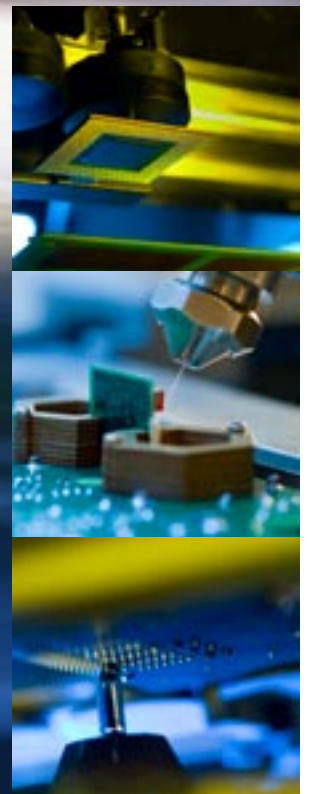
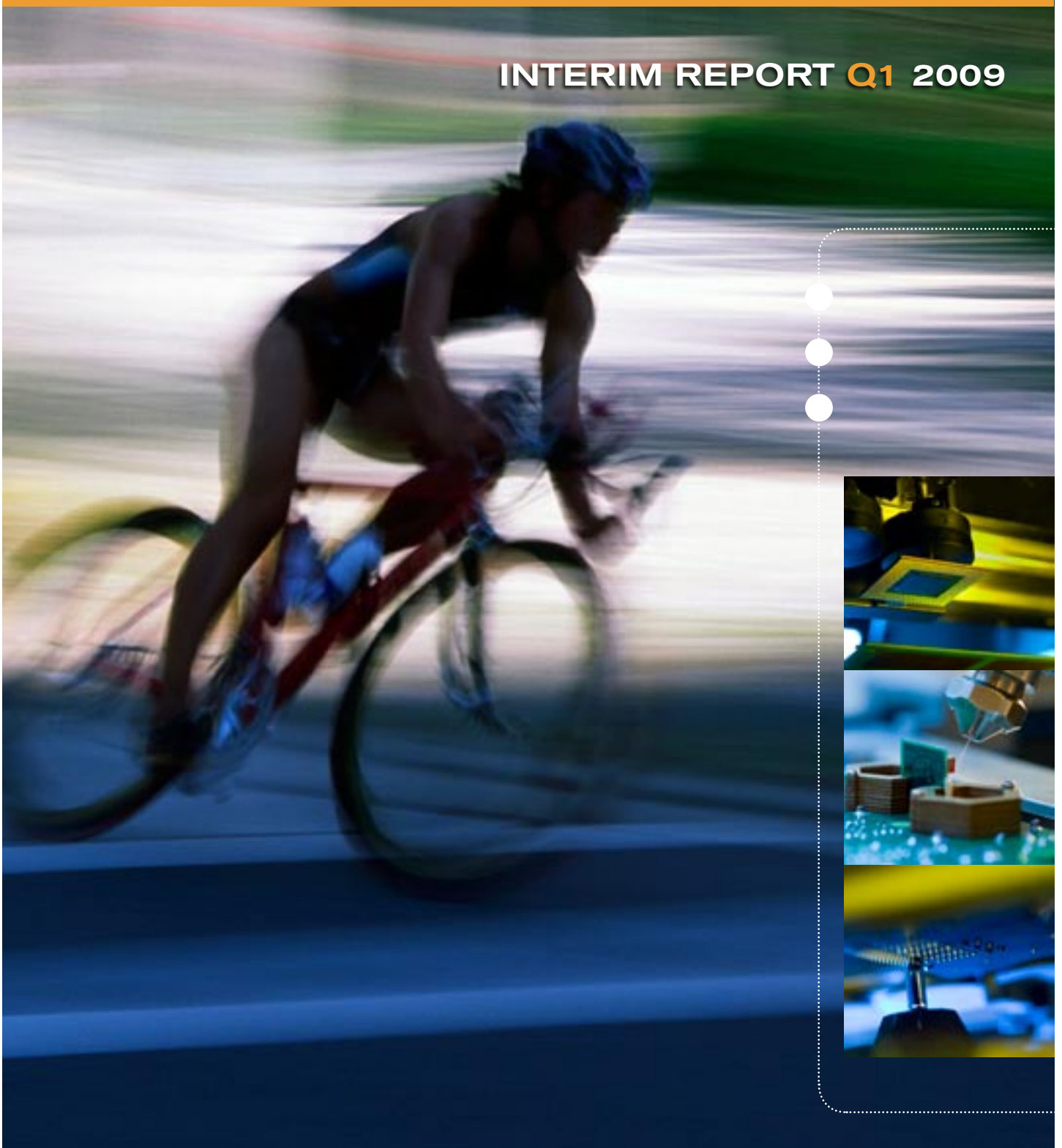


