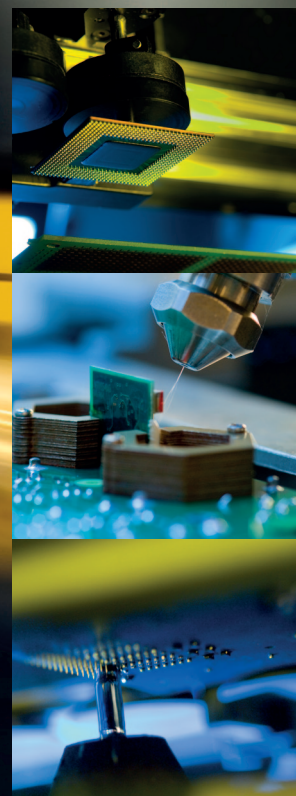




**INTERIM REPORT Q4 2011  
AND PRELIMINARY RESULT 2011**





## Stable demand and improved profitability

### Key items

Figures in brackets refer to the fourth quarter of 2010 unless otherwise stated.

#### ■ Stable demand from customers

The order intake decreased by 4.9 per cent to NOK 421.4 million (NOK 443.2 million). The order backlog at the end of the fourth quarter was NOK 799.3 million (NOK 836.1 million), 4.4 per cent lower than last year. The order intake is at a higher level than in Q3 2011 and the demand from customers remains stable.

#### ■ Activity level in line with last year

Revenue decreased by 2.7 per cent to NOK 442.9 million (NOK 455.2 million).

#### ■ Improved profitability

EBITDA and EBIT was NOK 13.3 million (NOK 6.2 million loss) and NOK 4.5 million (NOK 13.6 million loss) respectively. Adjusting for start up cost and restructuring provision EBIT was NOK 31.0 million in the quarter reflecting a significant improved underlying profitability.

#### ■ Positive profit before tax

The profit before tax and discontinued operations amounted to NOK 1.0 million (NOK 18.8 million loss).

#### ■ Cash flow

Cash flow from operations in the fourth quarter was NOK 13.9 million (NOK 39.1 million).

Kitron's revenue amounted to NOK 442.9 million in the fourth quarter of 2011, a 2.7 per cent decrease compared with the same period last year. EBIT was NOK 4.5 million (NOK 13.6 million loss). Adjusting for start up cost and restructuring provision EBIT was NOK 31.0 million in the quarter reflecting a significant improved underlying profitability. The profit before tax and discontinued operations was NOK 1.0 million (NOK 18.8 million loss in Q4 2010). Cash flow from operations was positive by NOK 13.9 million (NOK 39.1 million). The order intake was NOK 421.4 million and the order backlog was NOK 799.3 million, a decrease of 4.9 per cent and 4.4 per cent respectively. The order intake is at a higher level than in Q3 2011 and the demand from customers remains stable.

#### Stable demand from customers

The development in the markets where Kitron operate remains stable amid an increasingly uncertain global economic outlook. So far there are few signs of a slow down in the demand from customers.

The order intake increased by 7.6 per cent compared to Q3 2011 and the backlog remained in line with last quarter. The stable development is explained by increased demand in the Swedish market and strong trend within the Norwegian offshore sector.

#### Improved profitability

The underlying operational performance was strong in the quarter. Adjusting for the restructuring provision booked in Sweden (NOK 17.2 million) and the negative result in start up activities (NOK 9.3 million) the EBIT in Q4 was 31.0 million and the EBIT margin 7.0 per cent.

#### Close-down of the Karlskoga site

During the fourth quarter Kitron reached the conclusion to start a process to close down the Karlskoga site. The background is that the single largest customer has decided to transfer manufacturing to Kitron's site in Ningbo, China and a weaker outlook for the defence segment.

Kitron's assessment is that the future does not provide enough financial foundation to continue the operations at the site. Negotiations with the local union will continue and Kitron aims to be finished within the first quarter 2012.

The cost of the close-down is estimated to NOK 17.2 million and has been fully provided for in the Q4 result. The provision is mainly related to lay off of personnel and facility costs.

