

Q4 results 2010

9 February 2011

Jørgen Bredesen, CEO

Björn Wigström, CFO



Improved performance before restructuring costs

Financial highlights

- **Order backlog increased by 5.1% vs Q4 2009**
- **Activity level increasing, revenue up by 7.4% vs Q4 2009**
- **Positive profitability trend before restructuring costs**
- **Restructuring costs of NOK 27 million in the Swedish operations booked in the quarter**
- **Operating margin before restructuring costs was 2.9%**

Recovery slower due to component situation

Operational highlights

- **Component situation leading to pressure on delivery precision and manufacturing efficiency in all operations**
- **Predicted rebound in offshore segment confirmed through new orders.**
- **Loss of major Data/Telecoms client announced in Q4 offset by volume increases with other clients.**
- **Establishment of new entities in US and China on track**
- **New ERP system implemented at all major sites**

Restructuring of Kitron Sweden

Operational highlights

- **Significant losses incurred at Kitron Karlskoga in 2010**
- **Decision taken in Q4 to start restructuring Kitron Sweden with the aim to increase competitiveness and improve profitability:**
- **Key points in the plan:**
 - Downsize Karlskoga to a manufacturing site for defence and interface for medical clients with lower cost production.
 - Maintain competence to provide technical services
 - Merge the two Swedish entities operationally and share all administrative and back office functions
- **Estimated cost NOK 27 million includes the lay off of about 55 employees. Discussions with unions ongoing.**

Major new orders in Q4

- **Industry orders of about NOK 20 million annually**
 - Manufacturing of complex mechatronics products containing motion mechanics and electronics
 - Deliveries have started
- **Data/Telecoms order of about NOK 20 million annually**
 - Deliveries have started
 - Manufacturing of new applications for cost efficient transmission of mobile data traffic
- **Offshore orders of about NOK 180 million**
 - Deliveries in 2011 at NOK 32 million
 - Estimated total deliveries in 2012 are about NOK 148 million
- **Saab Dynamics order of about NOK 34 million**
 - Missile control systems
 - Deliveries will take place during 2011 and 2012
- **Data/Telecoms order of about NOK 25 million**
 - Complex products for fiber optical networks
 - Deliveries in the fourth quarter 2010

Financial statements Q4 2010



Positive revenue development

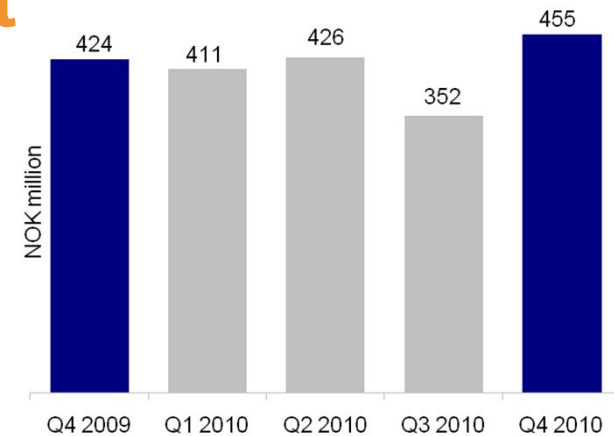
- Revenue at NOK 455 million, a growth of 7.4% vs Q4 2009
- Q4 change by market segment:

Q4 2010 vs Q4 2009

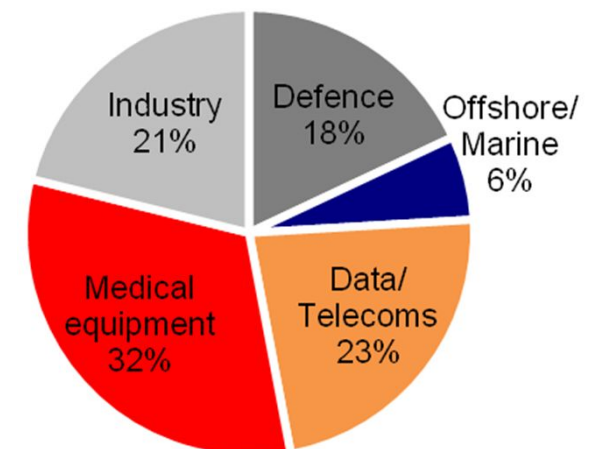
Data/Telecoms	-6.3%
Defence	-7.5%
Industry	49.3%
Medical equipment	14.2%
Offshore/Marine	-14.8%

