	504,1	434,8	497,5
Total assets	668,5	590,8	652,5

Balance sheet – equity and liabilities

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Liabilities and equity (NOK mill)	30.06.2006	30.06.2005	31.12.2005
Equity	164,0	154,6	151,1
Minority interests		12,8	0,0
Total equity	164,0	167,4	151,1
Loans	35,3	38,8	40,7
Pension commitments	15,7	31,9	14,9
Provision for liabilities and charges	12,1	9,0	15,1
Total long term liabilities	63,1	79,6	70,7
Accounts payable and other short term debt	332,2	312,6	350,9
Loans	100,3	27,5	46,4
Other provisions	9,0	3,6	33,4
Total short term liabilities	441,4	343,7	430,7
Total liabilities and equity	668,5	590,8	652,5

Financing of accounts receivable as at 30.06.2006 was 172,2 mill

Cash flow and changes in consolidated equity www.kitron.com

Cash flow statement (NOK mill) (*)

	Q2 2006	Q2 2005	30.06.2006	30.06.2005	31.12.2005
Net cash flow from operational activities (**)	-11,0	-6,8	-84,9	-35,1	9,4
Net cash flow from investment activities	-25,8	-1,2	-27,9	-4,8	-39,5
Net cash flow from financing activities	-8,0	42,1	-10,4	37,1	92,0
Change in cash and bank credit	-44,7	34,1	-123,2	-2,8	61,9
Cash and bank credit opening balance	-25,7	-46,0	52,8	-9,0	-9,0
Cash balance closing balance	-70,4	-11,9	-70,4	-11,9	52,8

Changes in consolidated equity (NOK mill)

	30.06.2006	30.06.2005	31.12.2005
Equity opening balance	151,1	128,1	128,1
Profit/loss for the year	16,3	-6,8	-58,9
New shares issued		47,0	90,8
Change in minority interests			-12,6
Other issues (***)	-3,5	-0,8	3,8
Equity closing balance	164,0	167,4	151,1

(*) Changed statement according to IFRS and annual report for 2005

(**) Negative cash flow related to provisions used during second quarter 2006 and per 30.06.2006 is NOK 16.1 million and NOK 27.4 million respectively. Cash flow from other operational activities in second quarter 2006 and per 30.06.2006 is NOK 5.1 million and NOK -57.5 million respectively.

(***) Conversion differences, share-based compensation etc.