#### Revenue

Kitron's revenue in the fourth quarter was 2.7 per cent lower than in the same period in 2010, and amounted to NOK 442.9 million (NOK 455.2 million). Revenue in the market segment Defence/Aerospace was down 2.1 per cent, Energy/Telecoms was down 41.5 per cent, Industry increased by 27.2 per cent, Medical equipment was down by 10.1 per cent and Offshore/Marine was up 77.1 per cent compared to the fourth quarter of 2010.

Revenue in the Norwegian operation represented 49.5 per cent of Kitron's gross revenue during the fourth quarter (60.3 per cent). The Swedish operation represented 28.0 per cent of the group (23.3 per cent) and Kitron's operation in Lithuania accounted for 20.7 per cent (16.4 per cent).

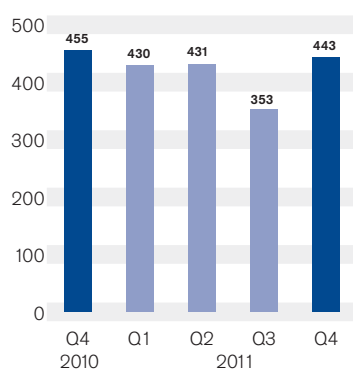
Kitron's revenue in the fourth quarter of 2011 was distributed as follows:

Defence/Aerospace	18%	(18%)
Energy/Telecoms	14%	(23%)
Industry	28%	(21%)
Medical equipment	29%	(32%)
Offshore/Marine	11%	(6%)

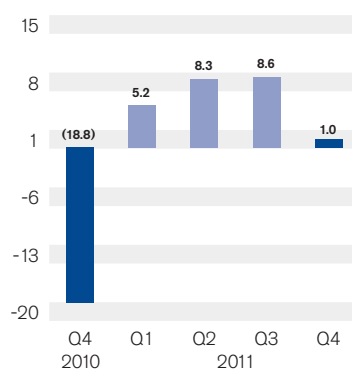
Revenue from customers in the Swedish market represented a 50.8 per cent share of

■ ■ The underlying operational performance was strong in the quarter.

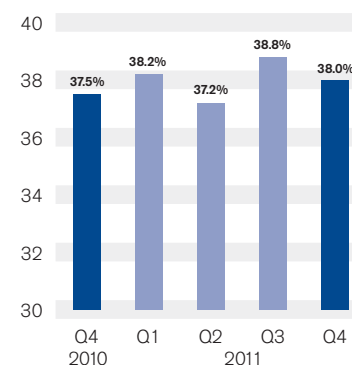
**REVENUE Group**  
NOK million



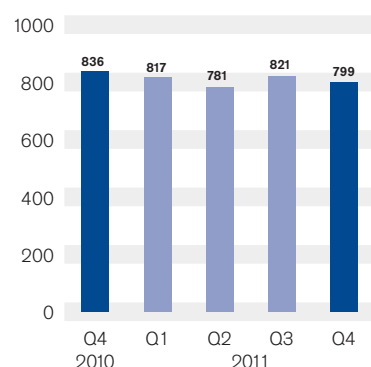
**PROFIT BEFORE TAX Group**  
NOK million



**GROSS MARGIN Group**  
Per cent



**ORDER BACKLOG Group**  
NOK million



the total revenue during the quarter (41.8 per cent). The Norwegian market represented 43.7 per cent of Kitron's total revenue in the quarter (50.7 per cent).

### Gross and net margin

The gross margin in the fourth quarter 2011 was higher compared to last year, and amounted to 38.0 per cent (37.5 per cent). The net margin increased from 21.2 per cent to 22.7 per cent.

### Profit

Kitron's operating profit (EBIT) in the fourth quarter was NOK 4.5 million, which is an increase of NOK 18.1 million compared with the same period last year (NOK -13.6 million). A restructuring provision of NOK 17.2 million related to the Swedish operation is included.

