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Q2 results 2011

21 July 2011

Jørgen Bredesen, CEO

Björn Wigström, CFO

Positive profitability trend

Financial highlights for Q2

- Increase in activity level, revenue up by 1.2% vs Q2 2010. Strong recovery in Offshore / Marine
- Operating profit (EBIT) improved to NOK 13.8 million, mainly due to improved results in the Swedish operation
- Order backlog down by 10% from Q2 2010, due to shorter order lead
- Improved cash flow due to positive working capital changes.

Operational highlights

- **Global expansion progressing as planned**
  - USA factory officially opened in Q2 2011
  - Factory in China will open as planned in Q3 2011
- **Strategy for Germany starting to show results. Several smaller contracts with growth potential secured**
- **Supporting start up activities a major undertaking in the second quarter**
- **Kitron Sweden show sound performance following restructuring and a positive development within the industrial sector**
- **Component market heading towards normalization**

Strategic co-operation between Prevas and Kitron concluded

- **Prevas is a leading Scandinavian product development company**
- **The two companies are complementary in scope, but similar in market philosophy**
- **Kitron and Prevas offer market leading support throughout the customer's entire value chain**
- **Assist the customer to think product life cycle**
  - Using a joint Component Information System (CIS) help standardizing and optimizing the products and cost structures

Major new orders in Q2

- **Kongsberg Defence Corporation – Crows II contract (value app NOK 17 million)**
  - Work will be performed in Kitron's new manufacturing facility in Johnstown, Pennsylvania
- **Lockheed Martin – F35 integrated backplane (value app NOK 22.5 million)**
  - Delivery starts second half of 2011 and ends first half of 2013
- **Defence/Aerospace customer – Three year supply agreement (value app NOK 300 million)**
  - Extension of existing business relationship
- **Medical customer – Supply agreement until the end of 2012 (value between NOK 350 and 400 million)**

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Financial statements Q2 2011

Positive revenue development

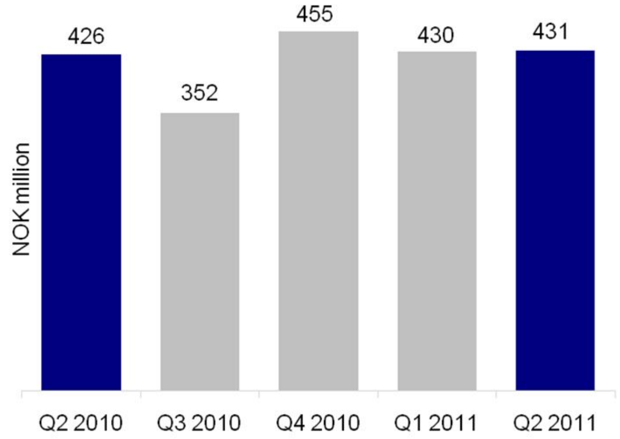
- **Revenue at NOK 431 million, a growth of 1.2% vs Q2 2010**
- **Q2 change by market segment:**

Q2 2011 vs Q2 2010

Energy/Telecoms	-44.1%
Defence/Aerospace	-5.0%
Industry	39.3%
Medical equipment	-2.9%
Offshore/Marine	165.5%

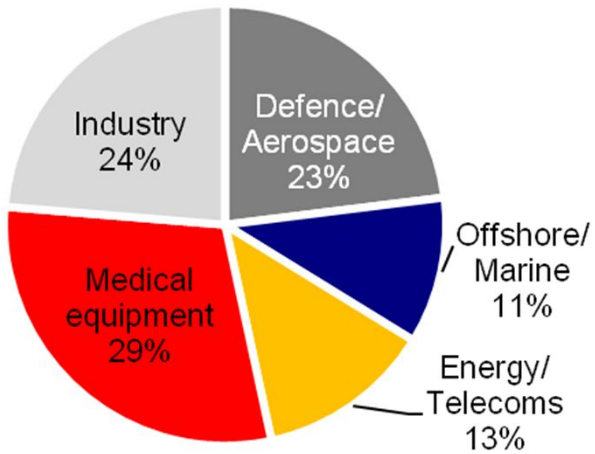
- Energy/Telecoms declines due to phase out of one customer account, partly compensated by strong trend with other accounts.
- Defence/Aerospace lower due to weak demand in the short term
- Industry segment boosted by recovery in the Swedish industrial sector
- Mixed trend in Medical equipment
- Offshore/Marine – recovery in demand from existing customers