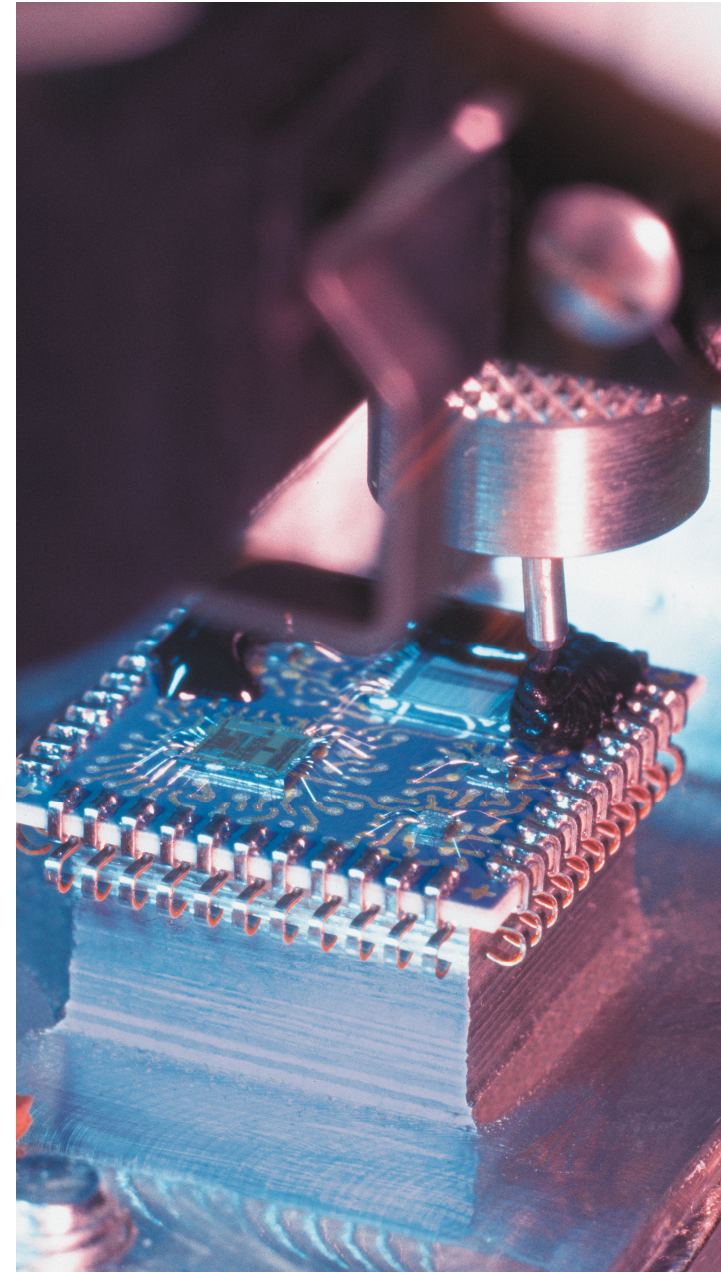
Market developments



Kitron's market in Q2

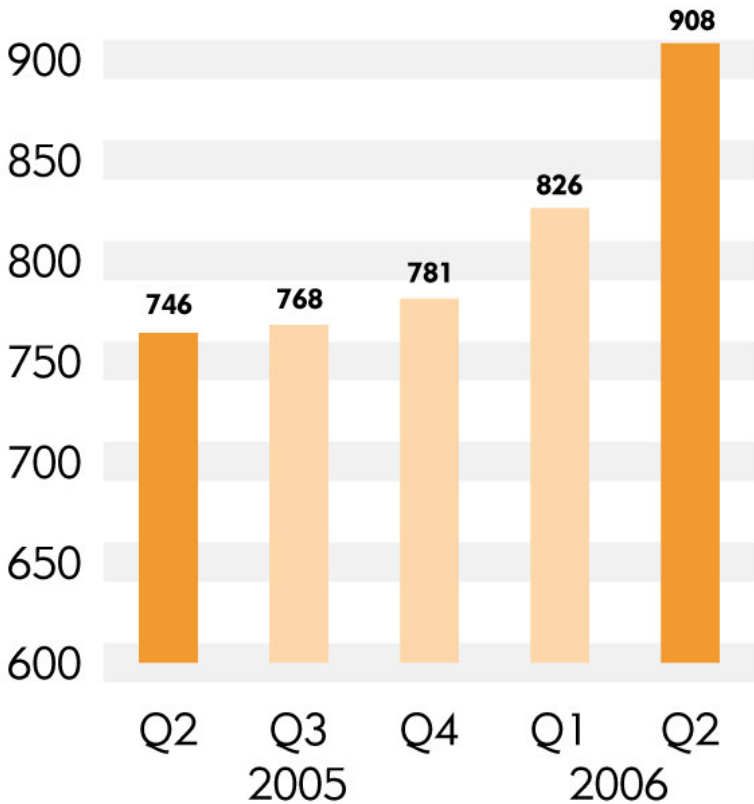
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- **Increasing number of invitations to tender and new orders**
- **More prototype productions**
- **Continued strengthened interest in development and total delivery orders**
- **Larger degree of outsourcing gives access to more parts of the value chain**
- **The investment in becoming a complete supplier is further strengthened**
 - Establishment of New Product Introduction in Norway and Sweden



