

# Quarterly presentation Q4 and preliminary annual accounts 2005 Kitron ASA



9 February 2006





# Restructuring strengthens operations

[www.kitron.com](http://www.kitron.com)

- Operating income lower than in fourth quarter 2004
- Realised cost reductions with good margins
- Decided further cost reductions (Oct. 2005)
- Strengthened order backlog through increased order intake
- Increased gross margins
- Earnings before taxes impacted by restructuring
- Full control of Kitron Lithuania
- Strengthened equity



# Realised lower cost base

- Cost reductions of MNOK 23.6 in Q4
  - Salaries: MNOK 14.4
  - Other operational costs: MNOK 9.2
  
- Total cost reductions in 2005 at MNOK 88.6, compared to target for the year at MNOK 70
  - Salaries: MNOK 64.7
  - Other operational costs: MNOK 23.9



# Status on decided cost reductions

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- **Termination of the production unit in Oslo is expected to give annual savings of MNOK 29**
  - Reduced salaries MNOK 15.0
  - Reduced other operations costs MNOK 14.0
  - Progress as planned – production terminated from Q1
  - Full effect from second quarter
  
- **Relocation of activities in Arendal to one site expected to save MNOK 22**
  - Reduced salaries MNOK 15
  - Reduced other operational costs MNOK 7
  - Progress as planned
  - Full effect from third quarter

# Financial information Q4 2005





# Highlights Q4

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- **Lower activity – operating income MNOK 443.5 (MNOK 461.1)**
- **Strengthened gross margins 39.5% (38.9%)**
- **EBITDA MNOK -37.5 (MNOK -7.1)**
- **EBIT MNOK -44.7 (MNOK -18.5)**
- **Strong cash flow from operations MNOK 62.3 (MNOK 82.5)**
- **Pre-tax result impacted by one-off costs: MNOK -50.0 (MNOK -19.4)**
  - One-off costs for restructuring Kitron AS: MNOK 49.5
- **Strengthened order backlog: MNOK 781 (MNOK 764)**
- **Net financial costs MNOK 5.3 (MNOK 0.9)**
  - Currency loss on rent commitments in Lithuania accounts for MNOK 1.0 (currency gain MNOK 3.0)



# Profit and loss Q4 2005

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Profit and loss ( NOK mill)	Q4 2005	Q4 2004	31.12.05	31.12.04
Operating income	443,5	461,1	1 576,3	1 748,0
Cost of material	268,4	281,6	941,2	1 062,1
<b>Gross profit margin</b>	<b>39,5 %</b>	<b>38,9 %</b>	<b>40,3 %</b>	<b>39,2 %</b>
Payroll expenses	126,7	141,2	463,5	528,2
Other operational expenses	36,3	45,5	124,7	148,6
Restructuring costs	49,5	-	49,5	24,2
<b>EBITDA</b>	<b>(37,5)</b>	<b>(7,1)</b>	<b>(2,6)</b>	<b>(15,0)</b>
Ordinary depreciation	7,2	9,6	30,8	36,5
Write-down of goodwill	-	1,7	2,1	1,7
<b>Operating profit/loss (EBIT)</b>	<b>(44,7)</b>	<b>(18,5)</b>	<b>(35,4)</b>	<b>(53,3)</b>
Net financial costs	5,3	0,9	22,8	18,5
<b>Profit/loss before tax</b>	<b>(50,0)</b>	<b>(19,4)</b>	<b>(58,2)</b>	<b>(71,8)</b>
<b>Taxes</b>	<b>0,7</b>	<b>2,0</b>	<b>0,7</b>	<b>2,0</b>
<b>Profit/loss after tax</b>	<b>(50,7)</b>	<b>(21,4)</b>	<b>(58,9)</b>	<b>(73,8)</b>
<b>Earnings per share</b>	<b>(0,31)</b>	<b>(0,16)</b>	<b>(0,39)</b>	<b>(0,56)</b>
<b>Diluted earnings per share</b>	<b>(0,31)</b>	<b>(0,16)</b>	<b>(0,39)</b>	<b>(0,56)</b>