Profit before tax and discontinued operations in the fourth quarter of 2011 was NOK

### REVENUE BUSINESS AREAS

NOK million	Q4 2011	Q4 2010	31.12.2011	31.12.2010
Norway	232.9	292.5	982.3	1 088.8
Sweden	131.7	113.2	435.2	389.7
Lithuania	97.5	79.5	354.6	282.0
Others	8.0	1.8	25.1	6.1
Group and eliminations	(27.2)	(31.8)	(141.2)	(122.7)
<b>Total group</b>	<b>442.9</b>	<b>455.2</b>	<b>1 656.1</b>	<b>1 643.9</b>

### OPERATING PROFIT/(LOSS) BUSINESS AREAS

NOK million	Q4 2011	Q4 2010	31.12.2011	31.12.2010
Norway	10.3	10.6	28.0	41.8
Sweden	(7.1)	(22.0)	3.7	(42.3)
Lithuania	11.2	7.0	34.0	21.1
Others	(7.9)	(7.6)	(25.6)	(12.1)
Group and eliminations	(1.9)	(1.6)	(1.5)	(0.6)
<b>Total group</b>	<b>4.5</b>	<b>(13.6)</b>	<b>38.7</b>	<b>7.9</b>

### ORDER BACKLOG BUSINESS AREAS

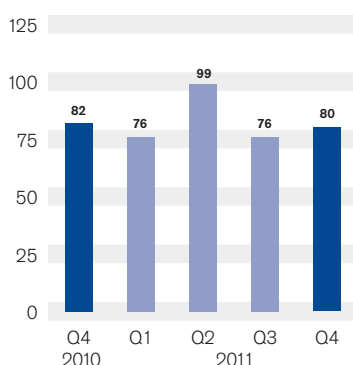
NOK million	Defence/ Aerospace	Energy/ Telecoms	Industry	Medical equipment	Offshore/ Marine	Total
Norway	123.3	9.8	58.9	85.1	145.3	422.3
Sweden	65.0	56.7	24.5	79.7	-	225.9
Lithuania	-	23.0	97.4	11.6	1.3	133.3
Other	13.7	-	4.1	-	-	17.8
<b>Total group</b>	<b>202.0</b>	<b>89.5</b>	<b>184.9</b>	<b>176.4</b>	<b>146.5</b>	<b>799.3</b>

### REVENUE GEOGRAPHIC DISTRIBUTION CUSTOMERS

NOK million	Q4 2011	Q4 2010	31.12.2011	31.12.2010
Norway	193.6	231.0	799.1	893.2
Sweden	224.9	190.3	760.9	646.8
Rest of Europe	13.2	15.8	57.6	35.6
USA	11.2	18.2	38.5	68.4
Others	-	-	-	-
<b>Total group</b>	<b>442.9</b>	<b>455.2</b>	<b>1 656.1</b>	<b>1 643.9</b>

**REVENUE** Defence/Aerospace

NOK million



1.0 million, which is an increase of NOK 19.8 million compared to the same period last year.

The company's total payroll expenses in the fourth quarter were NOK 10.6 million lower than the corresponding period in 2010. The relative payroll costs went from 28.5 per cent of revenue in fourth quarter 2010 to 26.8 per cent of revenue in the fourth quarter this year. Adjusted for the restructuring effect the payroll cost was 24.4 per cent of revenue in the fourth quarter this year. Other operating costs decreased to 8.1 per cent of revenue in the fourth quarter of 2010 (10.4 per cent). Adjusted for the restructuring effect on other operating costs (NOK 4.7 million) the percentage of revenue is 7.0 for the fourth quarter this year.

During the quarter net financial items amounted to a cost of NOK 3.6 million. This was a decrease of NOK 1.6 million compared to the same period last year. The main reason for the decrease is currency effects.

**Balance sheet**

Kitron's gross balance as at 31 December 2011 amounted to NOK 1 060.2 million, against NOK 1 015.5 million at the same time in 2010. Equity was NOK 436.0 million (NOK 420.6 million), corresponding to an equity ratio of 41.1 per cent (41.4 per cent).