Revenue Group



Revenue by market segment

Total revenue NOK 431 million

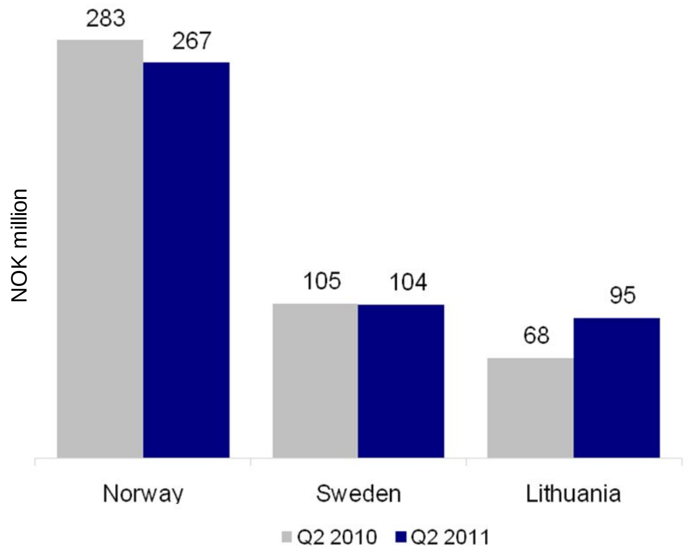


Revenue by country

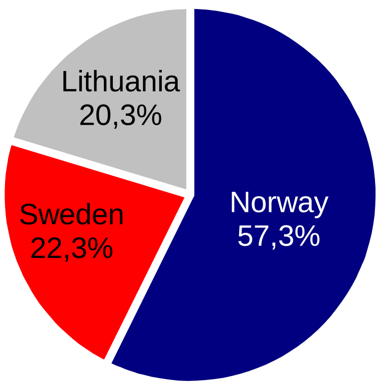
Mixed trend:

- Norway 5.4% lower – Lower sales in Energy/Telecoms partly compensated by strong development in Offshore/Marine and Industry
- Swedish operation show flat revenue development – Strong demand in Industry offset by lower sales within Medical.
- Lithuania 39.8% higher – Strong development in sales to the Swedish industrial sector.
- Only minor revenue contribution from start up entities.

