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Q1 results 2011

28 April 2011

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Profitability recovering

Financial highlights

- **Order backlog increased by 4.3% vs Q1 2010**
- **Activity level recovering, revenue up by 4.5% vs Q1 2010**
- **Operating profit improved to NOK 11.1 million and operating margin was 2.6%**
- **Working capital increased due to component situation and higher activity level**

Component situation still challenging

Operational highlights

- **Component situation leading to pressure on delivery precision and manufacturing efficiency across all operations**
- **Restructuring plan for Kitron Sweden finalized**
- **Establishment of new entities in USA and China on track but transfer schedule and start up is challenging**
- **Several smaller contracts secured in Germany**

Restructuring of Kitron Sweden

- **Decission taken to restructure 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
- **Current status:**
  - Negotiation with labour unions completed – downsizing by about 30% to 66 empl.
  - Transfer plan agreed
  - Merger of Swedish operation scheduled in Q2
  - Full financial impact of restructuring was booked in the 2010 accounts

Major new orders in Q1

- **LOI with Energy/Telecoms customer worth NOK 400 million**
  - Including deliveries until the end of 2014 given competitive pricing
- **New five year manufacturing agreement with Kongsberg**
  - Deliveries of electronics to the NSM (Naval Strike Missile) – first delivery in 2012 amounting to NOK 15 million.
  - LOI to co-operate in the first phase of the manufacturing of the Joint Strike Missile
- **New Medical equipment orders of about NOK 35 million**
- **Offshore orders of about NOK 180 million** (Reported in Q4 2009 presentation)
  - Deliveries in 2011 at NOK 32 million
  - Estimated total deliveries in 2012 are about NOK 148 million

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Financial statements Q1 2011

Positive revenue development

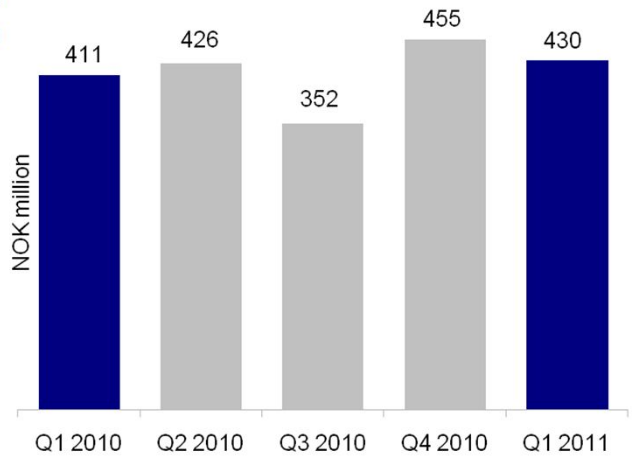
- **Revenue at NOK 430 million, a growth of 4.5% vs Q1 2010**
- **Q1 change by market segment:**

Q1 2011 vs Q1 2010

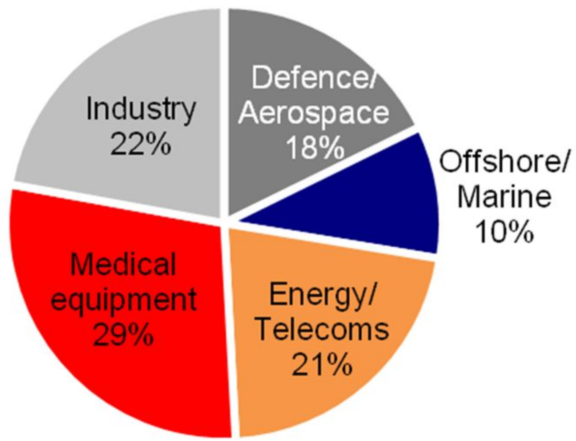
Energy/Telecoms	-18.1%
Defence/Aerospace	-4.8%
Industry	41.3%
Medical equipment	2.2%
Offshore/Marine	42.2%

- ➢ Energy/Telecoms declines due to phase out of a specific customer
- ➢ Short term dip in Defence/Aerospace
- ➢ Strong development in Industry segment particularly due to recovery in Sweden
- ➢ Mixed trend in Medical equipment
- ➢ Offshore activity increasing with growth in oil price

