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Q2 results 2010

12 August 2010

Jørgen Bredesen, CEO

Björn Wigström, CFO

Positive trend continued in Q2

Financial highlights

- **Order intake continued positive trend with an increase by 22% and order backlog increased by 17% vs Q2 2009**
- **Revenue stable with a 1.3% increase vs Q2 2009.**
- **Operating profit of NOK 4.5 million. Operating margin of 1.1%**
- **Significant improvement in Kitron AB towards the end of the quarter (break even in June). Result negative at NOK 4.5 million in the quarter.**
- **Cash flow negative at NOK 13.7 million. Due to working capital changes**

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Expanding operations globally

Operational highlights

New manufacturing plant in the USA decided established:

- Planned to be operational from 1 January 2011
- Will predominantly be concentrated towards the Defense industry
- A suitable location of 20,000 sqf will be available from 1 October 2010
- Recruitment of staff is ongoing

Sale of Development Department concluded

Operational highlights

Transaction highlights:

- Transaction closed 1 June
- Sold to local employees and Simpro AS
- The department had about 25 employees, an annual turnover of NOK 22 million and an negative operating result of NOK 11 million in 2009
- Kitron has entered into a cooperation agreement with the new company for the provision of development services
- A loss of NOK 4.5 million was booked in connection with the transaction

A more flexible cost base

Operational highlights

- **Increased efficiency – capacity for growth remains**
  - Higher revenue per employee
  - Strong focus on competence improvement and modernization of systems and machine park to secure capacity for growth.
- **Outsourced development department reduces risk**
  - Kitron increasing focus on NPI and Industrialisation
- **Global expansion create new opportunities**
- **Focus on operational improvement programmes**
  - Manufacturing efficiency programme continues
  - ERP system launched at two sites

Major new orders in Q2

- **Offshore/Marine contract of about NOK 55 million**
  - Delivery in 2H
- **Medical equipment contracts of about NOK 70 million**
  - Delivery in 2H
- **Industry and Energy contracts with a total volume of NOK 180 million over three years**
  - First delivery in Q4
- **Electronics manufacturing and assembly of industrial tools for Atlas Copco Tools AB of about NOK 45 million annually**
  - First delivery in Q3

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Financial statements Q2 2010

Stabilised revenue

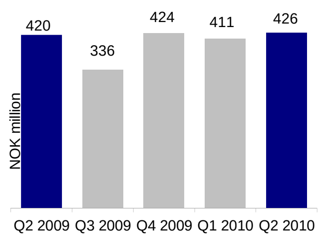
- **Revenue at NOK 426 million in line with Q2 2009 (1.3% increase)**
- **Q2 change by market segment:**

Q2 2010 vs Q2 2009

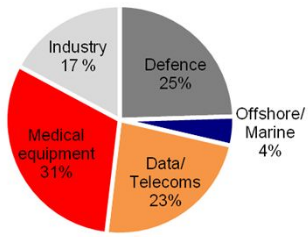
Data/Telecoms	-14.7%
Defence	-1.7%
Industry	22.6%
Medical equipment	38.9%
Offshore/Marine	-60.0%

- **Reduction in Data/Telecoms related to phase out of a product by the customer**
- **Strong market recovery in Industry Segment**

Revenue Group



Total revenue NOK 426 million



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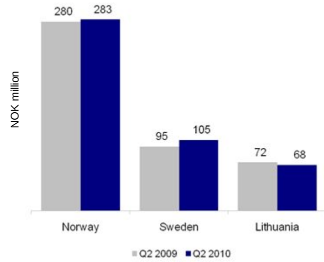
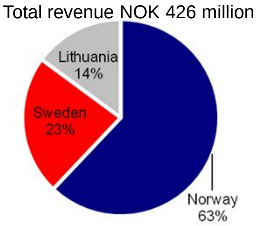
Revenue by country