Inventory was NOK 346.8 million at 31 December 2011 (NOK 325.3 million). Inventory turns was down from 4.3 in the fourth quarter 2010 to 3.8 in fourth quarter 2011.

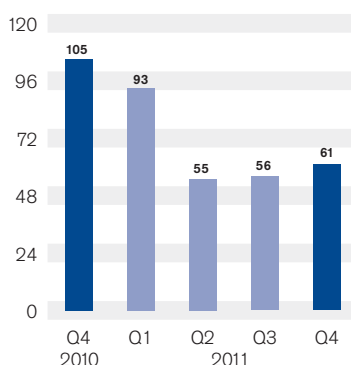
Trade debtors and other receivables amounted to NOK 360.8 million at the end of the fourth quarter of 2011. The corresponding amount at the same time in 2010 was NOK 352.7 million.

The group's reported interest-bearing debt amounted to NOK 299.2 million as of 31 December 2011. Interest-bearing debt at the end of the fourth quarter 2010 was NOK 264.0 million.

Cash flow from operational activities for the fourth quarter of 2011 was positive by NOK 13.9 million (NOK 39.1 million). Kitron's cash and bank credit at 31 December 2011 comprised the following:

**REVENUE** Energy/Telecoms

NOK million



NOK million

Cash and cash equivalents	50.9
Drawings on the overdraft facility	(35.2)
Restricted bank deposits	(19.2)
<b>Total</b>	<b>(3.5)</b>

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 136.9 million at the end of the fourth quarter, versus NOK 113.1 million at the same time in 2010. The overall credit line at 31 December 2011 was NOK 130.5 million versus NOK 95.6 million at the same time last year.

**Organisation**

The Kitron workforce corresponded to 1 173 FTEs at 31 December 2011. This represents an increase of 61 FTEs since the fourth quarter of 2010.

Full time equivalents	31.12.2011	31.12.2010
Norway	507	531
Sweden	182	193
Lithuania	398	339
Other	86	49
<b>Total</b>	<b>1 173</b>	<b>1 112</b>

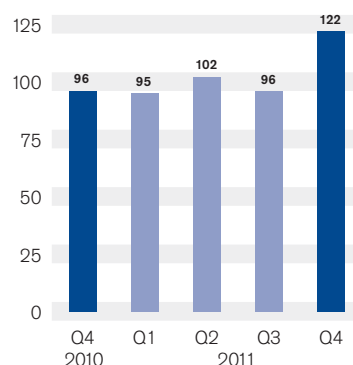
**Market**

Kitron's services are most competitive within complex products. Kitron has chosen to focus its sales and marketing activities within the Defence/Aerospace, Energy/Telecoms, Industry, Medical equipment and Offshore/Marine market segments.

Order intake in the quarter was NOK 421.4 million, which is 4.9 per cent lower than for the fourth quarter 2010. The order backlog ended at NOK 799.3 million, which is 4.4 per cent lower than the same period last year. Four quarter moving average order intake was down from NOK 410.0 million in the third quarter to NOK 404.5 million in the fourth quarter. While being somewhat lower than the fourth quarter last year the order intake has had a positive development quarter by quarter and there are few signs of a negative

**REVENUE** Industry

NOK million



impact from the recession. Compared to the third quarter 2011 the order intake was 7.6 per cent higher. Kitron's order backlog generally includes four months customer forecast plus all firm orders.

Looking into 2012 management believe overall in a stable market scenario. The downward pressure from the recession in some segment is compensated by a stronger outlook for market segments less affected by the global economic development. Furthermore, Kitron is pursuing new customers and markets, which may strengthen Kitron's position and has the potential to generate growth. The tender activity remains high, especially in the German and Swedish markets.

The strong interest in Kitron's capability within NPI (new product introduction) and testing is continuing. The close interaction between Kitron's experts and the R&D department of the customer is crucial for success. The recently announced cooperation with Prevas AB is important in this respect as a complement to the services offered by Kitron and as an additional market channel to the OEMs.

