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## Third quarter results 2008

**12 November 2008**

**Jørgen Bredesen, CEO**

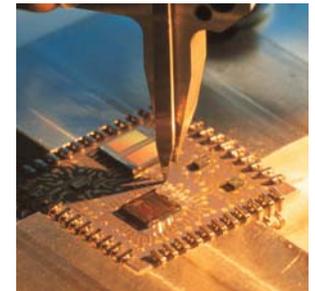
**Björn Wigström, CFO**



# Continued strong performance in Q3

## Financial highlights

- Strong order intake and backlog
- Revenue growth of 24%
- Doubled operating profit
- Tripled profit before tax
- Strong operating cash flow



# Stronger operational efficiency

## Operational highlights

- Positive impact of ongoing manufacturing efficiency programme
- Start up of second line at Uzliedziai
- Capacity adjustments ongoing – e.g. Røros
- Transfer of manufacturing to Lithuania ongoing



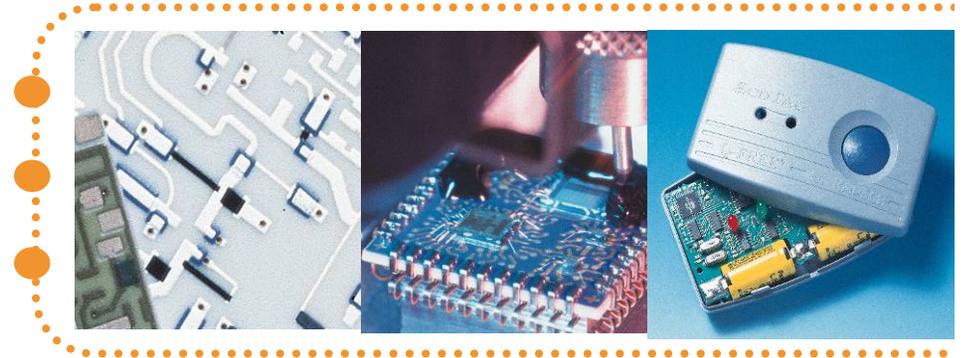
## New orders in Q3

- **Orders within the Defence/Marine segment - August**
  - Kitron AS won orders worth 129 million
  - Deliveries in Q4 and Q1 2009
  - Signals strengthened relationship with customer
- **Kongsberg Defence & Aerospace (KDA) - September**
  - Kitron AS won orders amounting to NOK 40 million on KDA's weapon control system PROTECTOR
  - Delivery Q1 and Q2 2009
- **Defence/Marine orders of NOK 90 million - October**
  - UAB Kitron received new orders for delivery in first half 2009

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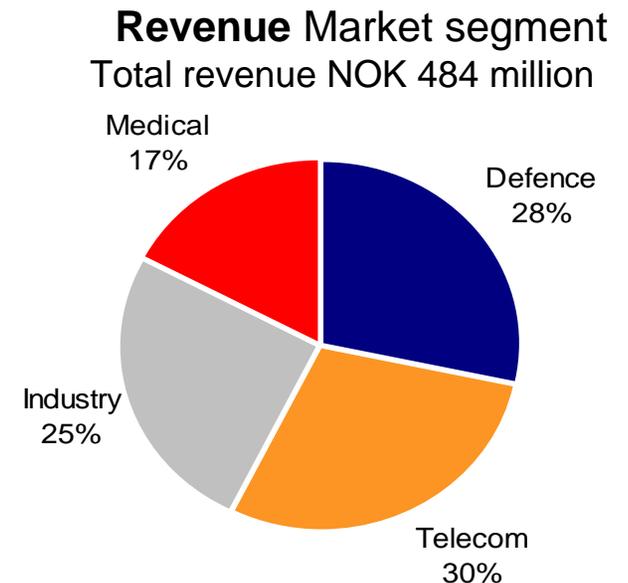
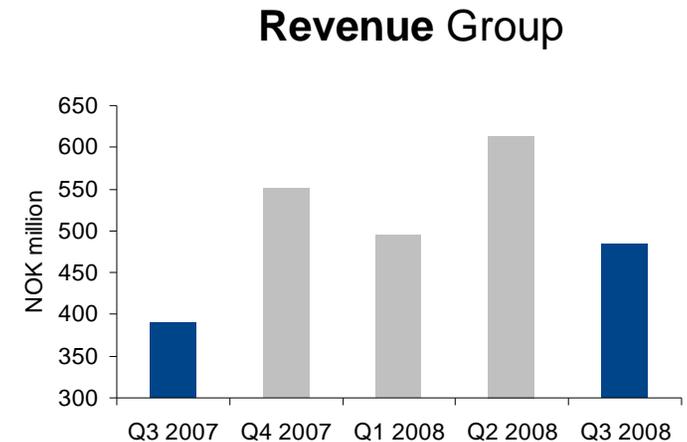


