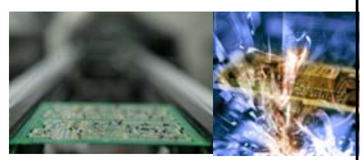
Q2 and H1 results 2009

12 August 2009

Jørgen Bredesen, CEO

Björn Wigström, CFO



Weaker demand - revenue and profit decline

Financial highlights in H1

- Excellent cash flow performance
- Revenue decreased 4.5%
- Operating profit NOK 34.4 million (68.0)
- Strong balance sheet and equity ratio

Financial highlights in Q2

- Positive cash flow trend maintained
- Revenue down 25.4%
- Operating profit NOK 2.9 million (46.7)

Adjusting capacity to lower demand

Operational highlights

- Lower demand and activity level in Q2
- Market showing signs of stabilizing
- Capacity adjustments ongoing. Downsizing with about 270 FTEs in Q2 and 325 FTEs year to date
- Horten site closed
- Continued focus on operational improvements

New business

Major contracts signed

- New orders in the Data / Telecom segment at an annual value of NOK 100 million secured in H1
- New order within Defence at a total contract value of NOK 112 million secured in H1
- Long term Cooperation Agreement with Aidon Ltd. Estimated to yield NOK 120 million per annum from 2010

Sale of Kitron Microelectronics AS

Transaction highlights

- **KM AS sold to local employees and Norbit AS**
- **About 50 employees and NOK 128 million in turnover in 2008 (NOK 30 million in first six months in 2009)**
- **Decision taken to divest as business is not considered core to Kitron**
- **Securing continued operation and employment at Røros**

Financial statements Q2 2009

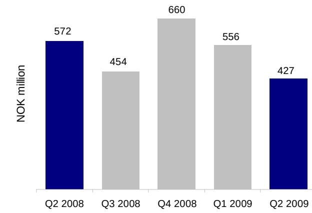
Revenue drop in Q2

- **Revenue in H1 decreased by 4.5%**
- **Revenue in Q2 dropped to NOK 427 million which represents a 25.4% reduction**
- **Strongest decline within the Industry and Offshore segments**
- **Q2 change by market segment:**

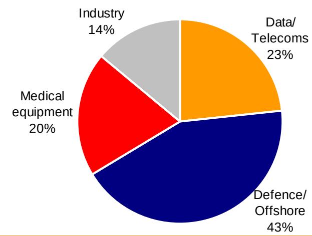
Q2 2009 vs Q2 2008

Data/Telecom	-18.2%
Defence/Offshore	-25.1%
Medical equipment	-4.3%
Industry	-51.0%

Revenue Group



Revenue by market segment
Total revenue NOK 427 million



Revenue by country

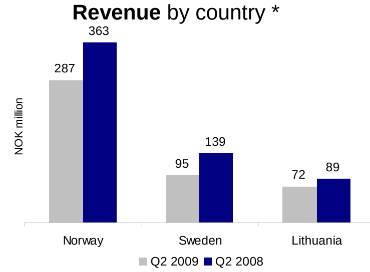
- **Lower revenue across all units**

Revenue change by country, Q2 2009 vs Q2 2008

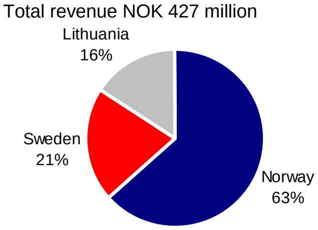
Norway	-20.8%
Sweden	-31.7%
Lithuania	-19.3%

- **Sales to Norwegian market stable while sales to the Swedish market is down by 50%**
- **Transfer of manufacturing to Lithuania is continuing**

Revenue by country *



Revenue by country
Total revenue NOK 427 million

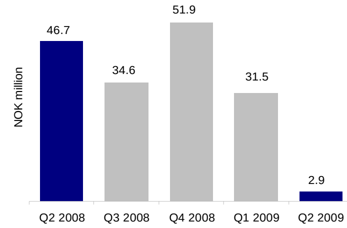


* Before group entities and eliminations

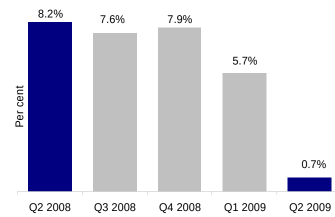
Reduced profitability

- **Operating profit in H1 was NOK 34.4 million (NOK 68 million)**
- **Operating profit in Q2 was NOK 2.9 million (NOK 46.7 million) and operating margin declined to 0.7% (8.2%)**
- **Main factors behind lower profit:**
  - Revenue drop
  - Cost and productivity issues related with the capacity adjustment
  - Fewer work days in Q2 2009
- **Operational improvement program yield positive contribution**
- **Relative payroll costs 30% of revenue (23.1%) and other operating costs 7.4% of revenue (6.2%)**

Operating profit Group



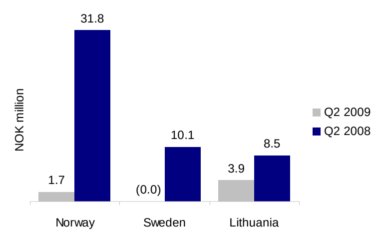
Operating margin Group



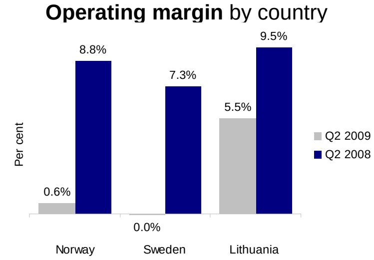
Profit by country

- **Norway and Lithuania deliver positive result**
- **Sweden on break even**
  - Strong performance in Medical equipment and Defence