Revenue by country *



Revenue by country
Total revenue NOK 431 million

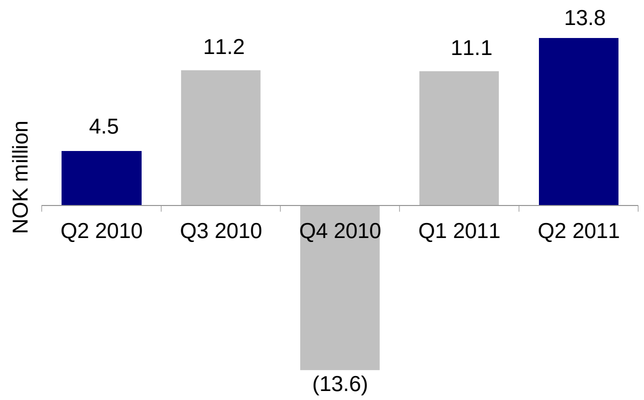


* Before group entities and eliminations

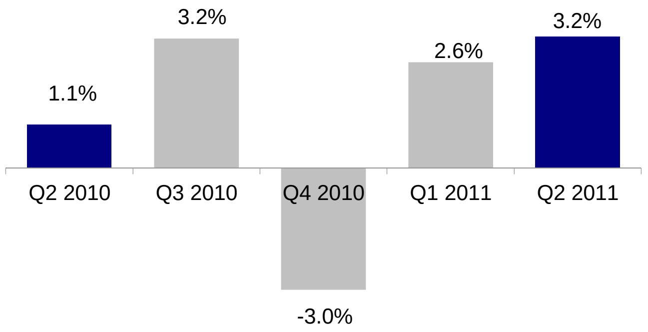
Profitability continue to recover

- **Operating profit NOK 13.8 million (NOK 9.3 million) and the operating margin was 3.2%**
- **Operating margin improvement mainly driven by restructuring in Sweden**
- **Important to consider that Kitron invested significant resources in start up activities**
  - Adjusting for start up activities the result would have been NOK 14 million higher in Q1 – Q2 2011.

Operating profit Group



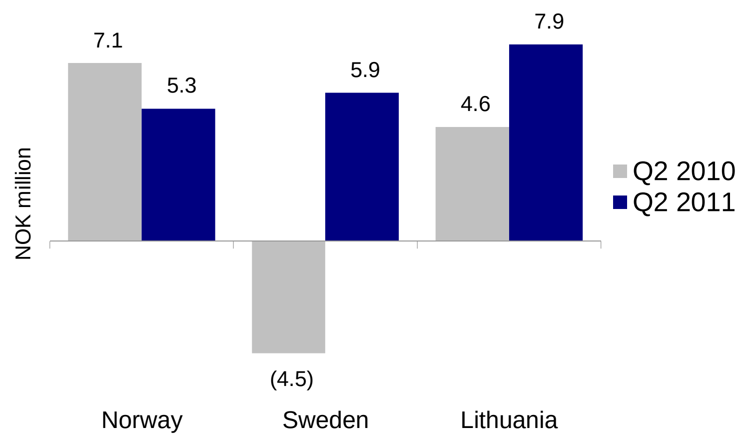
Operating margin Group



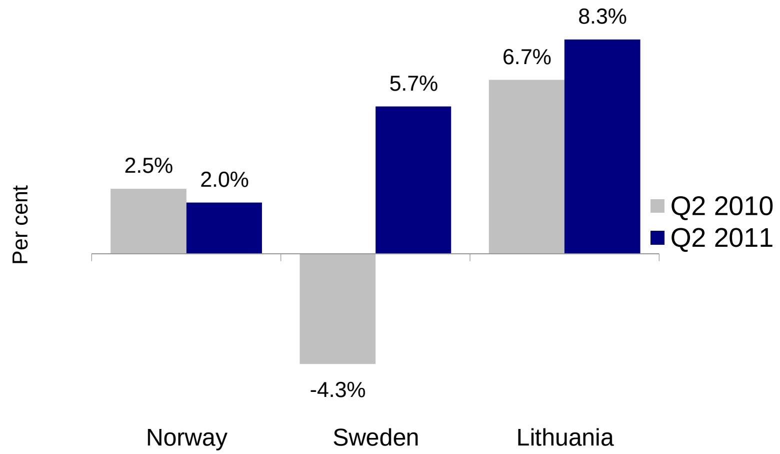
Profit by country

- **Performance improving**
  - Profitability in Norway somewhat down due to lower sales.
  - Turnaround of Sweden from loss to profit following restructuring.
  - Lithuania show a solid and stable improvement in profitability.
  - Start up activities NOK 6.5 million negative in the quarter.

Operating profit by country *



Operating margin by country



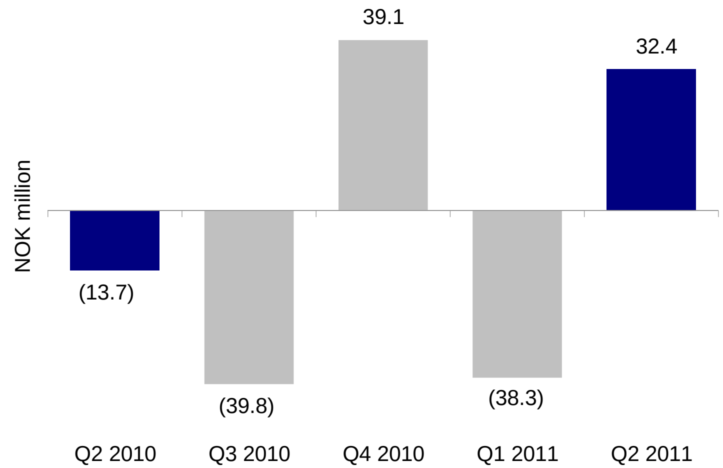
* Before group entities and eliminations