## Financial statements Q3 2008



## Solid top line development

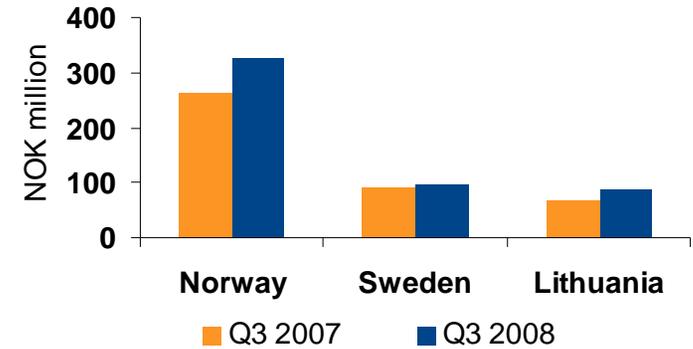
- Revenue reached NOK 484 million which reflects a 24% increase compared to Q3 2007
- Seasonally soft start in the quarter. High activity in August and September
- Marine / Defence show a particularly solid growth trend.
- Also Industry and Telecom shows growth while Medical is down



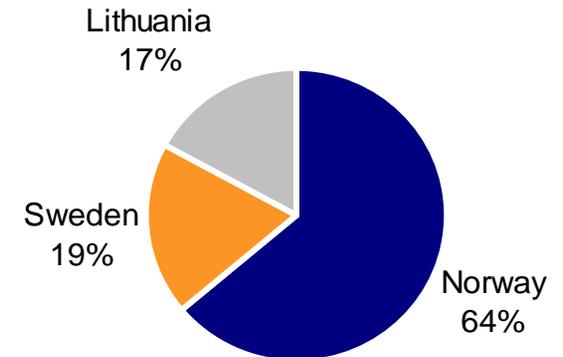
# Growth in all countries

- Growth across all countries
- Particularly strong trend in Arendal
- Transfer of manufacturing ongoing

Revenue Business area

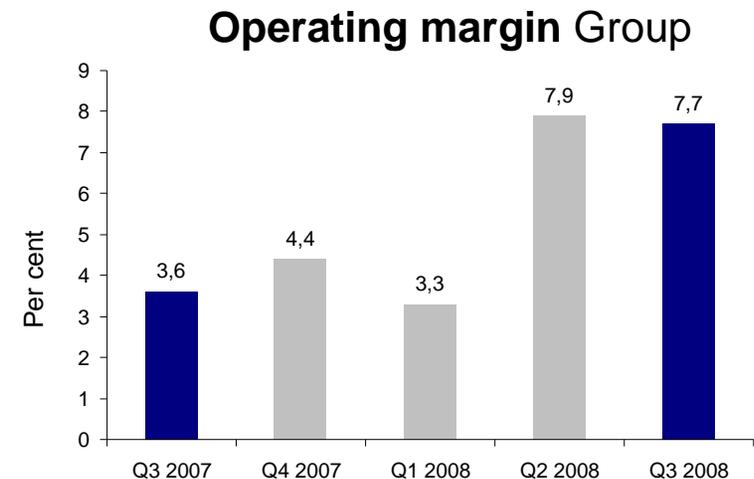
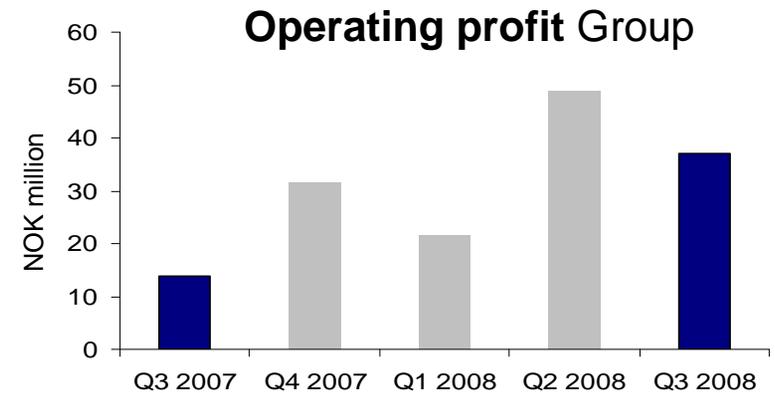


