

## Q3 results 2010

10 November 2010  
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## Increased revenue and profit in Q3

### Financial highlights

- Order backlog increased by 9% vs Q3 2009
- Activity level improving, revenue up by 4.8% vs Q3 2009
- Positive profitability trend, operating margin at 3.2%
- Karlskoga remains a challenge with a loss of NOK 4.2 million in Q3
- Component situation leading to inefficiencies in operations, working capital build up, and negative cash flow of NOK 39.8 million

## Slow recovery due to component situation

### Operational highlights

- Recovery slowed by component shortage
- Loss of Data/ Telecoms client. Production will continue until end of March 2011, and will impact annual turnover of about NOK 100 million
- Stepping up initiatives to transfer manufacturing to lower cost countries (Lithuania and China)

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## Major new orders in Q3

- **Medical equipment contracts of about NOK 67 million**
  - Delivery in 1H 2011
- **New orders from BAE Systems AB of about NOK 26 million.**
  - Complex control systems for the Archer project.
  - Deliveries will take place in 2011 and 2012.
- **New Data / Telecom order of about NOK 25 million**
  - Complex products for fiber optical networks.
  - Deliveries in the fourth quarter of 2010.
- **New orders from Saab Dynamics of about NOK 34 million.**
  - Missile control systems.
  - Deliveries will take place during 2011 and 2012.

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## Financial statements Q3 2010



### Positive revenue development

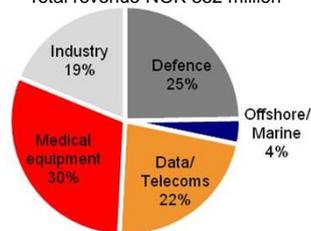
- Revenue at NOK 352 million, a growth of 4.8% vs Q3 2009
- Q3 change by market segment:

Q3 2010 vs Q3 2009	
Data/Telecoms	-20.4%
Defence	29.7%
Industry	24.7%
Medical equipment	12.0%
Offshore/Marine	-38.9%

- Data/Telecoms decline related to phase out of a specific customer
- Strong trend in Defence, Industry and medical segments
- Offshore / Marine bottoming out and is expected to start recovery

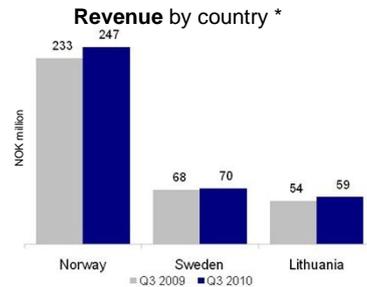


**Revenue by market segment**  
Total revenue NOK 352 million

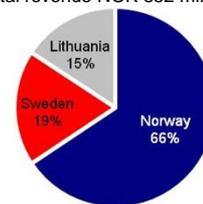


## Revenue by country

- **Revenue growth across all entities:**
  - Norway 6% higher - Mixed trends with slow development in Offshore and strong trend in Medical Equipment and Industry
  - Sweden 3% higher – Strong recovery in the Swedish Industry sector
  - Lithuania 9% higher – Negative trend in Offshore while other segments show strong development



**Revenue by country**  
Total revenue NOK 352 million



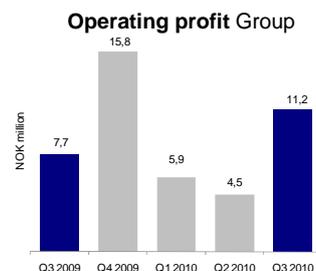
\* Before group entities and eliminations

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## Increased operating profit

- **Operating profit in Q3 was NOK 11.2 million (NOK 7.7 million) and margin was 3.2% (2.3%)**
- **Margin improvement driven by cost base reductions and revenue growth:**
  - Relative salary cost reduced from 24.8% to 23.3%
- **Negative impact from component shortage:**
  - Lower revenue growth due to lack of components
  - Lower productivity due frequent interruptions



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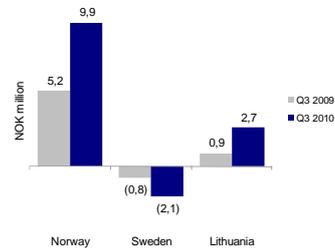
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## Profit by country

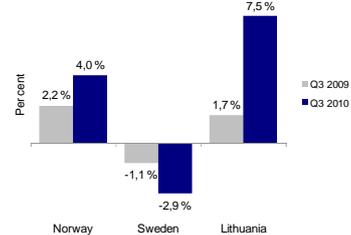
- **Mixed performance**

- Norway and Lithuania show better performance driven by revenue recovery and cost base focus.
- Sweden mixed
  - Kitron AB in Karlskoga reported a loss of NOK 4.2 million in the quarter. Further actions required to turn to profitability.
  - Kitron ME AB continue the positive trend and delivered a solid profit.

