

Interim report Q2 2007

Kitron ASA



16 August 2007
Jørgen Bredesen, CEO
Erling Svela, CFO





Strong growth – increasing capacity

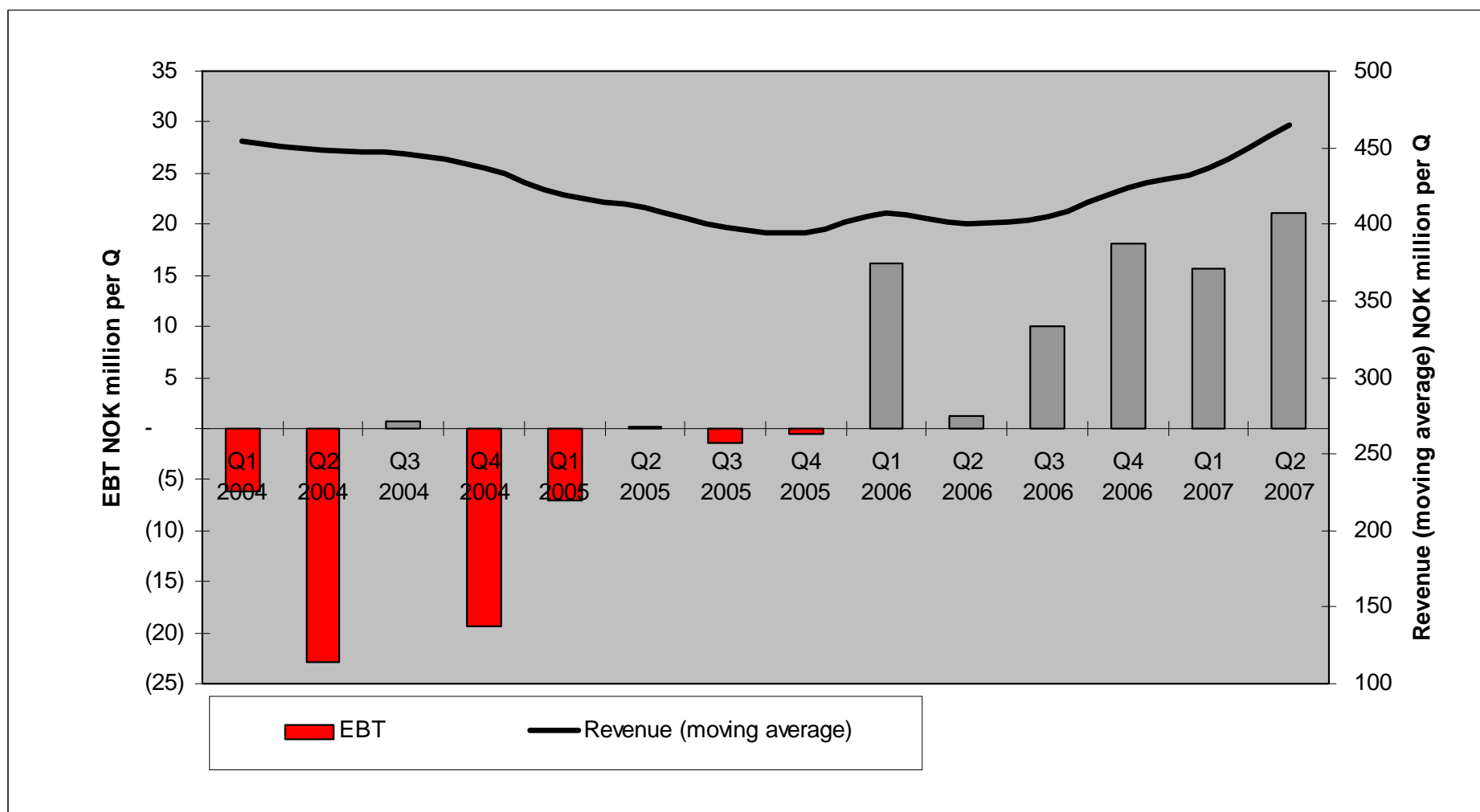
- **Strong revenue growth of 29%**
- **Improved profitability**
- **NOK 53.4 million positive cash flow from operations**
 - Profit and reduced inventory
- **Order intake stable**
- **Revenue growth exceeds market growth**
 - Gaining market share
 - Growing more than peer group
- **Investment in capacity increases**
 - Equipment NOK 25 million in first half
 - EDC acquisition