- **Relatively stable revenue development across all entities:**
  - Norway 1% higher - Mixed trends with slow development in Offshore and strong trend in Medical equipment
  - Sweden 11% higher – Strong recovery in the Swedish Industry sector
  - Lithuania 6% lower – Negative trend in Offshore while other segments show strong development

Revenue by country *



Revenue by country
Total revenue NOK 426 million

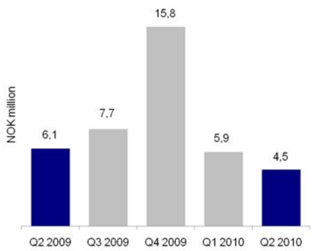


* Before group entities and eliminations

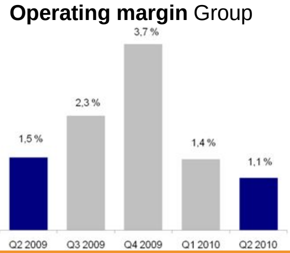
Decreased operating profit

- **Operating profit in Q2 was NOK 4.5 million (NOK 6.1 million) and margin was 1.1% (1.5%)**
- **Contribution margin down by 2%**
  - Margin slippage Kitron AB projects
  - Component shortage affect productivity
- **Compensated with lower cost base:**
  - Lower relative payroll costs 27.4% of revenue (29.0%)
  - Other operating costs 5.8% of revenue (7.1%)
- **Ready for increased turnover**
  - Revenue growth driving margin

Operating profit Group



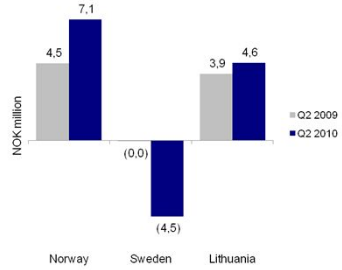
Operating margin Group



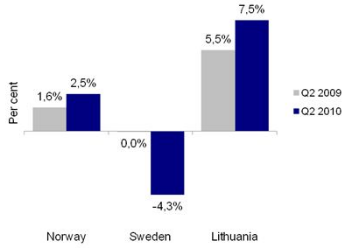
Profit by country

- **Mixed performance**
  - Norway – margin improvement correlated with revenue recovery
  - Sweden – Kitron AB loss NOK 4.5 million in the quarter. Significant improvement towards the end of the quarter (break even in June)
  - Lithuania – strong operating margin given reduction of revenue

Operating profit by country *



Operating margin by country

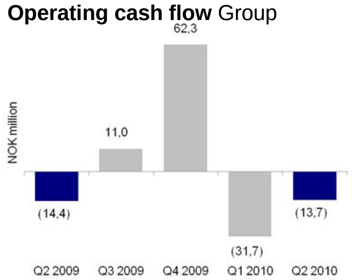


* Before group entities and eliminations

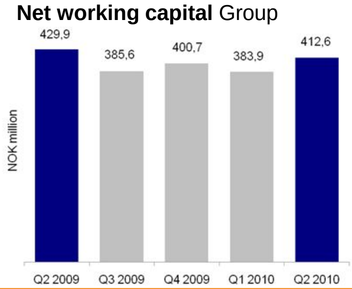
Cash flow

- **Cash flow was negative at NOK 13.7 million (negative at NOK 14.4 million).**
- **Negative cash flow partly explained by seasonality effects.**
- **Increase in working capital due to higher activity level and revenue recovery.**
- **Low exposure for bad debt and inventory write offs**

Operating cash flow Group



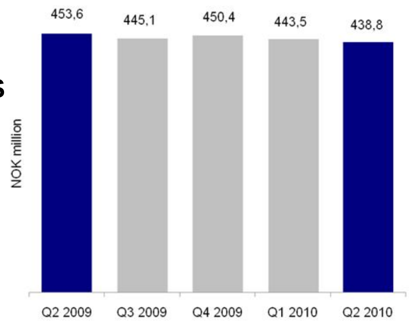
Net working capital Group



Solid equity ratio

- **Equity of NOK 438.8 million (453.6) and equity ratio of 44.1% (46.9%)**
- **Among the strongest in the EMS industry**