Working capital lower

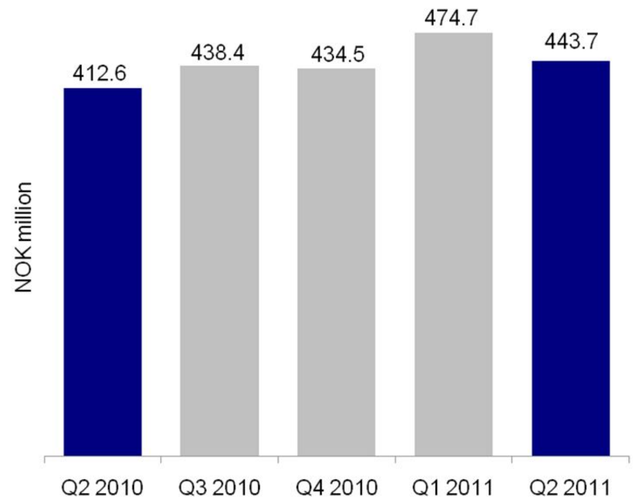
- **Cash flow was positive by NOK 32.4 million (negative NOK 13.7 million) following a reduction in working capital**

- **Inventory levels lower as component market is normalizing. This is partly offset by inventory build up in start up entities**

Operating cash flow Group



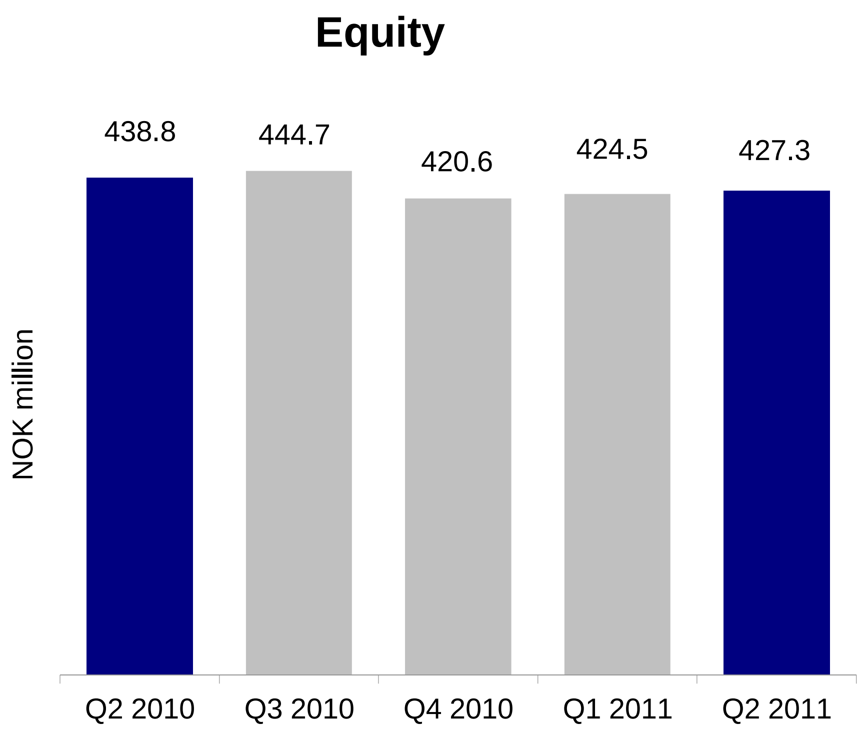
Net working capital Group



Comfortable level of equity

- **Equity of NOK 427.3 million (438.8 million) and equity ratio of 42.1% (44.1%)**