**Defence/Aerospace**

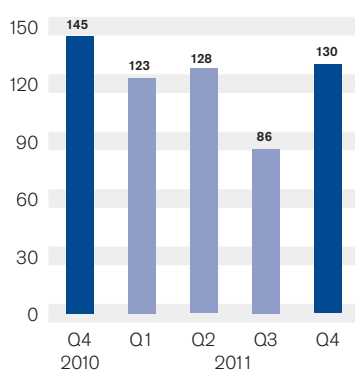
The Defence/Aerospace segment consists of three main product divisions: military and civil avionics, military communication and weapon control systems.

The order backlog decreased by 15.3 per cent and the revenue decreased by 2.1 per cent compared to the fourth quarter in 2010. The negative development is due to short term weaker demand from the Norwegian defence industry. The longer term outlook for the Defence/Aerospace segment remains positive.

Kitron is currently involved in defence programs with among other the Kongsberg Group and Lockheed Martin that could yield more than 1 billion NOK in revenue in the years to come. Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. The contract with Kongsberg related to deliveries of electronics to the NSM (Naval

**REVENUE Medical equipment**

NOK million



Strike Missile) is further supporting the long term positive outlook. In addition a letter of intent to co-operate in the first phase of the manufacturing of electronics for the JSM (Joint Strike Missile) has been entered into. Defence/Aerospace is also a prioritised area for our new operation in Germany and Kitron is in promising dialogue with a major German defence company.

**Energy/Telecoms**

Within the Energy/Telecoms segment Kitron offers clients particular expertise to realise products such as transmission systems, high frequency microwave modules, radio frequency (RF) and electrical metering.

The order backlog decreased by 15.4 per cent and revenue decreased by 41.5 per cent compared to the fourth quarter in 2010. The lower backlog and revenue is due to the phase out of one specific customer. Adjusting for this, the trend in this segment has been positive.

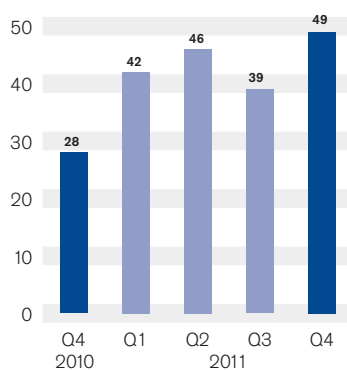
In general there is a strong competitive pressure in Energy/Telcom. Despite this Kitron remains optimistic about the future development in this segment. Firstly, the factories in Lithuania and China makes Kitron less vulnerable to competitive pressure from low cost. Secondly, the niches and customers that Kitron are involved with are showing a stronger trend than the market in general. Within Telecoms Kitron deliver to one of the fastest growing mid sized telecom infrastructure companies in Europe. Another growth driver is the demand within the electrical metering business. Kitron has during the last year secured contracts with several leading metering companies and the growth is expected to continue.

**Industry**

Within the Industry segment Kitron operates and delivers a complete range of services within industrial applications like automation, environmental, material warehousing and security. The Industry segment consists of three main product divisions: control systems, electronic control units (ECU) and automats.

**REVENUE Offshore/Marine**

NOK million



The order backlog increased by 5.3 per cent and revenue increased by 27.2 per cent compared to the fourth quarter in 2010. The revenue growth is primarily explained by the recovery in the Swedish industrial sector during 2011.

Industry is the market segment within Kitron that is most closely correlated with the general economic development. So far, however, there are few signs of weaker demand from Kitron's customers.

**Medical equipment**

The Medical equipment segment consists of three main product groups: ultrasound and cardiology systems, respiratory – medical devices and Lab/IVD (In-Vitro Diagnostics).

The order backlog decreased by 19.8 per cent and revenue decreased by 10.1 per cent compared to the fourth quarter in 2010. The underlying trend by customer has been mixed with strong demand and ramp up for some customers while the demand from others has been weaker than expected.

The medical segment is less sensitive to the development in the global economy. Kitron focuses on additional growth in this segment and expects a long-term positive development with customers in Norway, Sweden and Germany. This trend is supported by strong market fundamentals for the products and services Kitron offers to the market. Kitron is working on several interesting new prospects within this segment.