Turnaround to profitable growth

- Moving average revenue per quarter, quarterly EBT





Events in Q2

Announced orders

- Kitron Microelectronics automotive order in UK: NOK 35 million over three years
- Kitron AS order from Kongsberg Defence & Aerospace (Defence Communication); Military Radio Link (RL) and other communication products: NOK 35 million
- Kitron Microelectronics: Strategic partnership agreement with a Swedish customer. Expects deliveries of about NOK 150 million during 2007-2008

Structural changes

- Kitron acquired EDC Elsis UAB in Kaunas, Lithuania
- Kitron Flen manufacturing to be relocated to Karlskoga and Jönköping, Sweden, and Kaunas, Lithuania

Interim financial statements Q2 2007





Improved operating result

- **Revenue grew 29%, to MNOK 510.5 (MNOK 395.2)**
- **Reduced gross margin 39.1% (40.7%)**
 - Up from 37.7% in first quarter 2007
 - Variations caused by product mix changes
- **EBITDA strongly improved, to MNOK 34.3 (MNOK 12.6)**
- **EBIT MNOK 26.4 (MNOK 5.7)**
- **Net financial costs MNOK 5.3 (MNOK 4.6)**
- **Profit before tax MNOK 21.1 (MNOK 1.1)**





Profit/(loss) statement Q2 2007

(Figures in NOK 1 000)

	Q2 2007	Q2 2006	30.06.2007	30.06.2006	31.12.2006
Revenue	510 529	395 240	996 220	828 353	1 693 559
Cost of materials	311 042	234 551	613 494	495 362	1 015 739
Gross profit margin	39.1%	40.7%	38.4%	40.2%	40.0%
Payroll expenses	134 045	120 206	260 219	237 864	466 043
Other operational expenses	31 138	27 847	59 343	55 435	117 942
Operating profit before depreciation and impairments (EBITDA)	34 304	12 636	63 164	39 692	93 835
Depreciation and impairments	7 907	6 923	15 366	13 390	29 387
Operating profit (EBIT)	26 397	5 713	47 798	26 302	64 448
Net financial items	(5 314)	(4 568)	(11 022)	(9 040)	(19 009)
Profit before tax	21 083	1 145	36 776	17 262	45 439
Tax	1 349	661	2 248	912	3 763
Profit after tax	19 734	484	34 528	16 350	41 676
Earnings per share	0.11	0.00	0.20	0.09	0.24
Diluted earnings per share	0.11	0.00	0.20	0.09	0.24



Higher activity level reflected in the balance sheet

- **Total balance sheet MNOK 913.9** (MNOK 668.5)
 - Reflecting higher activity level
 - Conventional factoring scheme implemented in Q4 2006 adds receivables and debt
- **Inventory reduced to MNOK 272.2** (MNOK 282.2)
- **Available liquidity MNOK 89.5** (MNOK 42.5)
- **Equity MNOK 217.0** (MNOK 157.3)
 - Equity ratio 23.7% (23.5%)



Assets

(Figures in NOK 1 000)

	30.06.2007	30.06.2006	31.12.2006
Goodwill	19 123	19 123	19 123
Tangible fixed assets	133 677	122 024	123 523
Investment in shares	41	190	41
Deferred tax assets	20 000	20 000	20 000
Other receivables	2 111	3 043	2 920
Total fixed assets	174 952	164 380	165 607
Inventory	272 193	282 161	282 891
Accounts receivable and other receivables	419 734	171 523	410 768
Cash and cash equivalents	47 066	50 411	98 264
Total current assets	738 992	504 095	791 923
Total assets	913 943	668 475	957 530

- Inventory decreased, achieving 7.3 inventory turns
- Trade debtors and other receivables reflecting conventional factoring
- Cash and bank stable, reduced overdraft, available liquidity increased
- Deferred tax assets retained at MNOK 20.0 (MNOK 20.0)



Equity and liabilities

(Figures in NOK 1 000)

	30.06.2007	30.06.2006	31.12.2006
Equity	217 054	157 322	185 699
Total equity	217 054	157 322	185 699
Loans	34 646	35 314	31 011
Pension commitments	22 647	22 293	23 007
Other provisions	3 812	12 104	7 160
Total long-term liabilities	61 104	69 711	61 178
Accounts payable and other current liabilities	360 132	332 152	383 621
Loans	273 445	100 295	324 399
Other provisions	2 209	8 995	2 633
Total current liabilities	635 785	441 442	710 653
Total liabilities and equity	913 943	668 475	957 530