Revenue Group



Revenue by market segment
Total revenue NOK 430 million

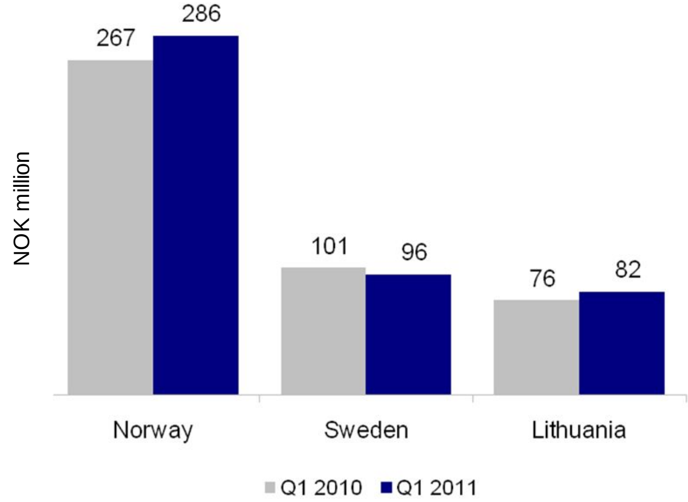


Revenue by country

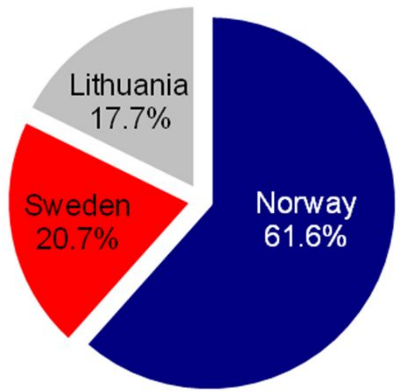
Mixed trend:

- Norway 7.2% higher – Growth driven by strong trend in Industry and Offshore, Medical Equipment while Energy / Telecoms is lower
- Sweden 5.2% lower – Downturn related to Medical Equipment while other segments show growth
- Lithuania 9% higher – Strong development across the business

Revenue by country *



Revenue by country
Total revenue NOK 430 million

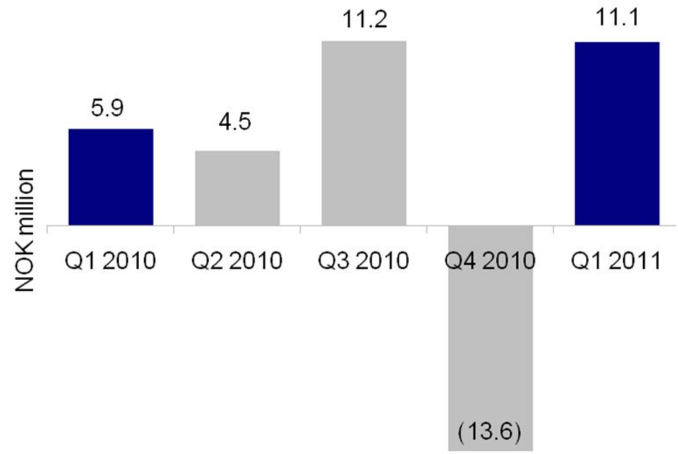


* Before group entities and eliminations

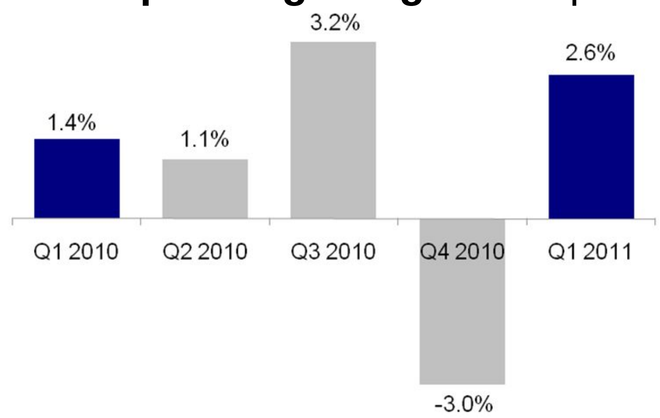
Higher profit as markets recover

- **Operating profit NOK 11.1 million (NOK 5.9 million)**
- **Operating margin was 2.6%**
- **Improved profitability driven by the recovering top line and stronger contribution margin**
- **Several factors affect profitability:**
  - Component shortage continue to have negative impact on revenue and manufacturing efficiency
  - New manufacturing units generate negative result during start up phase