INTERIM REPORT **Q1** 2009





## Excellent cash flow

### Key items

Figures in brackets refer to the first quarter of 2008 unless otherwise stated.

#### ■ Strong cash generation

Cash flow from operations in the first quarter was NOK 35.0 million (NOK negative with 60.9 million). Before repayment of factoring debt the cash flow from operations was 100.0 million.

#### ■ Revenue growth (15.4 per cent)

Revenue increased by 15.4 per cent to NOK 571.2 million (NOK 495 million).

#### ■ Increase in operating profit

EBITDA and EBIT were NOK 39.8 million (NOK 30.5 million) and NOK 28.9 million respectively (NOK 21.6 million).

#### ■ Increased profit before tax

Profit before tax amounted to NOK 19.7 million (NOK 16.2 million), which reflects a margin of 3.4 per cent (3.3 per cent).

#### ■ Order intake and backlog

The order intake decreased by 29.2 per cent to NOK 360.2 million (NOK 509 million). The order backlog at the end of the first quarter was NOK 731.9 million (NOK 994 million).

Revenue amounted to NOK 571.2 million in first quarter of 2009, which represents a 15.4 per cent increase compared with the same period last year. The profit before tax reached NOK 19.7 million, an increase of 21.6 per cent compared with the first quarter of 2008. Cash flow from operation was NOK 35.0 million compared to a negative cash flow of NOK 60.9 million. Before repayment of factoring debt the cash flow was NOK 100.0 million. The order intake was NOK 360.2 million and the order backlog was NOK 731.9 million, a decrease of 29.2 per cent and 26.4 per cent respectively.

#### High level of activity

The activity level remained high in the first quarter of 2009 across the main manufacturing entities. In all market segments except Industry the activity level was stable or higher than in the same period last year. The activity level was particularly strong in the Defence/Offshore segment with several important new orders secured in the second half of 2008. The market trend for Defence remains positive while Offshore will have a negative trend going forward due to the oil price development. Kitron's strong performance in the first quarter, as in a series of quarters before this, came as a result of Kitron's consistent and long-term effort to increase its competitiveness. This includes streamlining of manufacturing to fewer sites, selective transfer of manufacturing between sites, investments to increase productivity in existing facilities and a strong focus on sourcing and material price reductions.

#### Excellent cash flow performance

Kitron demonstrated an excellent cash flow performance in the first quarter. The company has a strong focus on working capital improvements and has historically been very strong at inventory management. In first quarter the company reduced the accounts receivables significantly. The positive cash flow has partly been used to reduce factoring debt but has also strengthened the liquidity position of the company.

#### Adapting capacity

While the first quarter has been strong it is expected that the rest of 2009 will be more challenging due to lower demand. The

effort to streamline the operations and adapt capacity must therefore continue. Kitron is planning a reduction of its workforce by 25 per cent from 1 472 in December 2008 to about 1 100 during 2009. In Q1 2009 the workforce was reduced by 60 FTE (full time equivalent). The reduction is partly the result of productivity improvements and partly due to the fact that some key customers have lowered their projections for the year. The capacity adjustment is necessary to maintain a competitive edge and profitability in a difficult market environment. Kitron do not foresee any significant restructuring costs as a result of these measures.