Sold receivables as at 30.06.2006 amounted to NOK 172.2 million

- **Equity has increased by MNOK 59.7 because of profitable operations**
- **Equity ratio stable at 23.7% (23.5%) because balance sheet has been inflated by conventional factoring scheme implemented in Q4 2006**
- **Interest-bearing debt has grown to MNOK 308.1 (MNOK 135.6), for the same reason**



Cash flow

(Figures in NOK 1 000)

	Q2 2007	Q2 2006	30.06.2007	30.06.2006	31.12.2006
Net cash flow from operational activities	53 384	(10 987)	(15 252)	(84 866)	9 642
Net cash flow from investment activities	(15 347)	(25 766)	(25 520)	(27 921)	(45 415)
Net cash flow from financing activities	3 273	(7 989)	(2 012)	(10 413)	(11 827)
Change in cash and bank credit	41 310	(44 742)	(42 784)	(123 200)	(47 601)
Cash and bank credit opening balance	(78 888)	(25 651)	5 206	52 807	52 807
Cash and bank credit closing balance	(37 578)	(70 393)	(37 578)	(70 393)	5 206

- **Positive cash flow from operational activities due to profit and reduced inventory**
- **Replacement and upgrade investments continue at a level above depreciation**
- **Available liquidity increased to MNOK 89.5 (MNOK 42.5)**