Operating profit Group



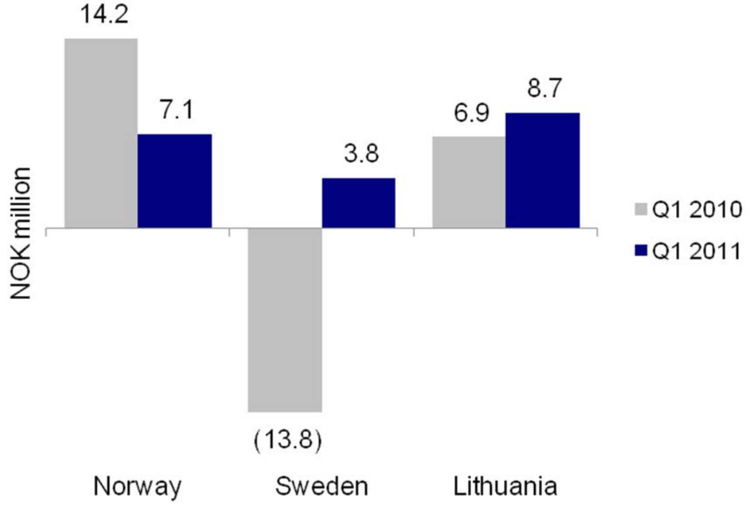
Operating margin Group



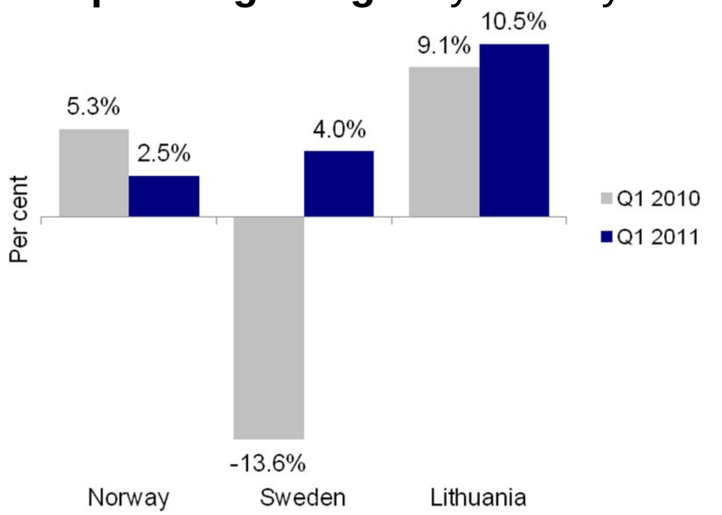
Profit by country

- **Performance improving**
  - Q1 2010 profit in Norway boosted by NOK 10 million pension adjustment.
  - Swedish operation turned around to profitability following restructuring
  - Operating margin in Lithuania above 10%
  - New manufacturing units (CN, US and GE) booked a loss of about NOK 6.5 million for Q1 in line with start up plans.