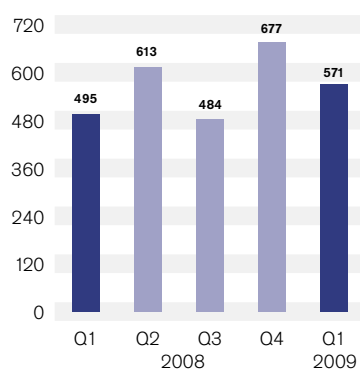
#### Revenue growth

Kitron's revenue in the first quarter was 15.4 per cent higher than in the same period in 2008 and amounted to NOK 571.2 million (NOK 495.1 million). The activity was particularly high in the Defence/Offshore segment with revenue up 78 per cent compared to the first quarter of 2008. Data/Telecom showed 2 per cent growth, while revenues within the Medical equipment and Industry segments declined by 5 per cent and 32 per cent respectively compared to the first quarter of 2008.

Revenue in the Norwegian operation represented 60.6 per cent of Kitron's gross revenue during the first quarter (59.8 per cent). The Swedish operation represented 15.6 per cent of the group (18.8 per cent) and Kitron's operation in Lithuania provided for 23.8 per cent (21.4 per cent). The transfer of manufacturing to Lithuania continues in a steady phase as the quality and competence in the organisation is improved.

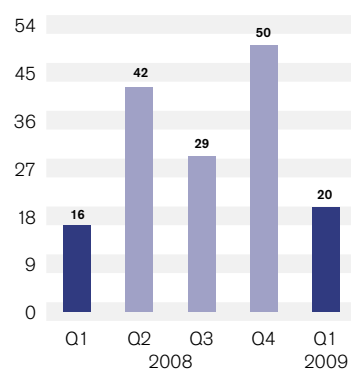
### REVENUE Group

NOK million



### PROFIT BEFORE TAX Group

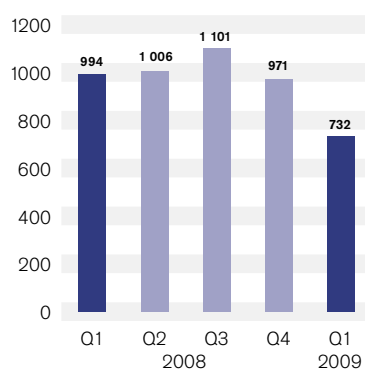
NOK million



■ ■ The capacity adjustment is necessary to maintain a competitive edge and profitability.

### ORDER BACKLOG Group

NOK million



### REVENUE BUSINESS AREAS

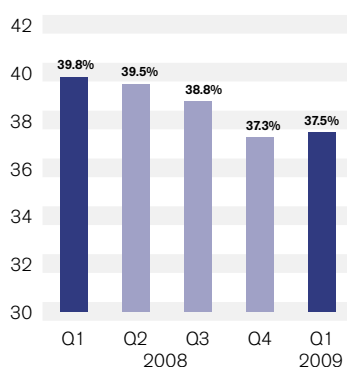
| NOK million             | Q1 2009      | Q1 2008      | 31.12.2008     |
|-------------------------|--------------|--------------|----------------|
| Norway                  | 366.2        | 328.7        | 1 486.9        |
| Sweden                  | 93.8         | 103.5        | 498.8          |
| Lithuania               | 143.9        | 116.9        | 421.7          |
| Others and eliminations | (32.6)       | (54.0)       | (137.8)        |
| <b>Total group</b>      | <b>571.2</b> | <b>495.1</b> | <b>2 269.5</b> |

