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Q4 results 2011

9 February 2012

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Strong underlying profitability & performance

Financial highlights for Q4

- Stable demand from customers with order intake up by 7.6 per cent compared to Q3 2011.
- Revenue slightly down compared to same quarter last year. Offshore/Marine as well as Industry segment show a strong trend.
- Operating profit (EBIT) NOK 4.5 million, a significant improvement compared to Q4 2010.
- Adjusted for start-up costs and restructuring provision EBIT was NOK 31.0 million and the EBIT margin was 7%.

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Operational highlights

- **Close-down of the Karlskoga site**
  - Process started and negotiations with labour union ongoing.
  - Reasons for closing down: (i) that the single largest customer transferred manufacturing to Kitron's site in Ningbo, (ii) weaker outlook for the Defence segment.
  - The close-down cost has been fully provided for in the Q4 result.
- **Start-up operations gaining momentum**
  - Operations in USA, China and Germany targeted to reach break even during 2012.

Major new orders in Q4

- **UAB Kitron in Kaunas has received new orders within the Data/Telecoms segment of about NOK 50 million.**
- **Kitron AS in Arendal has signed a contract with a leading supplier of offshore equipment. The expected turnover in the three year period (2012-2014) is between NOK 200 and 300 million.**
- **Kitron AB in Jönköping has received new orders with an annual revenue value of more than NOK 45 million annually from CellaVision for the manufacturing of advanced medical equipment.**
- **Kitron AS in Arendal has won two new F-35 contracts as part of an international "Best Value" competition. The contracts have a potential value of more than NOK 250 million over the life of the program. Deliveries will start in 2012.**

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Financial statements Q4 2011

Stable revenue

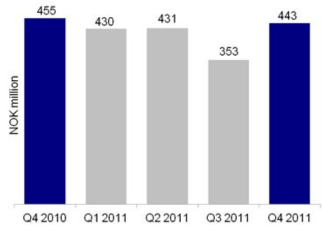
- **Revenue at NOK 443 million, slightly below Q4 2010, but higher than Q1 – Q3 2011.**
- **Q4 change by market segment:**

Q4 2011 vs Q4 2010

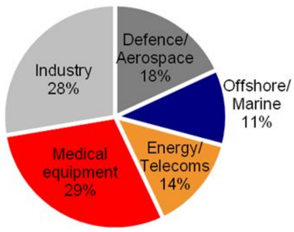
Defence/Aerospace	-2.1%
Industry	22.7%
Medical equipment	-10.1%
Offshore/Marine	77.1%
Energy/Telecoms	-41.5%

- Defence/Aerospace show a slow down in 2011.
- Industry segment boosted by recovery in the Swedish industrial sector.
- Medical affected by short term demand fluctuations but positive outlook remains.
- Offshore/Marine shows strong recovery in demand from existing customers.
- Energy/Telecoms declines due to phase out of one customer account.

Revenue Group



Revenue by market segment
Total revenue NOK 443 million



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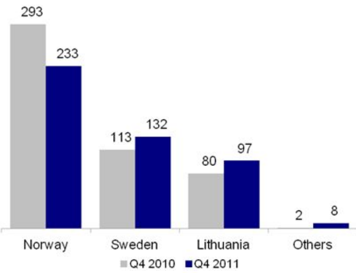
Revenue by country

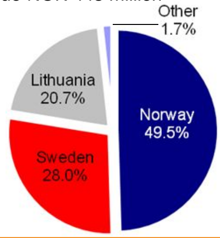
Mixed trend:

- Norway 20.4% lower – Lower demand from defence customers in 2011. Partly compensated by recovery in Offshore.
- Sweden up by 16.4% - strong increase in Swedish industrial segment.
- Lithuania 22.6% higher – Growth driven by sales to the Swedish industrial sector.
- Start-ups in China, USA and Germany expected to begin generating revenue in 2012.