- **Still among the strongest in the EMS industry**



Equity ratio

Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
44.1%	44.1%	41.4%	40.6%	42.1%

Market development

Market development

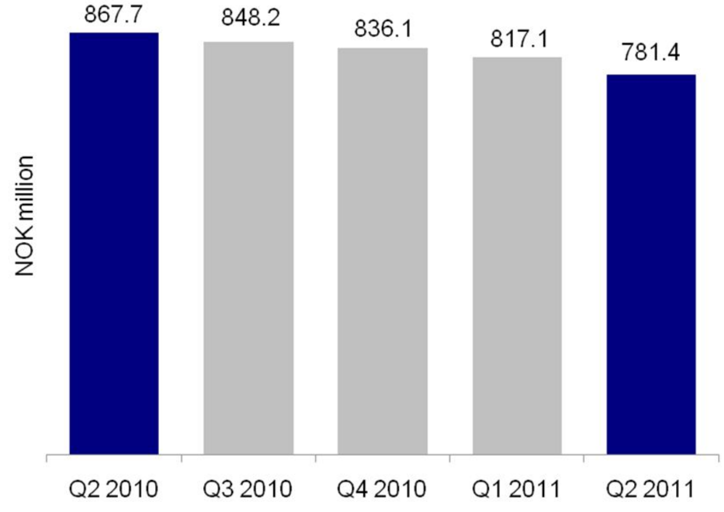
- **Energy/Telecoms – at lower level but with a strong trend in several accounts.**
- **Defence/Aerospace – longer term outlook remains promising but lower demand in the short term (2011)**
- **Industry – positive trend expected to continue**
- **Medical equipment – mixed trend by account but overall segment fundamentals remains positive**
- **Offshore/Marine – recovery confirmed in Q2 and outlook remains positive**

Order backlog trend

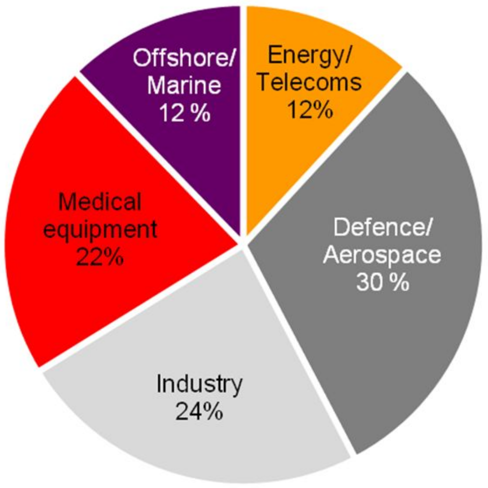
- **Order backlog at NOK 781.4 million, which is 10% lower than Q2 2010**
- **Reduction in order lead time due to normalization of the component market**
- **Short term lower demand from Norwegian defence customers**
- **Several long term agreements signed but not yet booked in the backlog – long term revenue visibility improved**
- **First orders in Germany – small in size but with long term potential**