### OPERATING PROFIT/(LOSS) BUSINESS AREAS

| NOK million             | Q1 2009     | Q1 2008     | 31.12.2008   |
|-------------------------|-------------|-------------|--------------|
| Norway                  | 22.1        | 9.8         | 108.5        |
| Sweden                  | (1.2)       | 1.3         | 27.5         |
| Lithuania               | 11.2        | 12.1        | 33.6         |
| Others and eliminations | (3.3)       | (1.5)       | (11.1)       |
| <b>Total group</b>      | <b>28.9</b> | <b>21.6</b> | <b>158.5</b> |

### GROSS MARGIN Group

Per cent



### ORDER BACKLOG BUSINESS AREAS

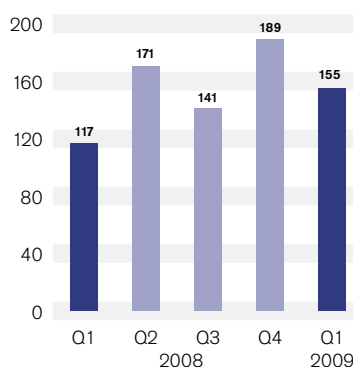
| NOK million        | Data/<br>Telecom | Defence/<br>Offshore | Medical<br>equipment | Industry    | Total        |
|--------------------|------------------|----------------------|----------------------|-------------|--------------|
| Norway             | 113.7            | 210.8                | 81.0                 | 57.2        | 462.7        |
| Sweden             | 20.6             | 47.0                 | 75.5                 | 12.9        | 155.9        |
| Lithuania          | 20.8             | 61.1                 | 8.4                  | 23.0        | 113.3        |
| <b>Total group</b> | <b>155.0</b>     | <b>318.9</b>         | <b>164.9</b>         | <b>93.1</b> | <b>731.9</b> |

### REVENUE GEOGRAPHIC DISTRIBUTION CUSTOMERS

| NOK million        | Q1 2009      | Q1 2008      | 31.12.2008     |
|--------------------|--------------|--------------|----------------|
| Norway             | 370.8        | 256.1        | 1 138.0        |
| Sweden             | 170.5        | 206.0        | 963.0          |
| Rest of Europe     | 13.2         | 16.6         | 76.7           |
| USA                | 16.0         | 7.7          | 60.6           |
| Others             | 0.6          | 8.7          | 31.2           |
| <b>Total group</b> | <b>571.2</b> | <b>495.1</b> | <b>2 269.5</b> |

**REVENUE Data/Telecom**

NOK million



Kitron's revenue in the first quarter of 2009 was distributed as follows:

|                   |           |
|-------------------|-----------|
| Data/Telecom      | 21% (23%) |
| Defence/Offshore  | 47% (31%) |
| Medical equipment | 17% (21%) |
| Industry          | 15% (25%) |

Sales to customers in the Swedish market represented a 29.8 per cent share of the total revenue during the first quarter (41.6 per cent). The Norwegian market represented 64.9 per cent of Kitron's total revenue in the first quarter (51.7 per cent).

**Gross and net margin**

The gross margin decreased in first quarter 2009 compared to first quarter 2008, and amounted to 37.5 per cent (39.8 per cent). The net margin decreased from 23.0 per cent to 22.5 per cent. Both gross and net margin in first quarter 2008 were unusually high due to product mix effects.

**Profit**

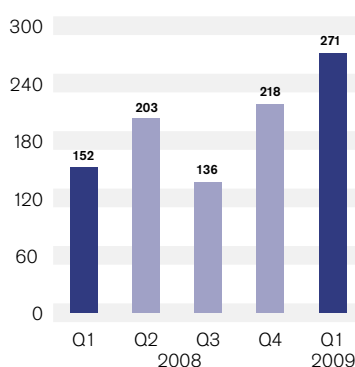
Kitron's operating profit (EBIT) in the first quarter was NOK 28.9 million, which is an increase of 33.4 per cent compared to the same period in 2008 (21.6 million). Profit before tax in the first quarter of 2009 was NOK 19.7 million, which is an increase of NOK 3.5 million.