Operating profit by country *



Operating margin by country

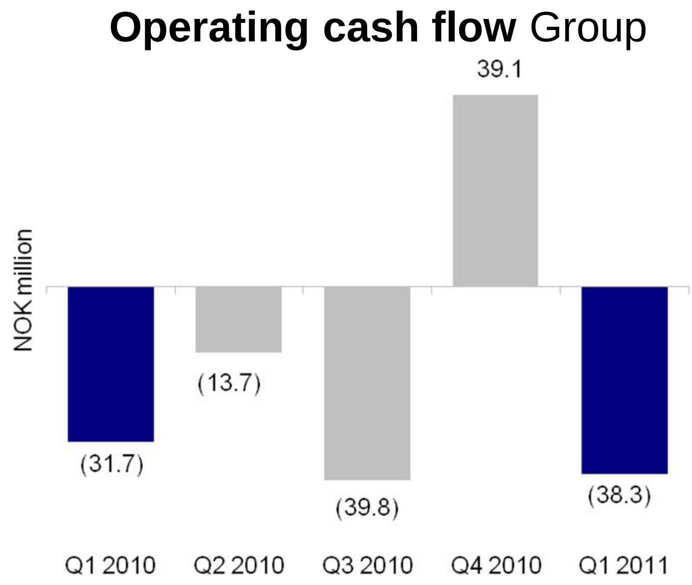


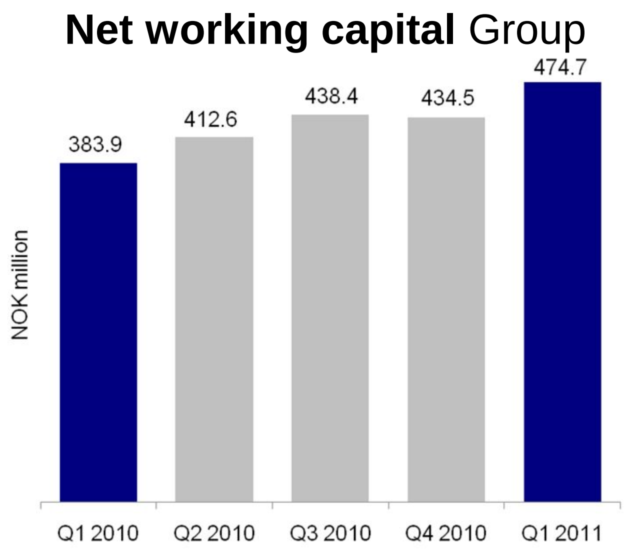
* Before group entities and eliminations

Working capital increasing

- **Cash flow was negative by NOK 38.3 million (negative NOK 31.7 million) mainly due to working capital build up**

- **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

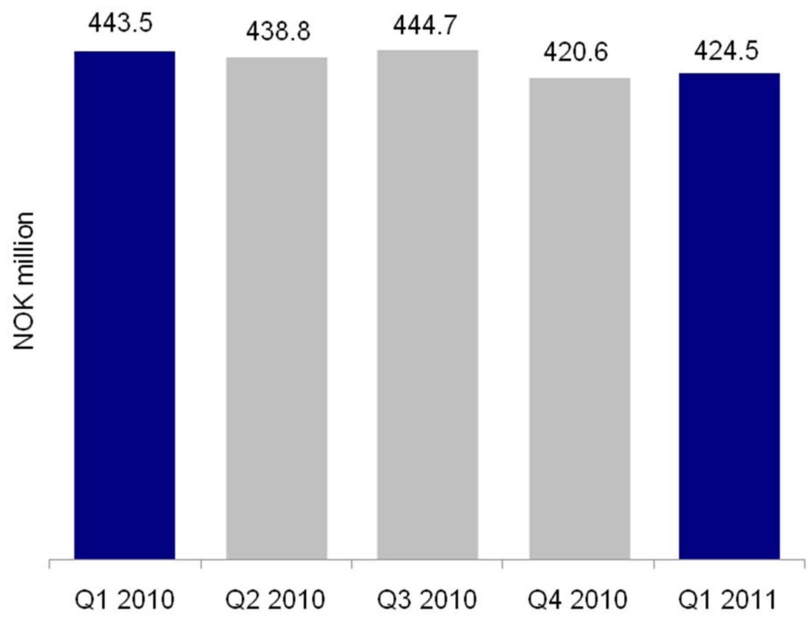




Comfortable level of equity

- **Equity of NOK 424.5 million (443.5 million) and equity ratio of 40.6% (45.7%)**
- **Still among the strongest in the EMS industry**

Equity



Equity ratio

45.7%	44.1%	44.1%	41.4%	40.6%

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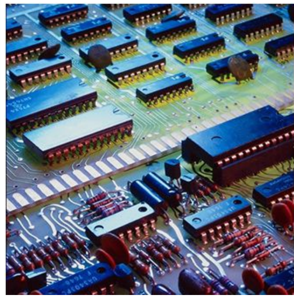
Market development