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

Order backlog Group



Order backlog Segment



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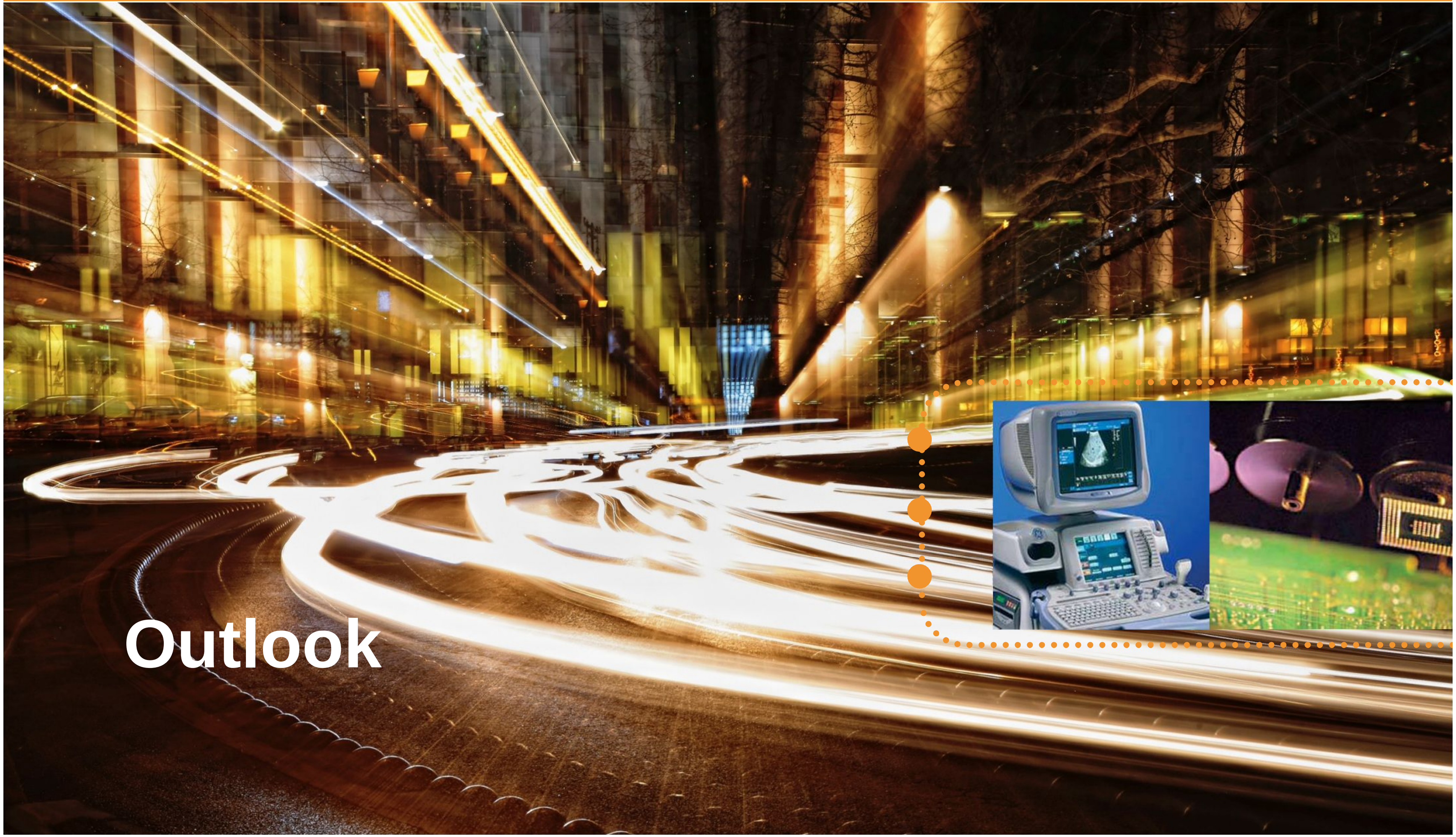
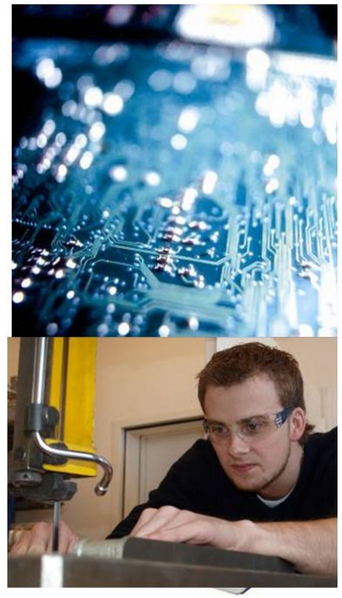


Outlook

Outlook

- Stable development in revenue expected in 2011, compared to 2010
- Development in the world economy may affect demand for Kitron's services
- Component market normalizing
- Establishment of new units (USA, China and Germany) on going.
- Continued focus on operational improvements (supply chain management, ERP, indirect cost etc.)
- Restructuring in Sweden is expected to have a positive influence on profitability compared to 2010

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