Market comments





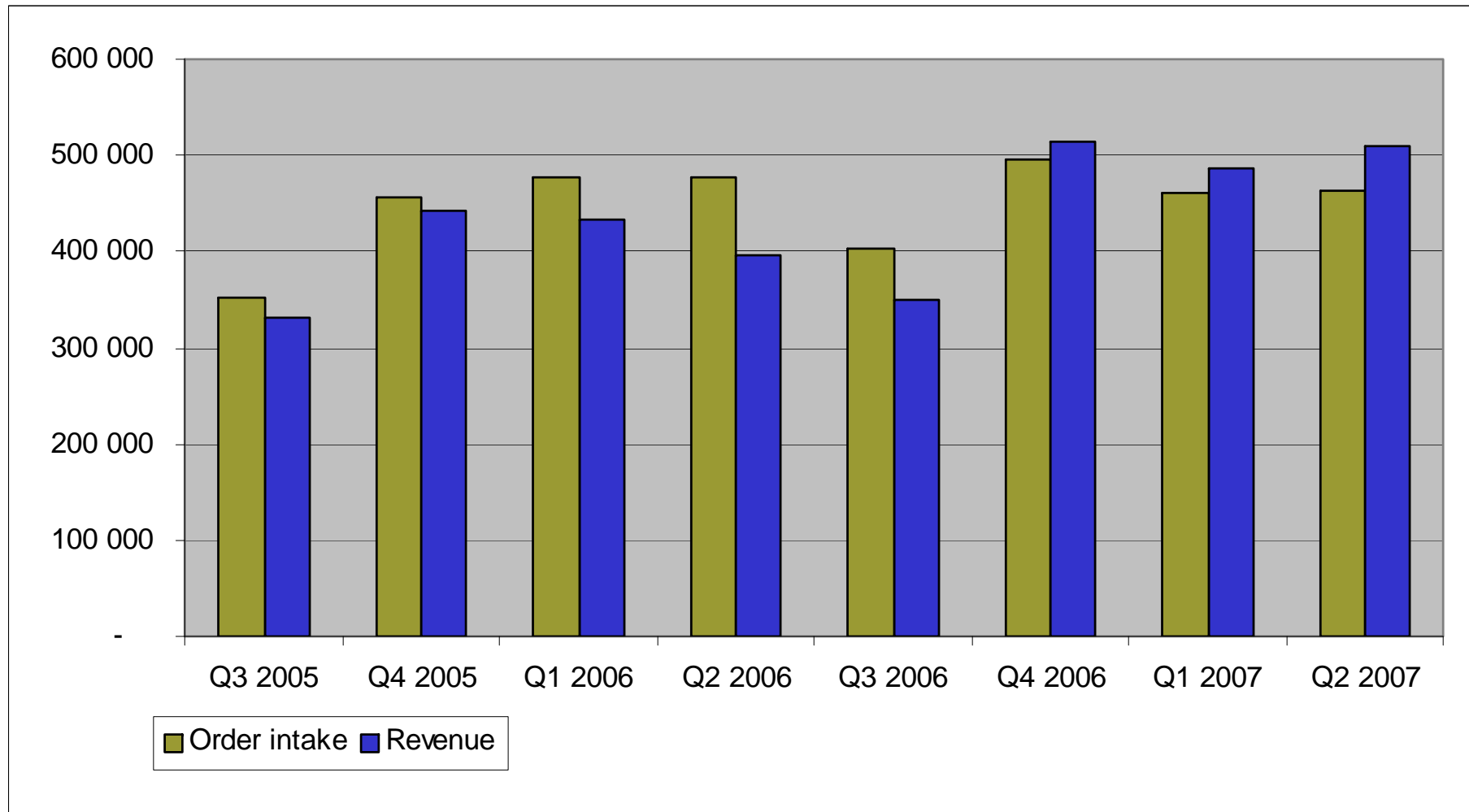
Continued growth

- Increased volume primarily from current customers
- Industrial EMS market grows more than electronics market
- ETP “The Worldwide EMS Market” 4thed 2007 estimates 15 per cent per year until 2011
- Kitron assumes the total relevant market will grow 9-12 per cent
- Kitron has gained market share in Q1 and Q2 2007
 - Kitron grows more than its peers





Manufacturing capacity increased to satisfy order intake

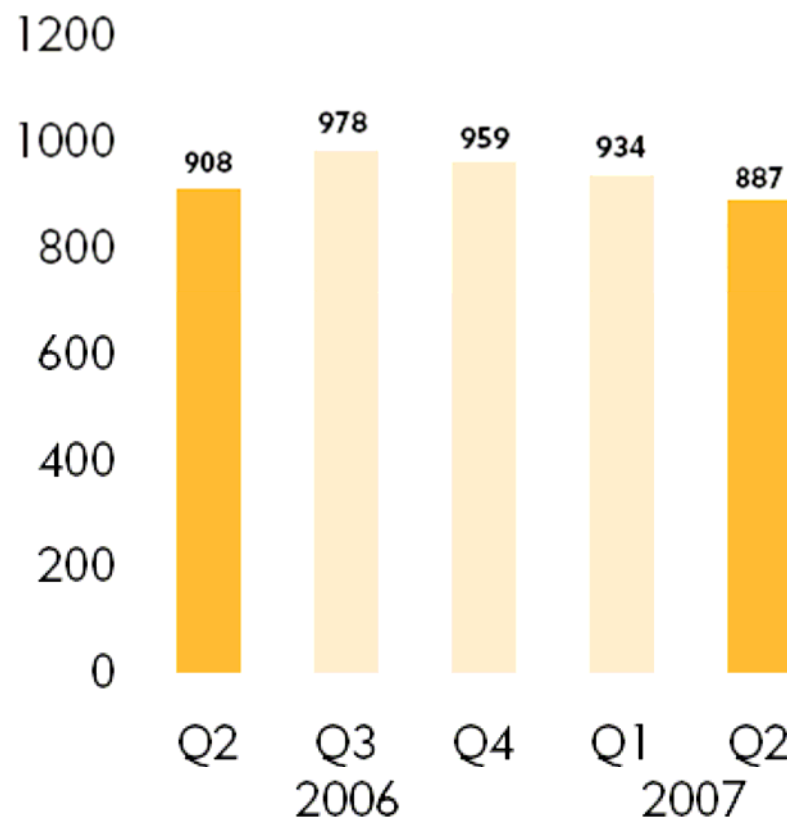




Order backlog remains at about 6 mths' revenue

Backlog per country	30.06.2007	30.06.2006
Norway	663	659
Sweden	195	236
Lithuania (externally)	29	13
Total	887	908

ORDER BACKLOG Group
NOK million





Order backlog per segment

NOK million	Defence/ Marine	Data/ Telecom	Medical equipment	Industry	Total
Kitron AS (EMS)	272.8	93.7	129.4	99.0	594.9
Kitron AB (EMS)	75.0	-	39.6	37.9	152.5
UAB Kitron (EMS)	1.8	9.5	6.5	11.4	29.2
Microelectronics	1.0	77.2	3.4	29.0	110.6
Total	350.6	180.4	178.9	177.3	887.2