**Offshore/Marine**

Kitron divides the Offshore/Marine segment into three main areas; sub sea production systems, oil and gas exploration equipment and navigation, positioning, automation and control systems for the marine sector.

The order backlog increased by 51.9 per cent and revenue increased by 77.1 per cent compared to the fourth quarter in 2010. The strong development is driven by the recovery in the oil and gas sector and a ramp up of production for existing clients.

The trend in the Offshore/Marine segment is closely correlated with the development of

■ ■ In summary Kitron believe in a relatively stable turnover and improved profitability in 2012 compared to 2011.

the oil price. At this point it is not expected that the slow down in the general economy will have a significant negative effect on the demand within the Offshore/Marine segment. On the contrary it is expected that the strong trend within Offshore/Marine segment will continue in 2012. We are in dialogue with existing and new customers about significant new business opportunities.

**Outlook**

Kitron's markets are mainly Norway and Sweden, but most customers of Kitron sell their products on international markets. In 2012 Kitron management believe in a stable market and revenue development overall but with variations between the segments.

Kitron is working on several operational improvement programs that should yield a positive contribution on the profitability going forward. The focus on manufacturing efficiency is continuing and global sourcing initiatives remain a priority area. Kitron's investments in China, US and Germany will expand our market reach and will provide new supply chain opportunities. The restructuring of the Swedish operation is another factor which is expected to have a positive impact on the profitability.

Another significant factor is that we target that the new operations in US, China and Germany will reach break even during 2012. This will gradually have a positive impact on the profitability compared to 2011. In 2011 the total cost (in terms of negative EBIT result) to start up new entities was NOK 27.6 million.

In summary Kitron believe in a relatively stable turnover and improved profitability in 2012 compared to 2011.

Board of directors, Kitron ASA  
Asker, 8 February 2012

## Condensed profit and loss statement

NOK 1 000	Q4 2011	Q4 2010	31.12.2011	31.12.2010
Revenue	442 925	455 243	1 656 098	1 643 948
Cost of materials	274 793	284 646	1 026 670	1 043 639
Payroll expenses	118 878	129 541	431 560	429 530
Other operational expenses	35 924	47 219	126 068	131 811
Operating profit before depreciation and impairments (EBITDA)	13 328	(6 163)	71 800	38 969
Depreciation and impairments	8 799	7 453	33 137	31 076
Operating profit (EBIT)	4 529	(13 616)	38 663	7 894
Net financial items	(3 552)	(5 223)	(15 495)	(14 220)
Profit (loss) before tax	977	(18 839)	23 168	(6 326)
Tax	(5 102)	8 971	4 638	9 664
Net profit (loss) from continuing operations	6 078	(27 810)	18 529	(15 991)
Profit (loss) from discontinued operations	(986)	-	(986)	(9 375)
Profit (loss) for the period	5 092	(27 810)	17 543	(25 366)
Earnings per share (basic and diluted)	0.03	(0.16)	0.10	(0.15)

## Condensed balance sheet

NOK 1 000	31.12.2011	31.12.2010
<b>ASSETS</b>		
Goodwill	26 786	26 786
Other intangible assets	40 743	31 438
Tangible fixed assets	139 520	132 069
Available for sale financial assets	1	1
Deferred tax assets	94 627	95 847
Other receivables	-	3 227
<b>Total fixed assets</b>	<b>301 677</b>	<b>289 368</b>
Inventory	346 795	325 251
Accounts receivable and other receivables	360 829	352 678
Cash and cash equivalents	50 916	48 243
<b>Total current assets</b>	<b>758 540</b>	<b>726 171</b>
<b>Total assets</b>	<b>1 060 217</b>	<b>1 015 539</b>
<b>LIABILITIES AND EQUITY</b>		
Equity	436 009	420 575
<b>Total equity</b>	<b>436 009</b>	<b>420 575</b>
Deferred tax liabilities	1 121	1 200
Loans	53 134	38 832
Pension commitments	8 921	12 076
<b>Total long-term liabilities</b>	<b>63 175</b>	<b>52 108</b>
Accounts payable and other current liabilities	285 314	294 174
Loans	246 042	225 201
Other provisions	29 677	23 481
<b>Total current liabilities</b>	<b>561 032</b>	<b>542 855</b>
<b>Total liabilities and equity</b>	<b>1 060 217</b>	<b>1 015 539</b>