ORDER BACKLOG Group

NOK million

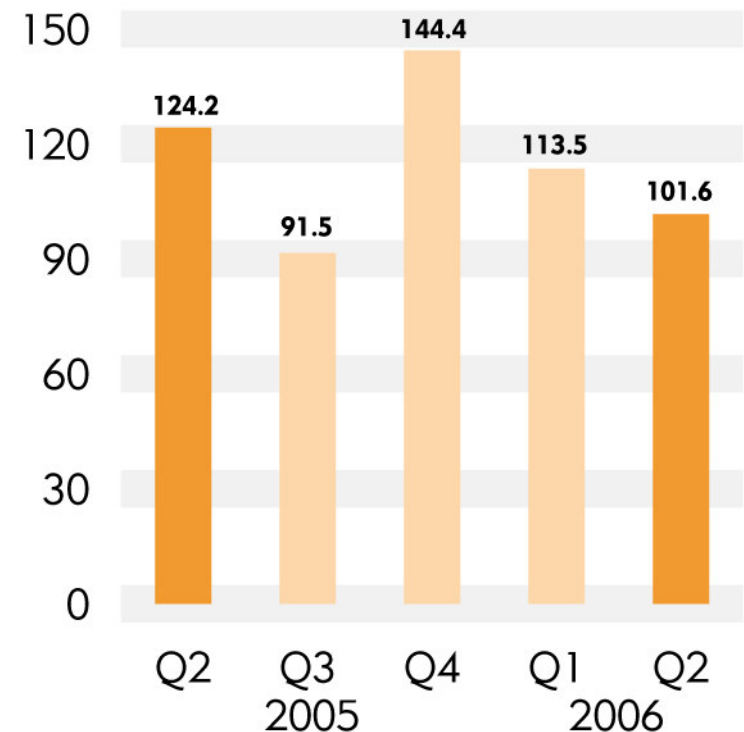


Country	30.06.2006	30.06.2005
Norway	659.4	536.8
Sweden	235.5	201.6
Lithuania (external)	12.9	7.6
Total	907.8	746.0

- Reduced activity since Q2 2005
- Reduced turnover in Defence sector
- Higher turnover in Marine sector
- Lower turnover in Defence/Marine sectors than in 2005 expected for the year as a whole
- Marine sector expected to continue growing – based on high oil prices

TURNOVER Defence/Marine

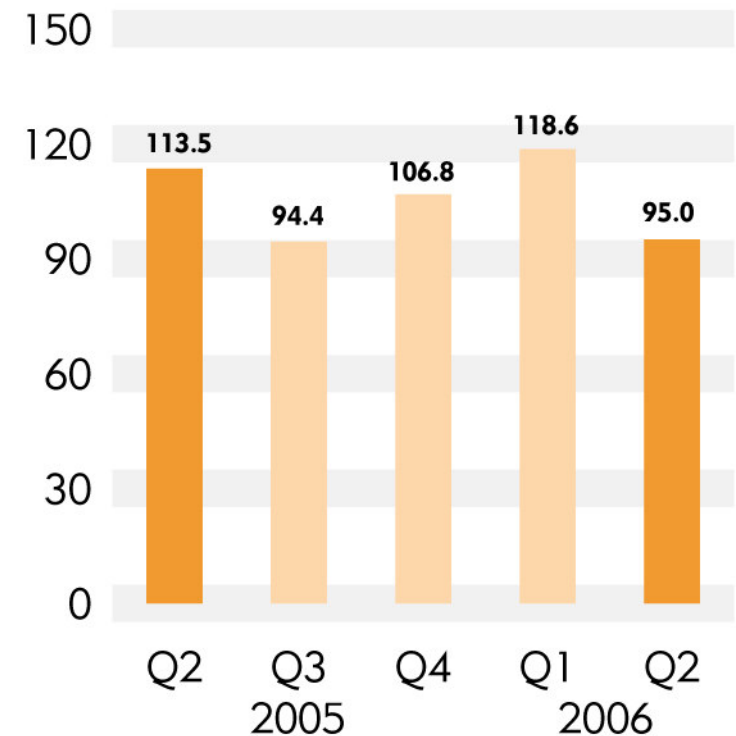
NOK million



- **Less activity than in Q2 2005**
 - Production of high-volume products transferred to Asia (Nera and Tandberg Data)
- **Growth in Microelectronics**
 - Infrastructure for optical networks
 - Monitoring cameras
- **Increasing business for Q-Free**