Revenue by country *



Revenue by country
Total revenue NOK 443 million



* Before group entities and eliminations

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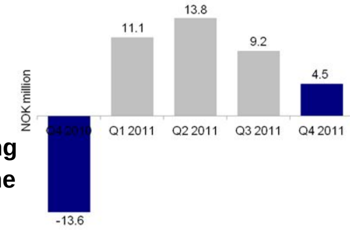
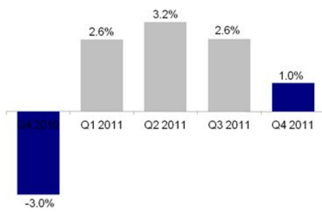
Improved profitability

- **Operating profit NOK 4.5 million (NOK 13.6 million loss) and the operating margin was 1.0%.**
- **Adjusted for start-up costs and restructuring provision EBIT was NOK 31.0 million and the EBIT margin was 7%.**
  - NOK 17.2 million restructuring provision for Karlskoga close down booked in Q4 2011.
  - NOK 9.3 million start up costs in new entities booked in Q4 2011.

Operating profit Group



Operating margin Group



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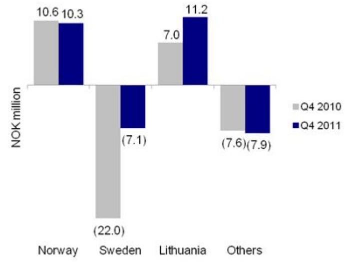
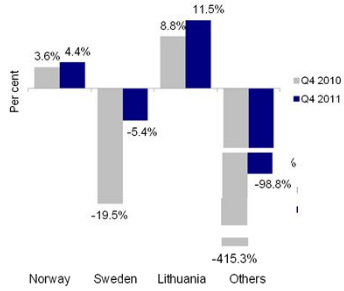
Profit by country

- **Margin improvement in main entities:**
  - Norway maintain result on lower revenue and improve margin.
  - Sweden turned around to profitability before restructuring.
  - Outstanding performance in Lithuania contribute to strong margin.
  - Start up costs in USA and CN have a negative effect on the result.

Operating profit by country *



Operating margin by country

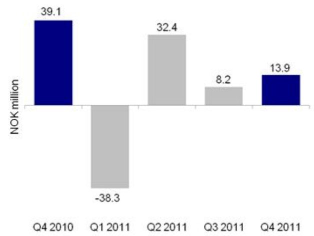


* Before group entities and eliminations

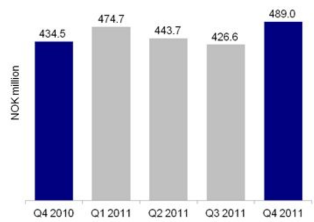
Positive operating cash flow

- **Cash flow was positive by NOK 13.9 million (NOK 39.1 million) in the quarter.**
- **Net working capital affected by higher inventory level and receivables. Actions to reduce inventory initiated.**
- **Strong liquidity position maintained.**

Operating cash flow Group

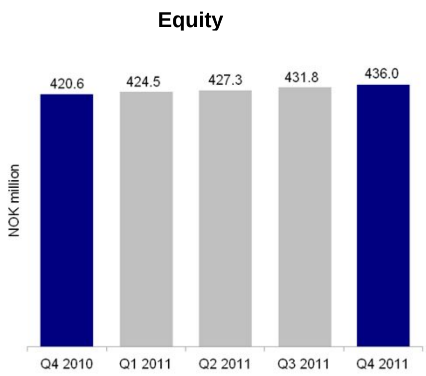


Net working capital Group



Comfortable level of equity

- Equity of NOK 436 million (420.6 million) and equity ratio of 41.1% (41.4%)



Equity ratio

Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
41.4%	40.6%	42.1%	42.6%	41.1%