The company's total payroll expenses in the first quarter were NOK 5.9 million higher than the corresponding period in 2008. This is mainly due to higher activity. The relative payroll costs improved from 27.1 per cent of revenue in first quarter 2008 to 24.6 per cent of revenue in the first quarter 2009. Other operating costs were 6.0 per cent of revenue in the first quarter of 2009 (6.5 per cent).

During the quarter net financial items amounted to a cost of NOK 9.2 million. This was NOK 3.7 million higher than during the same period the year before. The principal reason for the increase is currency losses on intra-group long-term financial loans, which according to IAS 21 shall remain in the consolidated group accounts.

**REVENUE Defence/Offshore**

NOK million

**Balance sheet**

Kitron's gross balance at 31 March 2009 amounted to NOK 1 173.7 million, against NOK 979.6 million at the same time in 2008. Equity was NOK 478.9 million (NOK 262.5 million), resulting in an equity ratio of 40.8 per cent (26.8 per cent).

Inventory was NOK 346.5 million at 31 March 2009 (NOK 304.0 million). Inventory turns has decreased from 5.2 in the first quarter last year to 5.0 in the first quarter of 2009.

Trade debtors and other receivables amounted to NOK 408.8 million at the end of the first quarter of 2009. The corresponding amount at the same time in 2008 was NOK 424.8 million. Credit losses have been insignificant.

The group's reported interest-bearing debt totalled NOK 295.4 million as of 31 March 2009. Interest-bearing debt at the end of the first quarter of 2008 was NOK 333.4 million.

Cash flow from operational activities for the first quarter of 2009 was NOK 35.0 million (2008: negative by NOK 60.9 million). Kitron's cash and bank credit at 31 March 2009 comprised the following:

| NOK million                        |               |
|------------------------------------|---------------|
| Cash and cash equivalents          | 116.3         |
| Drawings on the overdraft facility | (38.4)        |
| Restricted bank deposits           | (19.3)        |
| <b>Total</b>                       | <b>(58.6)</b> |

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 162.5 million at the end of the first quarter, versus NOK 84.2 million at the same time in 2008.

**Organisation**

The Kitron workforce decreased by 60 full time equivalents (FTE) in the first quarter, and added up to 1 412 FTEs at 31 March. This equals the number of FTEs at the end of first quarter 2008.

| Full time equivalents | 31.03.09     | 31.03.08     | 31.12.08     |
|-----------------------|--------------|--------------|--------------|
| Norway                | 705          | 730          | 749          |
| Sweden                | 251          | 257          | 254          |
| Lithuania             | 451          | 420          | 464          |
| Other                 | 5            | 5            | 5            |
| <b>Total</b>          | <b>1 412</b> | <b>1 412</b> | <b>1 472</b> |

**Market**

Kitron's services are most competitive within complex manufacturing processes that require niche expertise. Kitron has chosen to focus its sales and marketing activities within the Data/Telecom, Defence/Offshore, Medical equipment and Industry market segments.

The market slow down continued in the first quarter of 2009. Order intake was 360.2 million, 29.2 per cent lower than the first quarter of 2008. The order backlog was 731.9 million which is a decrease of 26.4 per cent compared to first quarter 2008. Four quarter moving average order intake was down from NOK 565.0 million at the beginning of the first quarter to NOK 520.7 million at the end of the quarter.

The weak development in the order intake and backlog reflects lower demand from several of Kitron's key customers. This is partly due to the market slow down and partly due to customers reducing inventories because of market uncertainty. It shall be emphasised that no significant customer accounts have been lost and it is expected that the volume of new orders will recover once the market development turns into growth.

Kitron's order backlog generally includes four months customer forecast plus all firm orders.

**Data/Telecom**

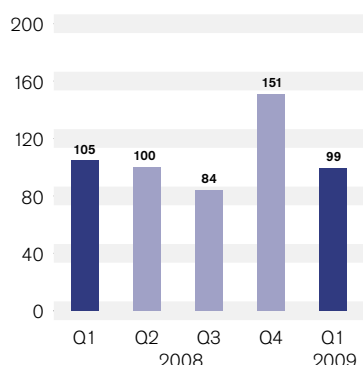
Within the Data/Telecom segment Kitron offers clients particular expertise to realize products such as transmission systems, high frequency microwave modules, radio frequency (RF), and data/video projection equipment.