- Data/Telecoms decline due to phase out of a specific customer
- Stable development in Defence despite dip in Q4
- Recovery in Industry continues
- Strong growth trend in Medical equipment
- Offshore segment at a low point - expected to start recovering

Revenue Group

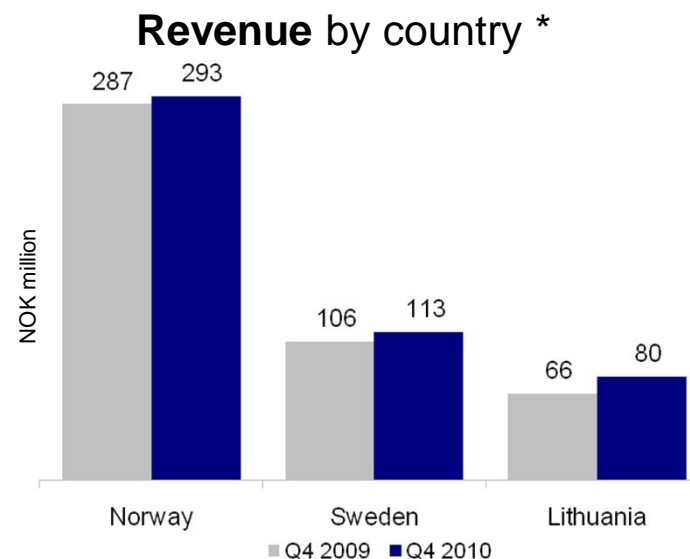


Revenue by market segment
Total revenue NOK 455 million

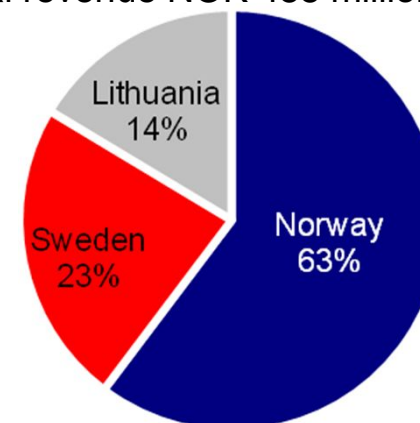


Revenue by country

- **Revenue growth across all entities:**
 - Norway 2% higher - Mixed trends with slow development in Data/Telecoms and strong trend in Medical equipment
 - Sweden 7% higher – Strong recovery in the Swedish Industry segment
 - Lithuania 20% higher – Strong development in all segments except Offshore



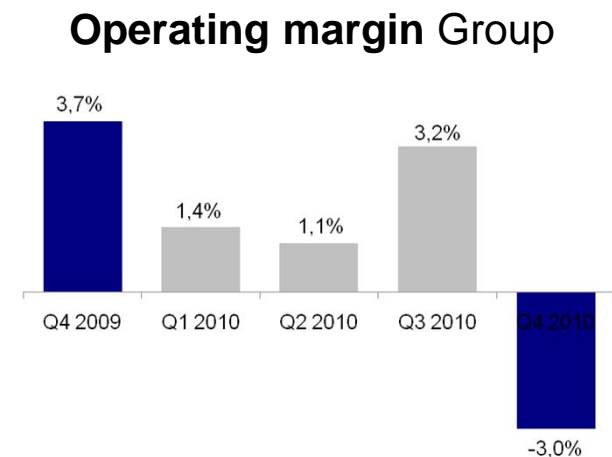
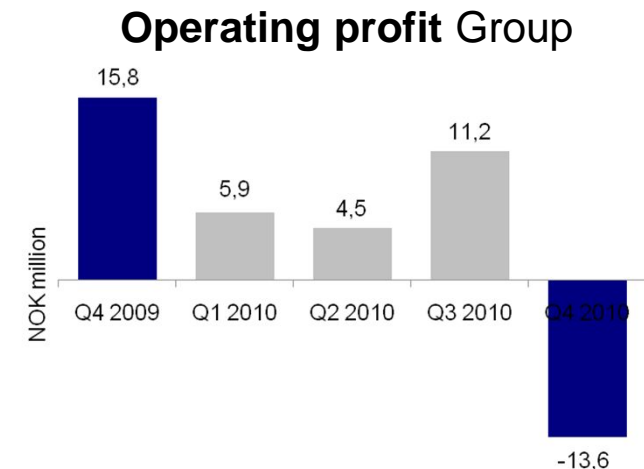
Revenue by country
Total revenue NOK 455 million