TURNOVER Data/Telecom

NOK million

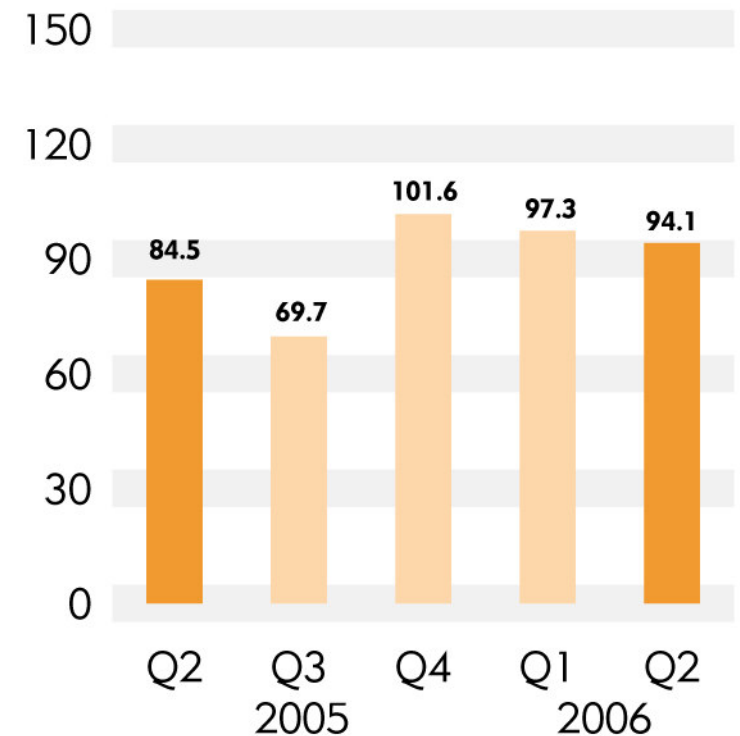


Medical Equipment

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- Greater activity than in Q2 2005
- General growth in the segment
- Keen interest in production of turnkey products (High Level Assembly)
- Strong growth in the number of offers in Sweden

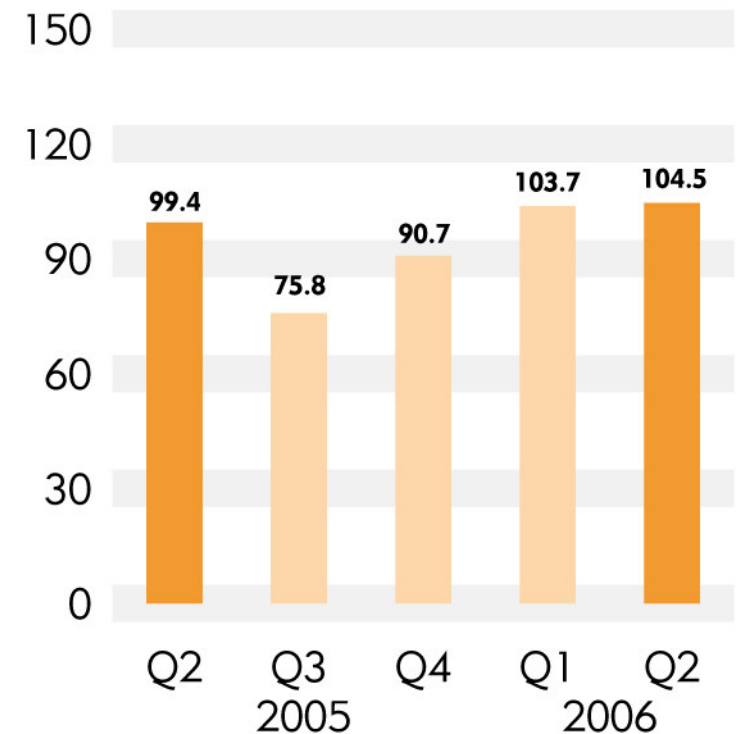
TURNOVER Medical Equipment NOK million



- Greater activity than in Q2 2005
- Increased production on existing customers
- Increased number of offers expected to contribute to further growth in turnover
- Microelectronics meets more business in automotive