# Highlights – balance sheet

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- **Total balance sheet of NOK 652.5 mill** (2004: NOK 610.8 mill)
- **Equity NOK 151.1 mill** (NOK 128.1 mill)
  - Equity of 23.2%
- **Capital tied up in inventory NOK 242.5 mill** (2004: NOK 246.4 mill)
- **Accounts receivable of NOK 90.4 mill** (2004: NOK 130.8 mill)
  - Sale of accounts receivable NOK 208.0 mill (2004: NOK 223.0 mill)
- **Deferred tax benefit of NOK 20.0 mill** (2004: NOK 20.0 mill)
- **Capitalised interest-bearing debt NOK 52.6 mill** (2004: NOK 33.5 mill)
- **Remaining restructuring provision NOK 54.3 mill**
  - Of this MNOK 45.2 for restructuring of Kitron AS





# Balance sheet – Assets

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<b>Balance sheet (NOK mill)</b>	<b>31.12.05</b>	<b>31.12.04</b>
Deferred tax credits	20,0	20,0
Other intangible fixed assets	18,5	20,6
Fixed assets	112,4	120,6
Financial assets	4,0	8,5
<b>Total fixed assets</b>	<b>155,0</b>	<b>169,7</b>
Inventory	242,5	246,4
Accounts receivable	90,4	130,8
Receivable	51,4	33,8
Funds available	113,2	30,1
<b>Total current assets</b>	<b>497,5</b>	<b>441,1</b>
<b>Total assets</b>	<b>652,5</b>	<b>610,8</b>



# Balance sheet – liabilities and shareholders' equity

	31.12.05	31.12.04
<b>Liabilities and shareholders' equity</b>		
Paid-in equity	151,1	115,5
Retained earnings	-	-
Minority interests	-	12,6
<b>Total shareholders' equity</b>	<b>151,1</b>	<b>128,1</b>
Pension commitments	14,9	31,5
Provision for liabilities and charges	6,2	13,8
Debt to credit institutions	11,9	16,2
Other long term debt	29,2	22,8
<b>Total long term debt</b>	<b>62,1</b>	<b>84,3</b>
Debt to credit institutions	40,7	17,3
Provision for liabilities and charges	48,1	5,9
Other short term debt	350,5	375,2
<b>Total short term debt</b>	<b>439,3</b>	<b>398,4</b>
<b>Total liabilities and shareholders' equity</b>	<b>652,5</b>	<b>610,8</b>
Financing of accounts receivable as at 31.12.2005	208,0	223,0



# Cash flow and shareholders' equity

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## Cash flow statement (NOK mill)

	Q4 2005	Q4 2004	31.12.05	31.12.04
Net cash flow from operational activities	62,3	82,5	6,8	(33,0)
Net cash flow from investment activities	(29,1)	(14,3)	(40,5)	(23,7)
Net cash flow from financing activities	49,0	(59,9)	116,8	34,7
Net change in cash	82,2	8,3	83,2	(22,1)
Cash balance opening balance	31,0	21,7	30,1	52,1
<b>Cash balance closing balance</b>	<b>113,2</b>	<b>30,1</b>	<b>113,2</b>	<b>30,1</b>

## Shareholders' equity (NOK mill)

	31.12.05	31.12.04
Shareholders' equity opening balance	128,1	147,0
Profit/loss for the year	(58,9)	(73,8)
Conversion difference	(1,0)	(2,6)
Share issue after issue costs	90,8	43,3
Change in minority interests	(12,6)	(1,1)
Equity provided through options	4,8	15,2
<b>Shareholders' equity closing balance</b>	<b>151,1</b>	<b>128,1</b>