* Before group entities and eliminations

Profit lower due to restructuring

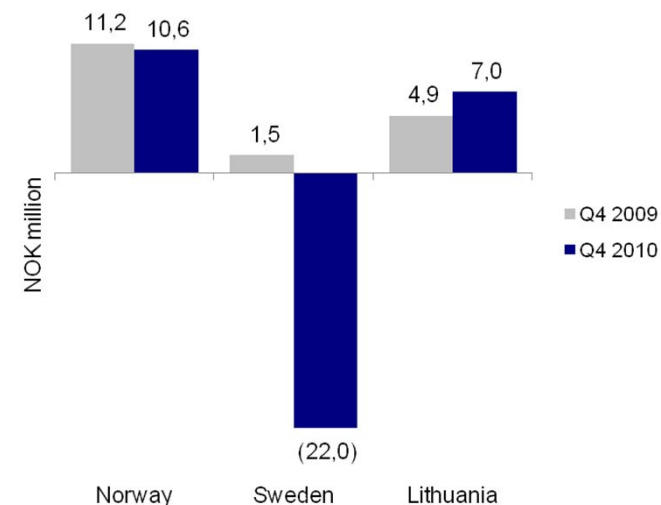
- **Operating profit negative by NOK 13.6 million (NOK 15.8 million)**
- **Before restructuring provision the operating profit was NOK 13.4 million and the margin was 2.9%.**
- **Key elements in the restructuring provision:**
 - Layoff of personnel
 - Facility related costs
- **Negative impact from component shortage:**
 - Lower revenue due to lack of components
 - Lower manufacturing efficiency



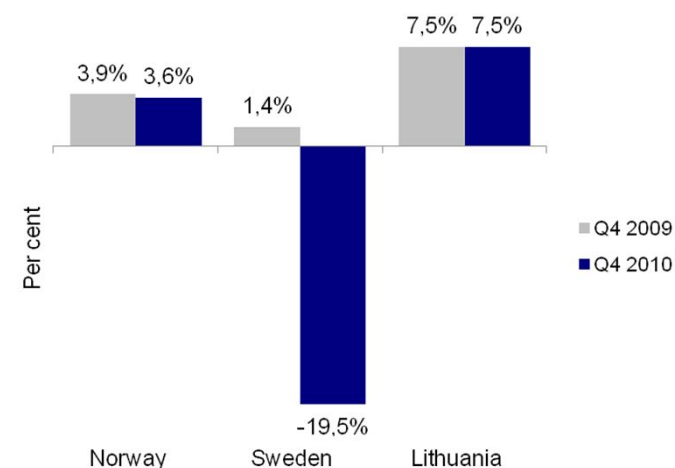
Profit by country

- **Mixed performance**
 - Norway relatively stable while Lithuania show a positive development based on increased turnover cost base focus.
 - Kitron AB in Karlskoga reported a total loss of NOK 30 million in the quarter whereof Nok 27 million is provisions.
 - Kitron Microelectronics AB in Jönköping continues the positive trend and delivered a solid profit in Q4.