The Data/Telecom segment had a somewhat negative development in the first quarter in line with the expectation. The order intake was down by 14.7 per cent, while revenue increased by 1.7 per cent compared to the same quarter in 2008.

The Data/Telecom segment is characterised by strong competition and high price sensitivity. The outlook for this segment is diverse. While some customers signal order postponements the customer's order backlog situation remains satisfactory in most cases. The order backlog and outlook for video projection equipment has improved in Q1 and helps to stabilize the trend for this segment. Furthermore the economic stimulus packages being initiated by local govern-

**REVENUE Medical equipment**

NOK million



ments should have a positive impact on the demand for infrastructure related products.

**Defence/Offshore**

The Defence segment consists of three main product divisions: military avionics, military communication and weapon control systems. Kitron divides the Offshore segment into three main areas; subsea production systems, oil and gas exploration equipment and navigation, positioning, automation and control systems for the offshore sector.

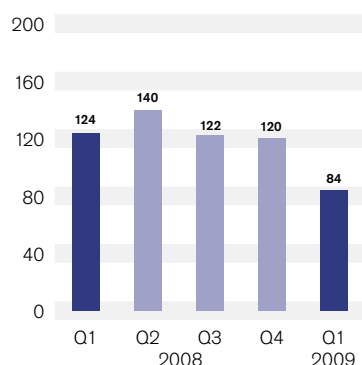
The activity in first quarter remained high, but there are clear signs of weaker demand for the Offshore segment for the rest of 2009. Revenues in the first quarter were up by 78.3 per cent compared to the same period last year, while the order intake was reduced by 21.2 per cent

The outlook for the Defence segment remains positive and is naturally less cyclical than other sectors. Technical upgrades and the development of new technology within the defence industry contribute to growing demand in a segment where Kitron has a strong position. The positive trend in the Swedish defence industry is further supporting our optimistic outlook. We recently received new orders at a total value of NOK 20 million from SAAB. Also BAE have increased their prognosis for business with Kitron and the forecast for 2009 is NOK 20 million higher than in 2008.

The trend in the Offshore segment is closely correlated with the development of the oil price. Over the last few years the development in the offshore industry has been very strong, but in first quarter key clients in this segment signalled a sharp drop in demand for the remaining part of 2009. While the general outlook for Offshore is weak there are also positive signs. Kitron's Development department signals an increasing demand for development projects related to Offshore. In the long terms this can yield new business for Kitron's manufacturing entities.

**REVENUE Industry**

NOK million

**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 high activity and growth in the Medical equipment segment is expected to last for several years. However, in Q1 2009 the development was negative. Order intake was 26.8 per cent lower and revenue decreased by 5.7 per cent compared with the same period last year. We believe that the development in order intake is explained by cautious inventory management by customers rather than being a signal of a sustainable negative market development.

The Medical equipment segment is less cyclical than other market segments. Kitron focuses on additional growth in this segment and expects a long-term positive development with customers in both Norway and Sweden. This trend is supported by strong market fundamentals for the products and services Kitron offers to the market. An example of expanded business within existing customers is the recent decision by Cellavision increase the cooperation with Kitron. Cellavision is planning to launch a new "analyser" later this year and has decided to place the manufacturing of the new product with Kitron in Karlskoga. While the long-term trend is positive, Kitron expects that the activity level in the Medical equipment segment will be relatively stable in 2009.

**Industry**

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

The negative market trend for the Industry segment continued in first quarter and is reflected in the key figures. Order intake decreased by 29.1 per cent compared to last

year and revenue is down by 32.3 per cent.