Market recovering

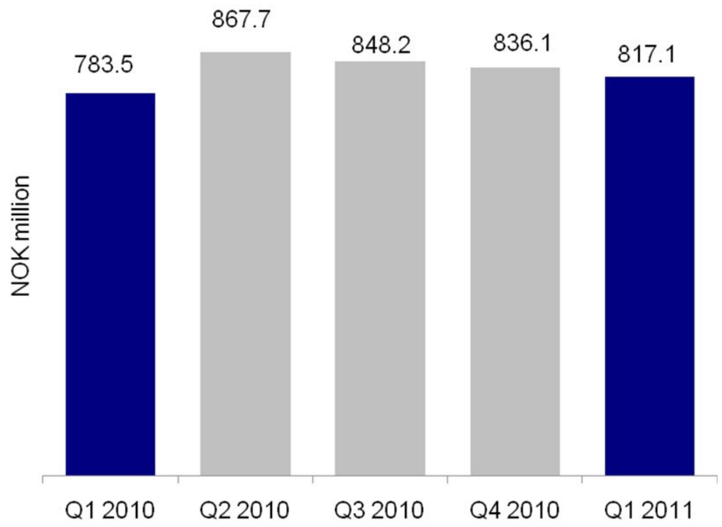
- **Defence/Aerospace – longer term outlook remains promising but lower demand in the short term (2011)**
- **Energy/Telecoms – loss of major account with effect from Q2 2011, partly offset by strong demand from other customers**
- **Industry – firm recovery based on development in Swedish market**
- **Medical equipment – mixed trend by customer but overall segment fundamentals remains positive**
- **Offshore/Marine – rebound under way following higher oil prices**

Order backlog trend

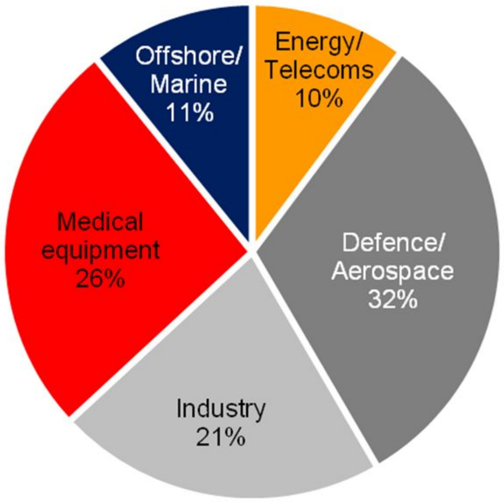
- **Order backlog at NOK 817.1 million (NOK 783.5 million)**
- **High order backlog in Q2-Q4 2010 reflect long lead time orders**
- **Backlog in Energy/Telecoms lower due to loss of major account**
- **Overall positive development in other segments**

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

Order backlog Group



Order backlog Segment



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Expanding market coverage

Update on establishment of new entities
– overall implementation on track:

- German operation fully integrated and operational
  - Several orders booked in Q1
- China factory operational
  - Small volume production started
  - SMT line to be operational in Q3
- US establishment in progress
  - Certification process ongoing
  - Volume manufacturing to start in Q2