TURNOVER Industry

NOK million



Good market prospects

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- **Market growth of 10 – 12 per cent is expected up to 2010**
 - Increased degree of outsourcing (expected to go from 25% to 30% up to 2010)
 - Increased degree of product development - and prototype production
 - New products
 - Increased volume in existing products

- **The customers want proximity to production**
 - Mixed experiences of production in Asia

- **Knowledge and flexibility is required**



A more efficient Kitron

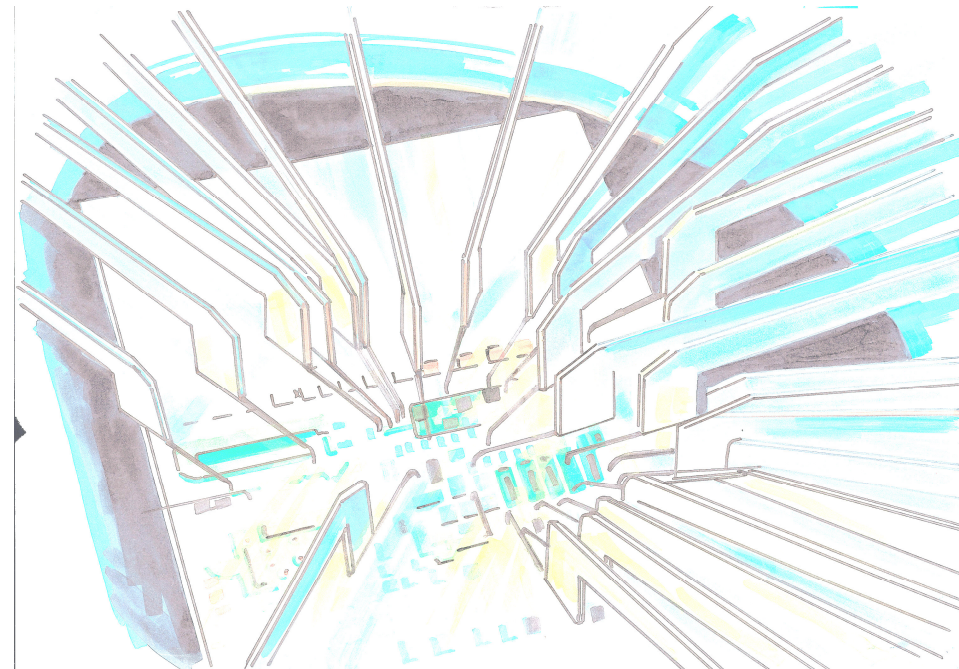


Strengthening marketing effort

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- **Stronger sales organisation**
 - Analysis
 - Coordination

- **Increased lateral collaboration in Kitron**
 - Greater torque in marketing work
 - Better transfer of experience
 - Better offering to the market
 - Internal synergies





Ensure better capacity utilisation

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- **Better capacity utilisation in every sites by tuning:**
 - The mix of products
 - The mix of customers

- **Increase capacity in production and introduction of new products (NPI)**
 - To meet increases demand
 - To free capacity for normal production

- **Better collaboration across the group**



More efficient operation

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- **Right geographic positioning of production orders**
- **Orders through a larger slice of the value chain**
 - Increase effort on building profile and development of competence
- **Selective choice of production orders/customers**
- **Better production planning**
- **Better logistics - achieved in Arendal through the collocation**
- **Pressure on sourcing**
 - Improved procurement terms
 - Ensure increased supply precision
 - Ensure correct quality
- **Search for improvement changes throughout Kitron**

Outlook





Good opportunities

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- **Positive market trends**
- **Purposeful selling**
 - More production orders and more invitations to tender
 - Strengthened inflow of orders and order reserves
 - Sales and marketing effort is being reinforced
- **Producing for a larger part of the value chain**
- Further strengthen and build profile of competence
 - Win new orders in HLA
- **Improve operation and profitability**
 - Collocation of Kitron AS completed with full effect from Q3 and on
 - More efficient production
 - More attractive orders

Kitron - One step ahead