Operating profit by country *



Operating margin by country

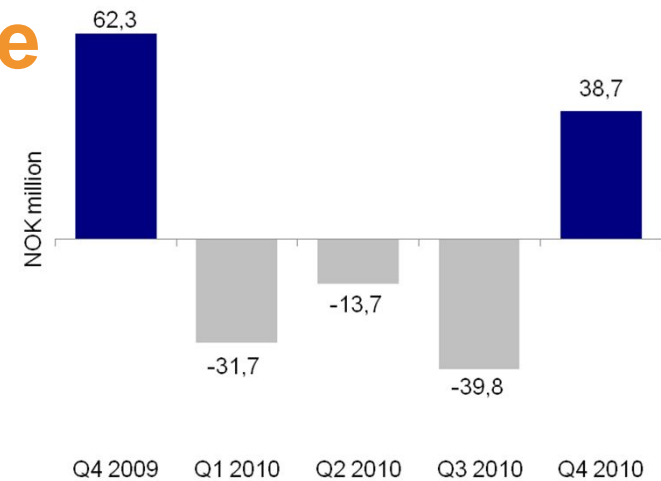


* Before group entities and eliminations

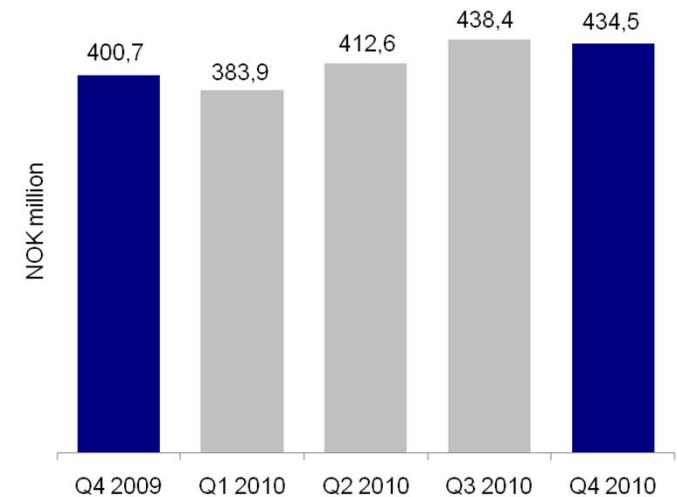
Strong cash flow performance

- Cash flow reached NOK 38.7 million (NOK 62.3 million) and working capital was reduced in the quarter
- Working capital remains at a higher level:
 - Increasing activity level/revenue is driving working capital needs
 - Lack of components requires higher safety stock/inventory and lead to higher work in progress

Operating cash flow Group

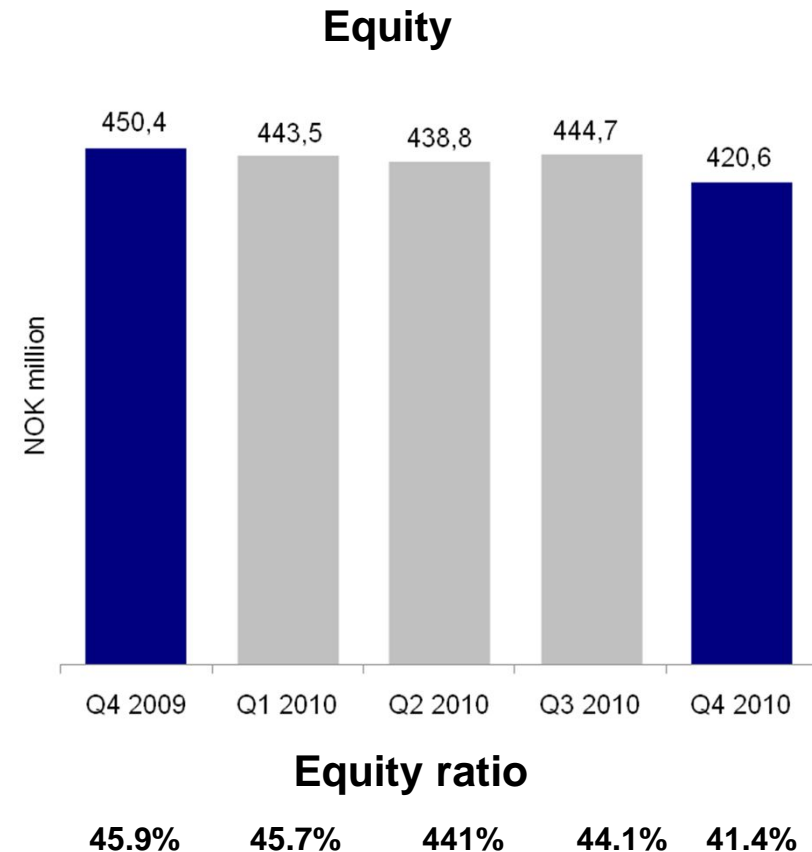


Net working capital Group

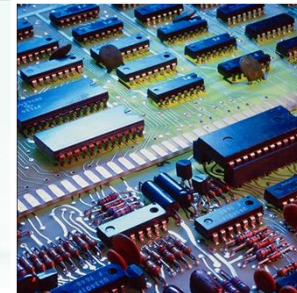


Equity remains at a solid level

- Equity of NOK 420.6 million (450.4) and equity ratio of 41.4% (45.9%)
- Loss due to restructuring had a negative effect in Q4
- Still among the strongest in the EMS industry