Price seems to be a more important factor in the Industry segment than in the other segments, where quality and competency are more emphasised. Given the close correlation with the development in the general global trading conditions it is expected that the weak trend for this segment will continue until the recession ends and the market recovers. Kitron expects the production volume in this segment to be lower in 2009 than in 2008. On the other hand, the company believes this segment will show the most significant recovery once the market turns in a positive direction.

**Outlook for fourth quarter 2008**

Kitron's main markets are Norway and Sweden, but most customers sell their products on the international markets. The significant effects of the recession on Kitron have increasingly become evident. Capacity adjustments will be necessary partly as a consequence of decreasing demand in some segments and partly as a result of Kitron's effort to drive operational improvements and transfer of business to lower cost countries.

Due to a weakening market outlook it is necessary to step up the efforts to adjust the manufacturing capacity. These efforts will mainly focus on reducing direct and indirect personell. Based on an expected drop in revenue of about 10 per cent compared with 2008, it was in February announced a target of reducing the number of employees by 250 FTEs. According to the updated outlook for the year it is now expected that revenue will be down by 15 per cent in 2009 compared to 2008 and the target is to reduce the workforce by about 370 FTEs.

Kitron do not expect to incur significant restructuring costs as a consequence of these adjustments. However, a reduction in margin is expected due to somewhat lower productivity in the short term following the capacity adjustment and difficulties to adjust the fixed costs of the company immediately.

The strong focus on profitability and cash will continue and Kitron expects to protect the long term margin through productivity improvements and cost-efficient materials sourcing.

In addition operating expenses and investments are carefully monitored and managed. Investments that improves Kitron's competitiveness are being prioritised while pure capacity related investments are being postponed. Training of employees and competency enhancing initiatives will still be prioritised.

## Condensed profit and loss statement

| NOK 1 000  | Q1 2009       | Q1 2008       | 31.12.2008     |
|--|---------------|---------------|----------------|
| Revenue  | 571 207       | 495 076       | 2 269 544      |
| Cost of materials  | 356 895       | 297 999       | 1 389 452      |
| Payroll expenses   | 140 258       | 134 382       | 538 421        |
| Other operational expenses   | 34 296        | 32 206        | 143 067        |
| <b>Operating profit before depreciation and impairments (EBITDA)</b> | <b>39 758</b> | <b>30 490</b> | <b>198 604</b> |
| Depreciation and impairments   | 10 900        | 8 859         | 40 065         |
| <b>Operating profit (EBIT)</b>                                       | <b>28 859</b> | <b>21 631</b> | <b>158 539</b> |
| Net financial items  | (9 183)       | (5 472)       | (20 653)       |
| <b>Profit before tax</b>   | <b>19 676</b> | <b>16 159</b> | <b>137 886</b> |
| Tax  | 4 559         | 1 603         | (76 426)       |
| <b>Net profit</b>  | <b>15 117</b> | <b>14 556</b> | <b>214 312</b> |
| Earnings per share (basic and diluted)                               | 0.09          | 0.08          | 1.24           |