■ Order backlog includes

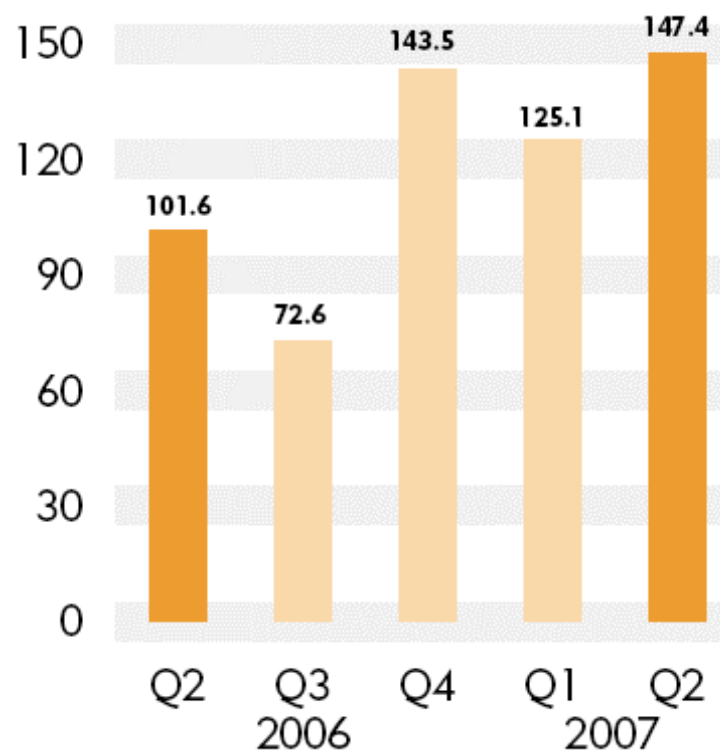
- All firm orders
- Four months' customer forecast



Defence/Marine

- Revenue at higher levels than in 2006
- Expected growth the coming years
- Well positioned for important offset contracts
- Q2: Military Radio Link and other military communications equipment order from Kongsberg Defence and Aerospace, NOK 35 million

REVENUE Defence/Marine
NOK million

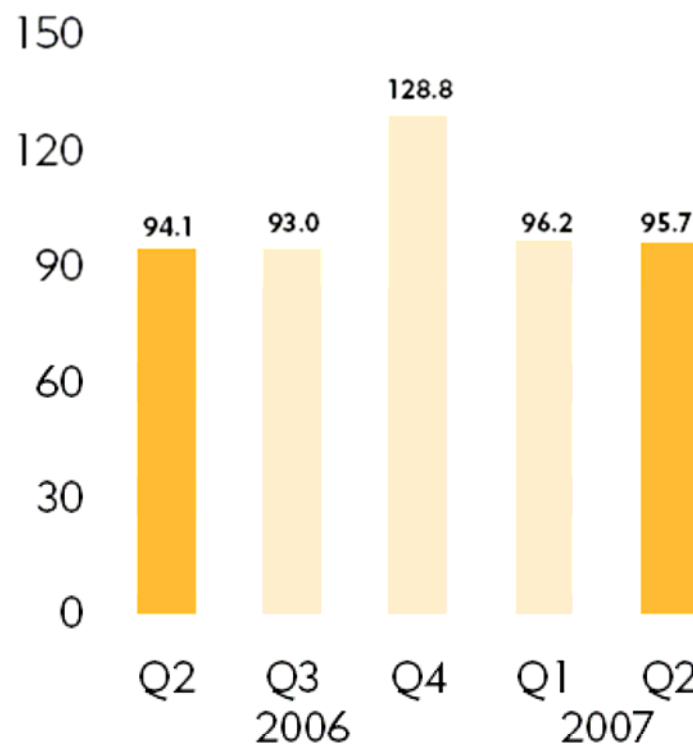




Medical equipment

- **Stable activity**
- **Good profitability in the segment**
- **Orders to assembly line in Horten have been rescheduled**
- **Good prospects for new business**