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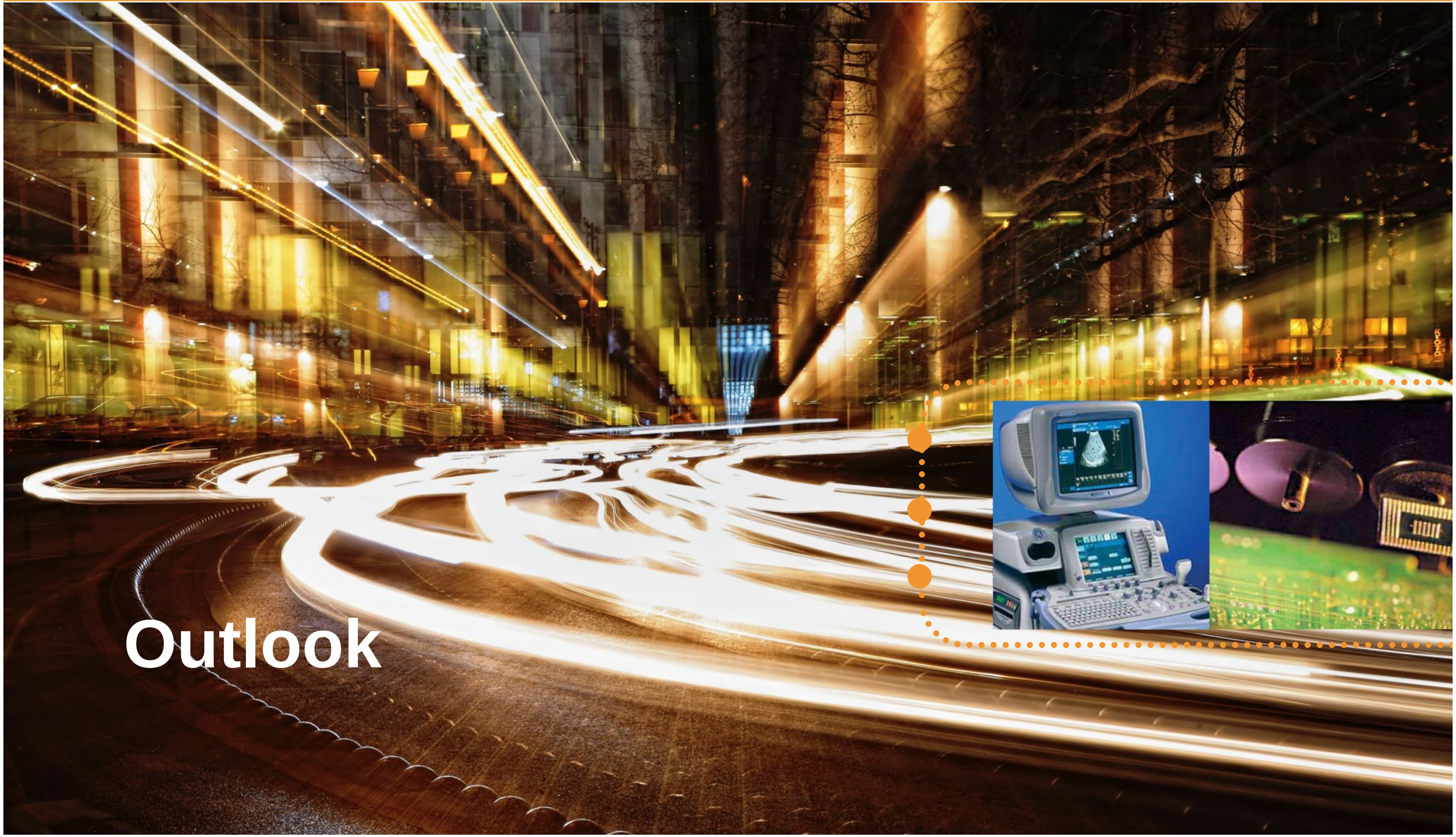
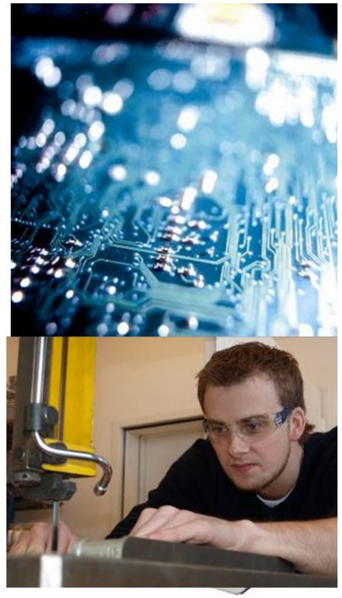


Outlook

Outlook

- **Market recovery expected to continue**
- **Component shortage holding back growth**
- **Continued focus on operational improvements (supply chain management, ERP, indirect cost etc.)**
- **Restructure Swedish operations throughout 2011**
  - Financial impact booked in 2010
- **Establishment of new units (USA, China and Germany) ongoing**
- **Revenue expected to be in line with 2010 but profitability is expected to improve**

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