## Condensed cash flow statement

NOK 1 000	Q4 2011	Q4 2010	31.12.2011	31.12.2010
Net cash flow from operational activities	13 899	39 065	16 283	(46 088)
Net cash flow from investment activities	(8 050)	(13 885)	(50 041)	(49 577)
Net cash flow from financing activities	12 025	19 101	15 890	23 265
Change in cash and bank credit	17 875	44 281	(17 868)	(72 401)
Cash and bank credit opening balance	(21 389)	(29 927)	14 354	86 755
Cash and bank credit closing balance	(3 514)	14 354	(3 514)	14 354

## Consolidated statement of comprehensive income

NOK 1 000	Q4 2011	Q4 2010	31.12.2011	31.12.2010
Net profit/(loss)	5 092	(27 810)	17 543	(25 366)
Currency translation differences and other changes	(836)	3 670	(2 109)	(4 465)
Total comprehensive income for the period	4 256	(24 140)	15 434	(29 830)
Allocated to shareholders	4 256	(24 140)	15 434	(29 830)

## Changes in equity

NOK 1 000	31.12.2011	31.12.2010
Equity opening balance	420 575	450 406
Comprehensive income for the period	15 434	(29 830)
Equity closing balance	436 009	420 575

## Notes to the financial statements

### Note 1 – General information and principles

The condensed consolidated financial statements for the fourth quarter of 2011 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Kitron has applied the same accounting policies as in the consolidated financial statements for 2010.

The interim financial statements do not include all the information required for a full financial report and should therefore be read in conjunction with the consolidated financial statements for 2010, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU. The consolidated financial statements for 2010 are available upon request from the company and at [www.kitron.com](http://www.kitron.com)

### Note 2 – Estimates

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the same for the interim financial statements as for the consolidated statements for 2010.

### Note 3 – Financial risk management

Kitron's business exposes the company to financial risks. The purpose of the company's procedures for risk management is to minimise possibly

negative effects caused by the company's financial arrangements. There has been no change of impact or material incidents in 2011.

### Note 4 – Discontinued operations

In June 2009 the Kitron Group sold Kitron Microelectronics AS. Loss on discontinued operations in Q4 2011 is related to receivables.

Financial information and cash flow relating to discontinued operations for the period to the date of disposal is set out below.

## Income statement information from discontinued operations

NOK 1 000	Q4 2011	Q4 2010	31.12.2011	31.12.2010
Revenue	-	-	-	5 936
Expenses	-	-	-	(10 947)
Profit (loss) before income tax	-	-	-	(5 011)
Tax	-	-	-	-
Profit (loss) after income tax	-	-	-	(5 011)
Post tax loss on disposal of discontinued operations	(986)	-	(986)	(4 364)
Profit (loss) from discontinued operations	(986)	-	(986)	(9 375)

## Cash flow statement information from discontinued operations

NOK 1 000	31.12.2011	31.12.2010
Net cash flow from operating activities	-	(409)
Net cash flow from investment activities	-	-
Net cash flow from financing activities	-	-
Change in cash and bank credit	-	(409)
Cash and bank credit opening balance	-	409
Cash and bank credit closing balance	-	-



## Kitron ASA

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NO-1375 Billingstad  
Norway

## Your ambition. Our passion.

**Kitron** is a medium-size Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Germany, China and the US and has about 1 100 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

**Kitron** offers all parts of the value chain: from design via industrialisation, manufacturing and logistics, to repairs. The electronics content may be based on conventional printed circuit boards or ceramic substrates.

**Kitron** Kitron also provides various related services such as cable harness manufacturing, components analysis, resilience testing, and also source any other part of the customer's product. Customers typically serve international markets and provide equipment or systems for professional or industrial use.