REVENUE Medical equipment
NOK million

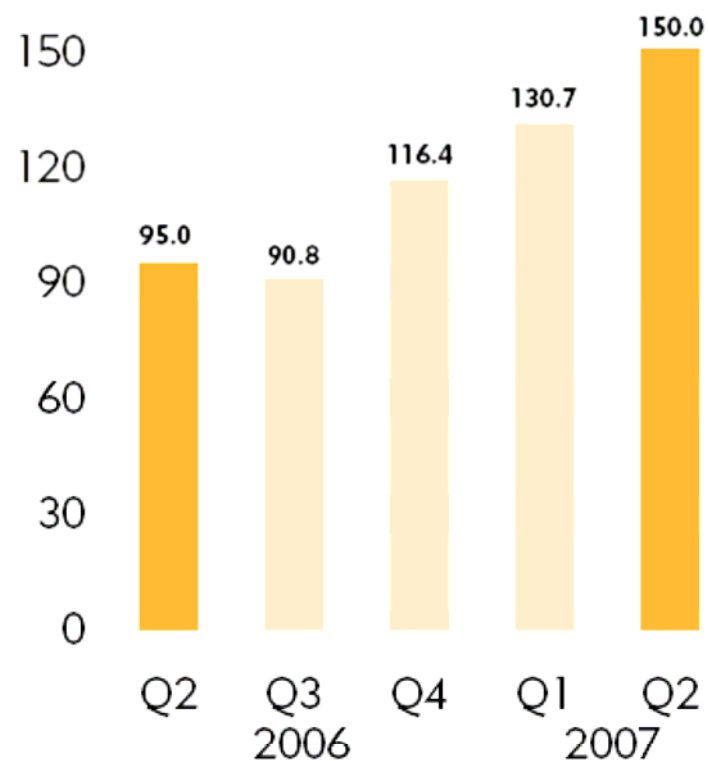




Data/Telecom

- **Strong growth**
- **Kitron demonstrates ability to execute quick and timely deliveries**
- **Microelectronics holds a strong position in the segment**
 - Q2: Received order for more than half a million transponders for a project in continental Europe

REVENUE Data/Telecom
NOK million



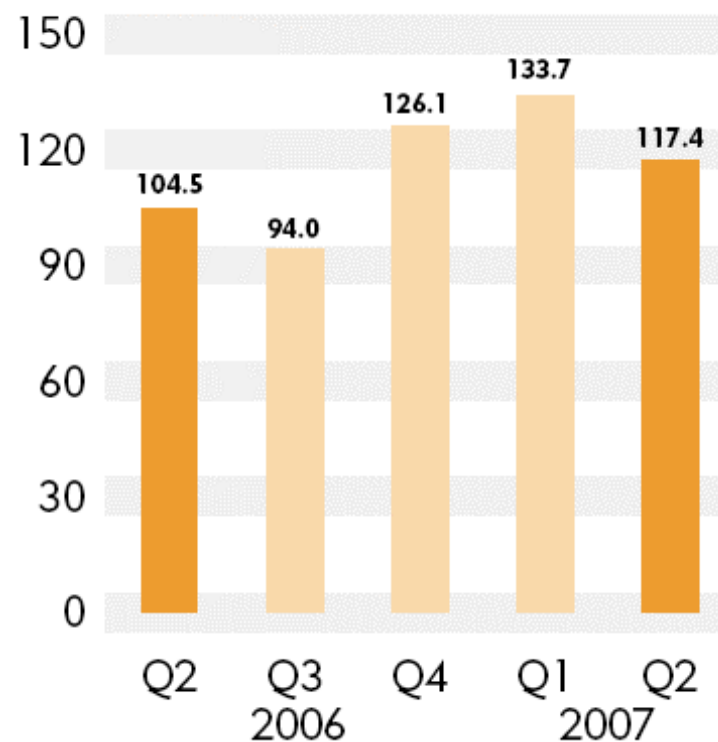


Industry

- **Continuing growth**
- **Increased production on existing products**
- **Kitron is gaining ground in the automotive industry**
- **Growing revenue from major Swedish industrials, interesting prospects for additional business**

REVENUE Industry

NOK million



Outlook





Full speed ahead

- **Market growth expected to last for several years**
- **Strategic intent to grow 15% annually (organic growth)**
 - Substantial potential in Sweden
 - Expanding capacity in Lithuania
 - Position in Norway strengthened
- **Investment in new capacity and equipment upgrades**
- **Continuous attention to efficiency and margin**
- **Sweden is developing in line with plans**
 - Expects profitability on the year as a whole
- **Strong potential in improved sourcing activity**
 - High activity at China office
 - Expects material cost effects by year end





■ Questions?

Kitron - One step ahead