## Condensed balance sheet

| NOK 1 000                                      | Q1 2009          | Q1 2008        | 31.12.2008       |
|--|------------------|----------------|------------------|
| <b>ASSETS</b>                                  |                  |                |                  |
| Goodwill                                       | 25 714           | 25 514         | 25 714           |
| Tangible fixed assets                          | 175 794          | 148 811        | 188 970          |
| Investment in shares                           | 9                | 37             | 36               |
| Deferred tax assets                            | 100 637          | 25 000         | 106 304          |
| Other receivables                              | -                | 1 827          | -                |
| <b>Total fixed assets</b>                      | <b>302 155</b>   | <b>201 189</b> | <b>321 024</b>   |
| Inventory                                      | 346 459          | 304 007        | 326 381          |
| Accounts receivable and other receivables      | 408 776          | 424 842        | 503 827          |
| Cash and cash equivalents                      | 116 346          | 49 542         | 98 970           |
| <b>Total current assets</b>                    | <b>871 580</b>   | <b>778 390</b> | <b>929 178</b>   |
| <b>Total assets</b>                            | <b>1 173 735</b> | <b>979 579</b> | <b>1 250 202</b> |
| <b>LIABILITIES AND EQUITY</b>                  |                  |                |                  |
| Equity   | 478 946          | 262 521        | 480 398          |
| <b>Total equity</b>                            | <b>478 946</b>   | <b>262 521</b> | <b>480 398</b>   |
| Loans  | 26 139           | 32 345         | 29 139           |
| Pension commitments                            | 21 299           | 21 745         | 21 164           |
| <b>Total long-term liabilities</b>             | <b>47 438</b>    | <b>54 090</b>  | <b>50 303</b>    |
| Accounts payable and other current liabilities | 376 089          | 361 254        | 375 504          |
| Loans  | 269 211          | 301 031        | 343 998          |
| Other provisions                               | 2 051            | 684            | -                |
| <b>Total current liabilities</b>               | <b>647 351</b>   | <b>662 968</b> | <b>719 502</b>   |
| <b>Total liabilities and equity</b>            | <b>1 173 735</b> | <b>979 579</b> | <b>1 250 202</b> |

## Condensed cash flow statement

| NOK 1 000                                 | Q1 2009 | Q1 2008  | 31.12.2008 |
|---|---------|----------|------------|
| Net cash flow from operational activities | 34 951  | (60 891) | 85 030     |
| Net cash flow from investment activities  | (4 524) | (13 325) | (76 278)   |
| Net cash flow from financing activities   | (3 573) | (1 830)  | (5 107)    |
| Change in cash and bank credit            | 26 854  | (76 046) | 3 645      |
| Cash and bank credit opening balance      | 31 808  | 28 164   | 28 164     |
| Cash and bank credit closing balance      | 58 662  | (47 882) | 31 809     |

## Statement of comprehensive income

| NOK 1 000                                 | Q1 2009  | Q1 2008 | 31.12.2008 |
|---|----------|---------|------------|
| Net profit                                | 15 117   | 14 556  | 214 312    |
| Currency translation differences          | (16 570) | 968     | 19 089     |
| Total comprehensive income for the period | (1 453)  | 15 524  | 233 401    |
| Profit attributable to shareholders       | 15 117   | 14 556  | 214 312    |

## Changes in equity

| NOK 1 000                           | Q1 2009 | Q1 2008 | 31.12.2008 |
|-------------------------------------|---------|---------|------------|
| Equity opening balance              | 480 398 | 246 997 | 246 997    |
| Comprehensive income for the period | (1 453) | 15 524  | 233 401    |
| Equity closing balance              | 478 946 | 262 521 | 480 398    |

## Notes to the financial statements

### Note 1 – General information and principles

The condensed consolidated financial statements for the first quarter of 2009 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Except as described below, Kitron has applied the same accounting policies as in the consolidated financial statements for 2008. The following new standards and amendments to standards are mandatory for the first time for the year beginning 1 January 2009:

- IAS 1 (revised), "Presentation of Financial Statements". The financial statements are prepared in accordance with IAS 1 (revised). The main changes comprise the "Statement of comprehensive income" and incorporation of comprehensive income in "Changes in equity".

- IFRS 8 "Operating segments". Kitron reports only one operational segment, Electronic Manufacturing Services. The changes in IFRS 8 have not affected Kitron's interim reporting.

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 2008, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU. The consolidated financial statements for 2008 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 for valuations, estimates and assumptions that effect 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 2008.

### 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 2009.



## Kitron ASA

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## Our solutions deliver success

**Kitron** is a medium-size high mix low volume Electronic Manufacturing Services (EMS) company. The company has manufacturing facilities in Norway, Sweden and Lithuania, and has about 1 400 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. The microelectronics business, which provides thick film technology and chip and wire bonding technology, delivers distinct features to customers with demanding requirements.

**Kitron** also provides various related services such as cable harness manufacturing and components analysis, and 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.