Operating profit by country *



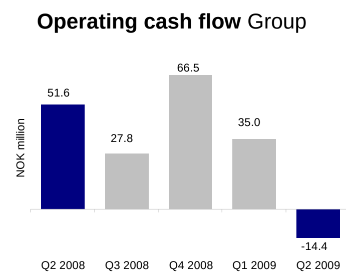
Operating margin by country

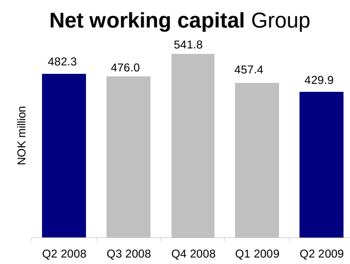


* Before group entities and eliminations

Strong cash flow performance

- **Cash flow in H1 was NOK 20.5 million (NOK –9.2 million)**
- **Cash flow in Q2 was NOK –14.4 million (NOK 51.6 million)**
- **Significant reduction of factoring debt included in the operating cash flow. NOK 112 million repaid in H1 and NOK 47 million in Q2**
- **Reduction in receivables main driver behind cash performance**
- **Significant focus on inventory reduction in Q2 is starting to pay off**





Discontinued operations

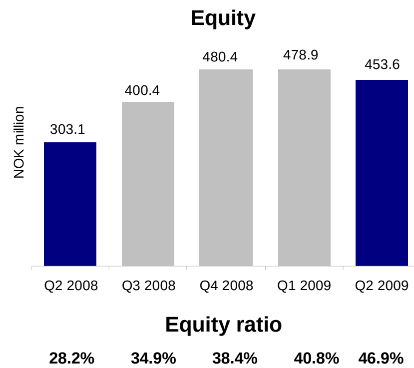
- **Kitron Microelectronics AS was sold in June and is treated as discontinued operations**
- **Key financials (NOK million):**

Revenue	30.3
Loss after tax	-5.1
Post tax loss on disposal	-15.7
Loss from discontinued operation	-20.8

- **Loss on disposal relate substantially to write down of equity**
- **No significant impact on cash and liquidity of the group**

Increasing equity ratio

- **Equity of NOK 453.6 million (303.1) and the equity ratio to 46.9% (28.2%)**
- **Mainly driven by the working capital improvement and total balance reduction**
- **Currency translation and loss related to Røros have negative impact in Q2**
- **A strong balance sheet is important in today's market**

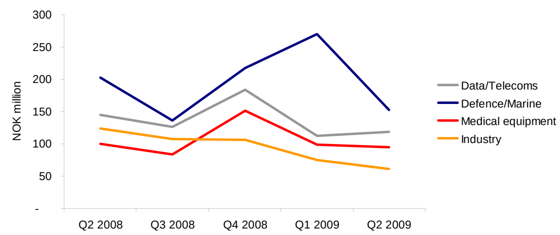


Market development

Decreased demand in Q2

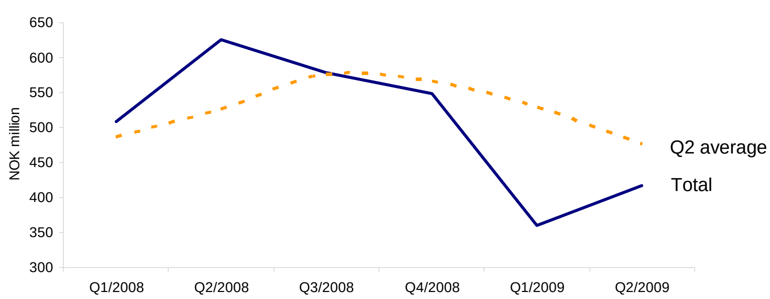
- **Defence show positive development while Offshore is significantly down from the peak level. Looking at entering new market segments**
- **Data/Telecom trend mixed but positive trend in video projection**
- **Medical relatively stable**
- **Industry segment starting to bottom out**

Revenue by market segment



Order intake on a lower level

Order intake Group

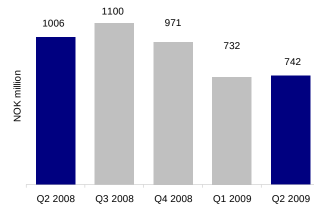


Order backlog stabilizing on lower level

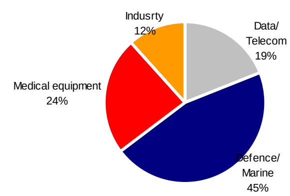
- **Order backlog at NOK 742 million (NOK 1007 million)**
- **Backlog stabilizing above NOK 700 million**
- **Expected long-term positive development in the Medical equipment and Defence segments**

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

Order backlog Group



Order backlog Segment



Outlook

Outlook

- Volume stabilizing in H2 but is down 20% compared to 2008
- Capacity adjustments expected to give savings of NOK 70 million in 2009 (mainly in H2)
- Annual total cost reductions expected to be NOK 130 million
- Divestment of Kitron Microelectronics increases total reduction of work force. New target by year end: 1050
- Profit expected to improve compared to Q2
- Investments to improve competitiveness and training of staff will be prioritised
- Evaluation new markets and establishing new low cost manufacturing entities