Market development

Market development

- **Energy/Telecoms**
  - Competitive market segment with strong price pressure. Kitron has a good portfolio of customers that continue to project growth.
- **Defence/Aerospace**
  - Lower demand in the short to medium term
  - Long term outlook remains promising with several major programs secured and ramping up.
- **Industry**
  - Positive trend expected to continue, particularly in Sweden
  - Some uncertainty due to sensitivity to the economic development

Market development

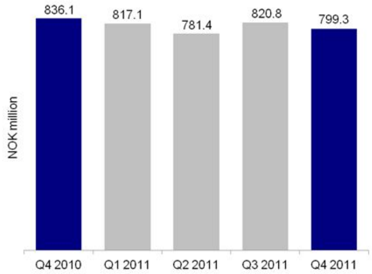
- **Medical equipment**
  - Mixed trend by customer account
  - Overall segment fundamentals remain positive and continued growth expected
- **Offshore/Marine**
  - In general a positive trend in offshore and marine expected
  - Kitron expect growth above segment average based on customer projections

Order backlog trend

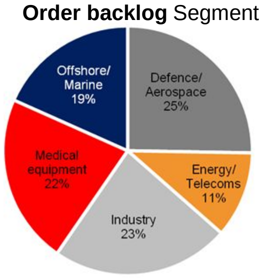
- **Order backlog at NOK 799.3 million compared to NOK 836.1 million in Q4 2010**
- **Solid portfolio of contracts in Defence/Aerospace segment**
- **Optimistic about the outlook:**
  - Strong positive trend in Offshore/Marine and Industry expected to continue.
  - Backlog in China and US building up.

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

Order backlog Group



Order backlog Segment



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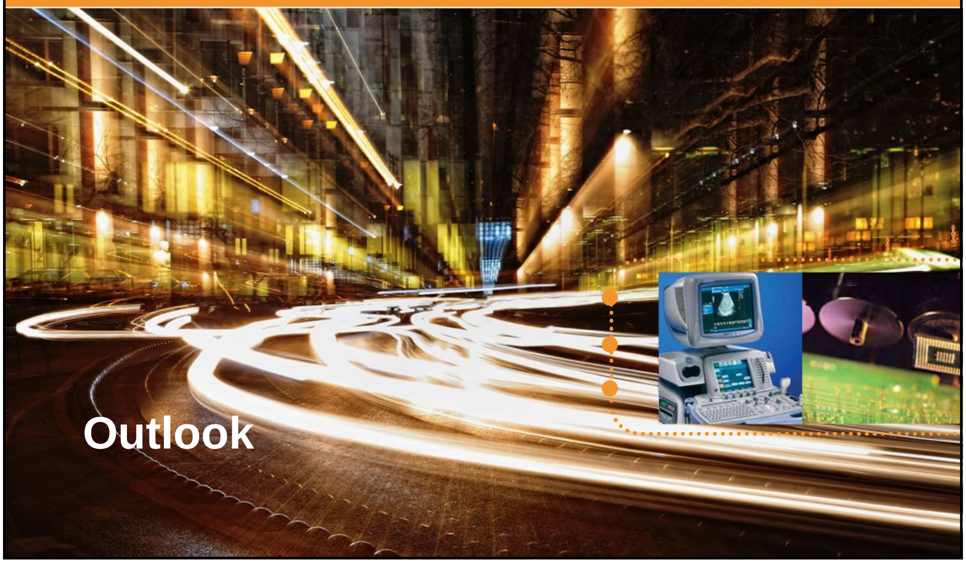
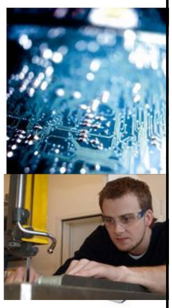


Outlook

Outlook

- **Overall a stable market trend and no significant signs of a slow down due to the global economic development.**
- **Kitron believe in a relatively stable turnover and improved profitability in 2012 compared with 2011:**
  - Focus on manufacturing efficiency and global sourcing remains a priority area
  - Restructuring in Sweden expected to have a positive impact on profitability
  - Target to reach break even in USA, China and Germany during 2012



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