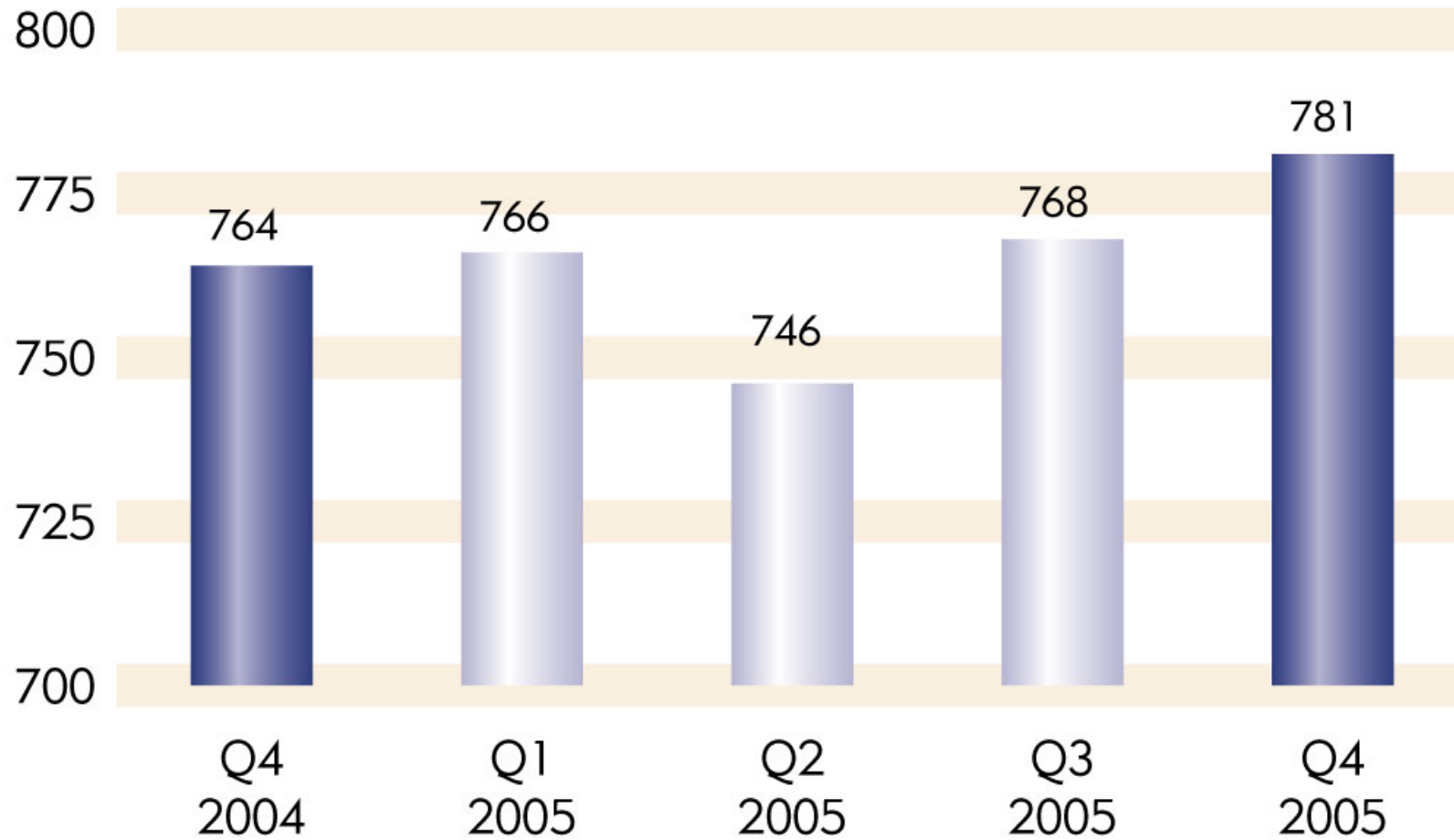
# Market developments





## DEVELOPMENT IN ORDER BACKLOG GROUP

NOK MILLION

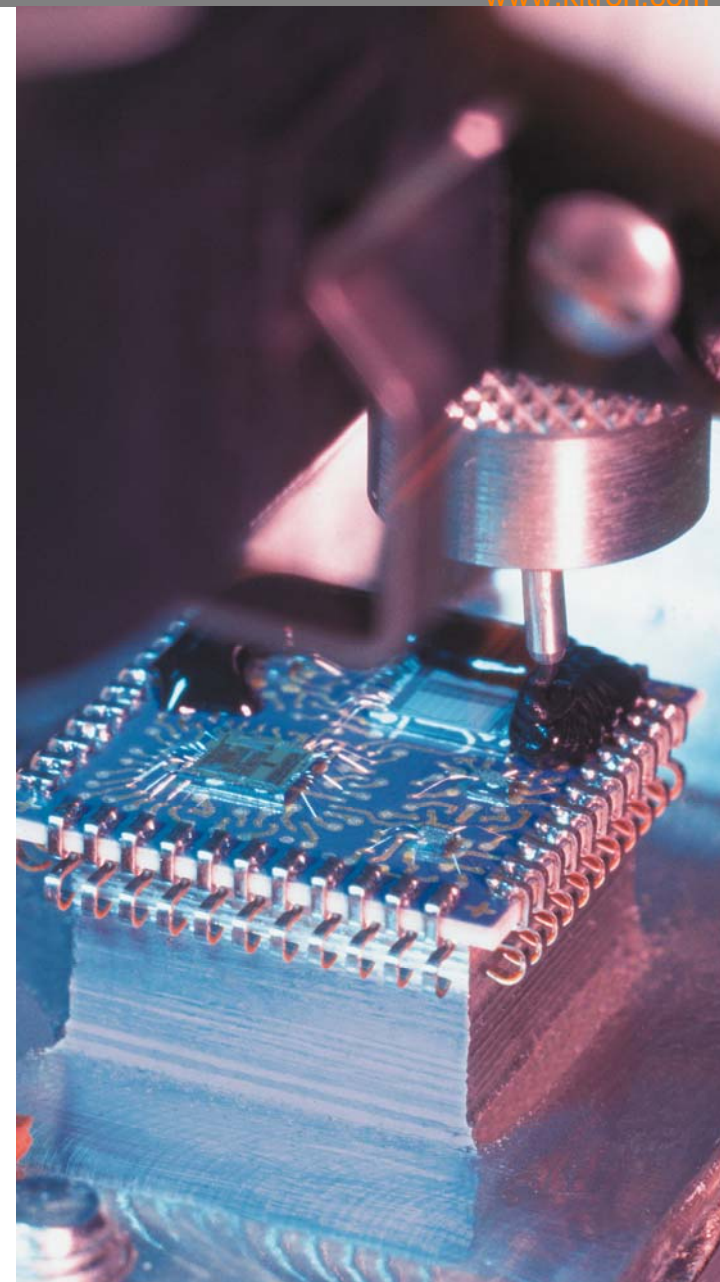




# The market in Q4

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- **Limited growth in Nordic EMS market**
  - Limited access to new products with large volumes
  - Swedish growth – Kitron’s structure expected to increase market share
  - Time consuming introductory sale
- **Increased interest for outsourcing of more stages in the manufacturing process (HLA)**
  - Kitron active in all stages of the value chain
- **Growth in micro electronics market**





# Full delivery range even more important [www.kitron.com](http://www.kitron.com)

- **Expect growth in demands for products requiring large proportions of know how in the EMS-market**
  - Often low-volume products
  - Kitron's core business
- **Increased focus on High Level Assembly**
  - Kitron active in all stages of the value chain
- **Growth in micro electronics expected to continue**
  - Mainly within IT/telecom and industry segments
  - New areas - especially from illumination and auto industries

# Prospects







# Focus on profitability

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- **Realised lower cost base**
    - Increased flexibility in reference to changing markets
  - **Decided further cost reductions (Oct 2005)**
    - Progress as planned
  - **Positive development in order backlog**
    - Norway and Sweden will remain main markets
    - Expected positive development for Swedish business as Swedish market is expected strongest growth
  - **Kitron's operations in Lithuania increasingly more important**
-  **Expects profitability in 2006**

# Kitron - One step ahead