Market development



Challenging markets, but positive signs

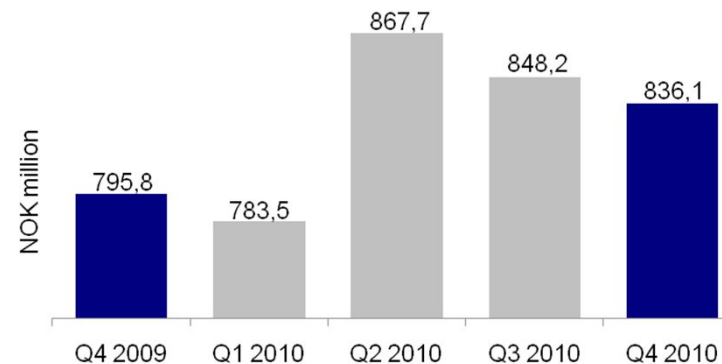
- **Data/Telecoms – loss of major account but new customers emerging**
- **Defence – stable in 2010 but outlook remains promising**
- **Industry – firm recovery based on development in Swedish market**
- **Medical – growth trend continues**
- **Offshore – at a low point but rebound has started**

Healthy order backlog

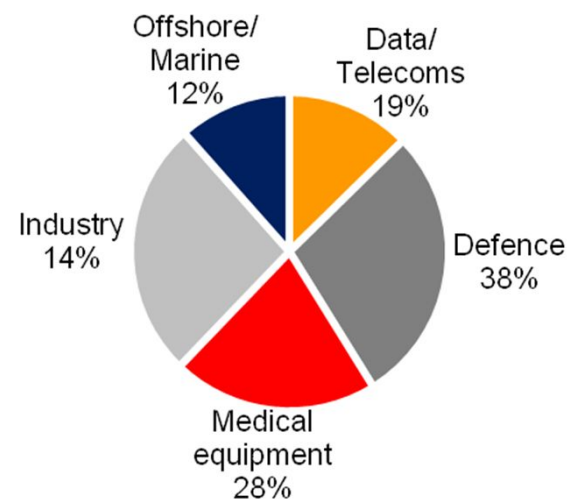
- Order backlog at NOK 836.1 million (NOK 795.8 million)
- Positive backlog development in the Medical equipment and Industry segments
- Replacing loss of Data/Telecoms client is progressing
- Significant drop in Offshore – recovery in 2011 started

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

Order backlog Group



Order backlog Segment



Expanding market coverage

Update on establishment of new entities

– overall implementation on track:

- German operation fully integrated and operational
 - Strong market interest
- China factory operational
 - Strong interest from customers
 - Small volume production started
 - SMT line to be operational in Q2
- US establishment according to plan
 - Certification process ongoing
 - Volume manufacturing to start in Q2

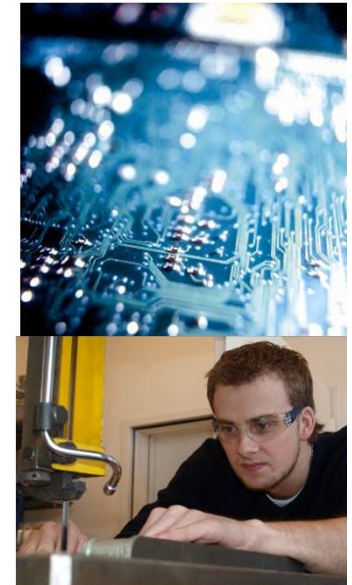
Your ambition. Our passion.  **Kitron**



Outlook

Outlook

- **Market recovery expected to continue at a slow rate,**
- **Continued focus on operational improvements (supply chain management, ERP, indirect cost etc.)**
- **Operational adjustments in Sweden will contribute to improved profitability**
- **Sales from new units (US and China) expected to contribute from Q3 and onwards**
- **Overall higher revenue and profitability expected in 2011 compared with 2010**



Thank you!

Your ambition. Our passion.  **Kitron**