Operating profit by country \*



Operating margin by country



\* Before group entities and eliminations

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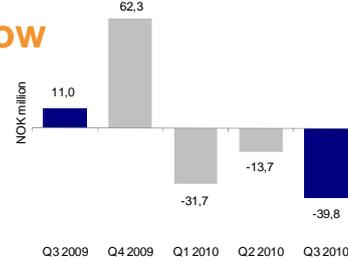
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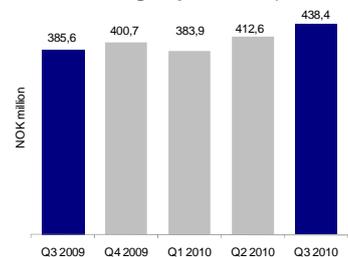
## Negative operating cash flow

- Cash flow was negative at NOK 39.8 million (NOK 11.0 million)
- Negative operating cash flow due increased working capital and weak performance in H1 2010:
  - Low operating profit in H1 2010
  - Increasing activity level / revenue is driving working capital needs
  - Lack of components require higher safety stock / inventory and lead to higher work in progress.

Operating cash flow Group



Net working capital Group



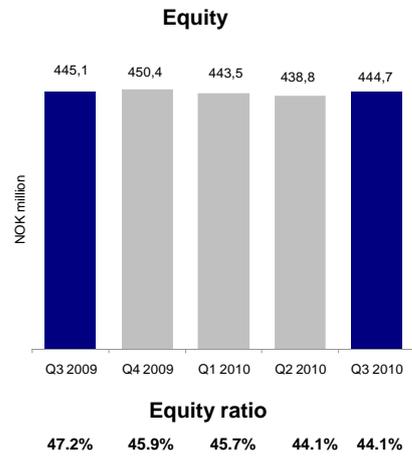
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## Solid equity ratio

- Equity of NOK 444.7 million (445.1) and equity ratio of 44.1% (47.2%)
- Among the strongest in the EMS industry



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## Market development



## Challenging markets, but positive signs

- Data/Telecoms mixed - lost a client but strong growth with others
- Defence trend positive – several long term contracts secured
- Industry continue strong recovery but from a low level
- Medical equipment positive trend continues
- Offshore at a lower level – rebound expected 2011

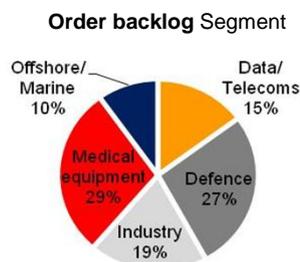
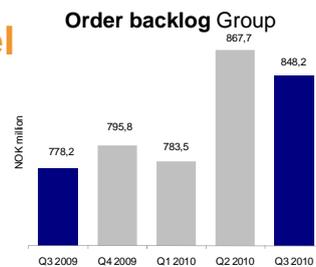
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## Order backlog at higher level

- Order backlog at NOK 848.2 million (NOK 778.2 million)
- Positive backlog development in the Medical equipment, Industry and Defence segments
- Replacing major Data / Telecom client lost will be challenging but possible
- Significant drop in Offshore – recovery in 2011 expected

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



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## Expanding market coverage

### Update on establishment of new entities

#### – overall implementation on track:

- German operation fully integrated and operational
  - Strong market interest
- China establishment on plan and key positions recruited
  - Factory expected to be operational in Q1 2011
- US establishment on plan
  - Location selected and basic infrastructure being implemented.
  - Key positions recruited.
  - Operational from Q2 2011

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Outlook

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## Outlook

- Market recovery expected to continue
- Slow growth partly due to the difficult component situation
- Cost base adjustments expected to yield positive effect on profitability
- Continued focus on operational improvements (supply chain management, ERP etc.)
- Operational adjustments to secure profitability at Kitron AB in Karlskoga required
- Operational profitability for the group expected to improve in Q4 2010



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# Thank you!

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