Equity



Equity ratio

46.9%	47.2%	45.9%	45.7%	44.1%

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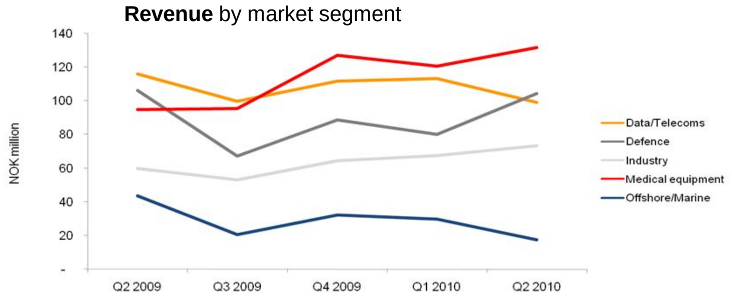
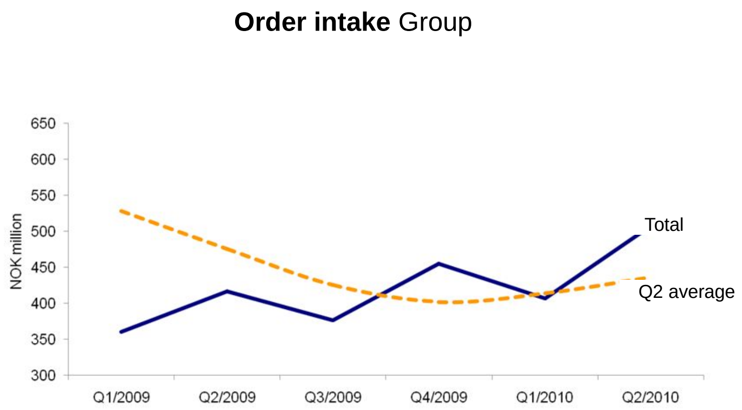
Market development

Improved market conditions in Q2

- Data/Telecoms trend mixed, positive outlook remains
- Defence trend positive – lower revenue in the short term
- Industry recovering from a low level
- Medical equipment continues strong trend
- Offshore at a lower level, recovery expected 2011



Stronger order intake

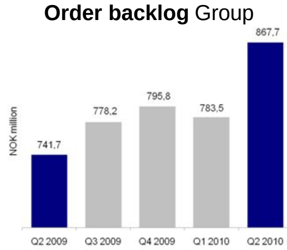


Order backlog is recovering

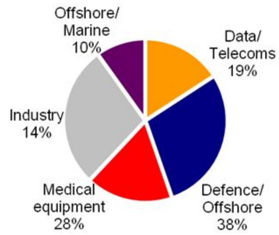
- **Order backlog at NOK 867.7 million (NOK 741.7 million)**
- **Positive backlog development in the Medical equipment, Industry and Defence segments**
- **Data/Telecoms expected to improve going forward**
- **Significant drop in Offshore – recovery in 2011 expected**

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

Order backlog Group



Order backlog Segment



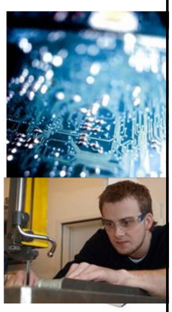
Expanding market coverage

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

- German operation fully integrated and operational
- China establishment on plan and key positions recruited
  - Factory expected to be operational in Q4 2010
- US establishment on plan
  - Location selected and basic infrastructure being implemented.
  - Recruitment process started
  - Operational from Q1 2011

Outlook

- Order intake and backlog expected to improve further
- Revenue growth combined with cost base adjustments expected to yield positive effect on profitability
- Continued focus on operational improvements (supply chain management, ERP, exit or turn around loss making activities etc.)
- Kitron AB expected to be profitable Q3 – Q4 2010
- Profitability for the group expected to increase in 2H 2010



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Thank you!
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