Revenue Business area  
Total revenue NOK 484 million



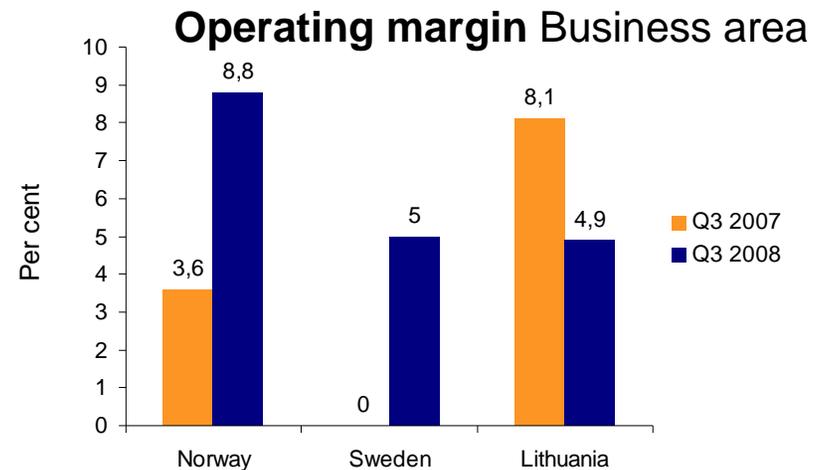
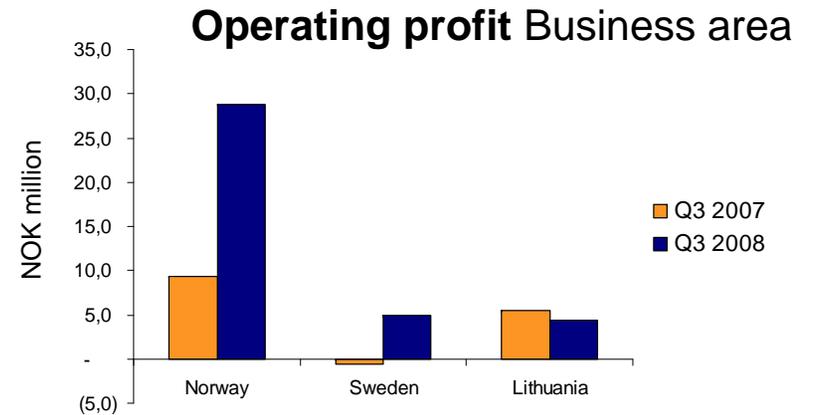
# Operating result more than doubled

- **Operating result up by 267%.**
- **Operating margin improved from 3.6% to 7.7%**
- **Operational efficiency improvements (5S, LEAN etc)**
- **Relative payroll costs improved to 22.8% (25.3%)**
- **Other operating costs down to 6.5% of revenue (7.6%)**



# All units delivers positive results

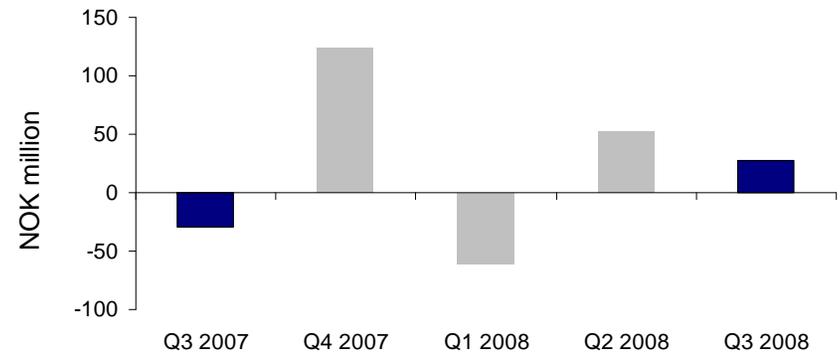
- Norway (Arendal) again delivers a solid profit
- Sweden continue a convincing trend and confirm the turnaround.
- Lithuania on track to deliver a record result



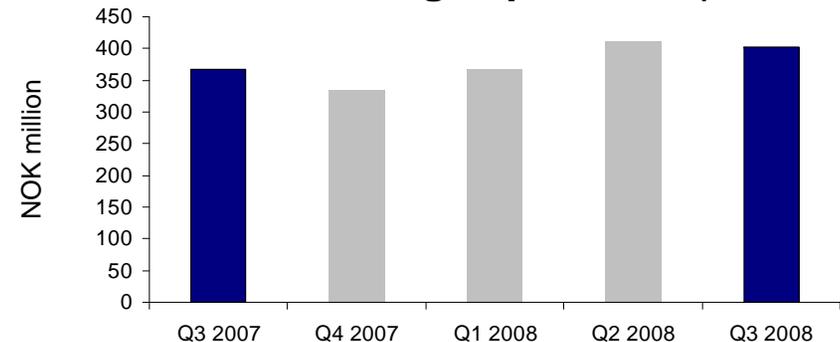
# Operating cash flow improved

- Operating cash flow was NOK 28 million vs NOK 29 million negative in Q3 2007
- Adjusting for factoring the operating cash flow year to date was NOK 54 million
- Inventory turnover improved from 4.1 to 4.4
- DSO improved
- Net working capital increased, but improved to 83% (94%) of revenue

Operating cash flow Group

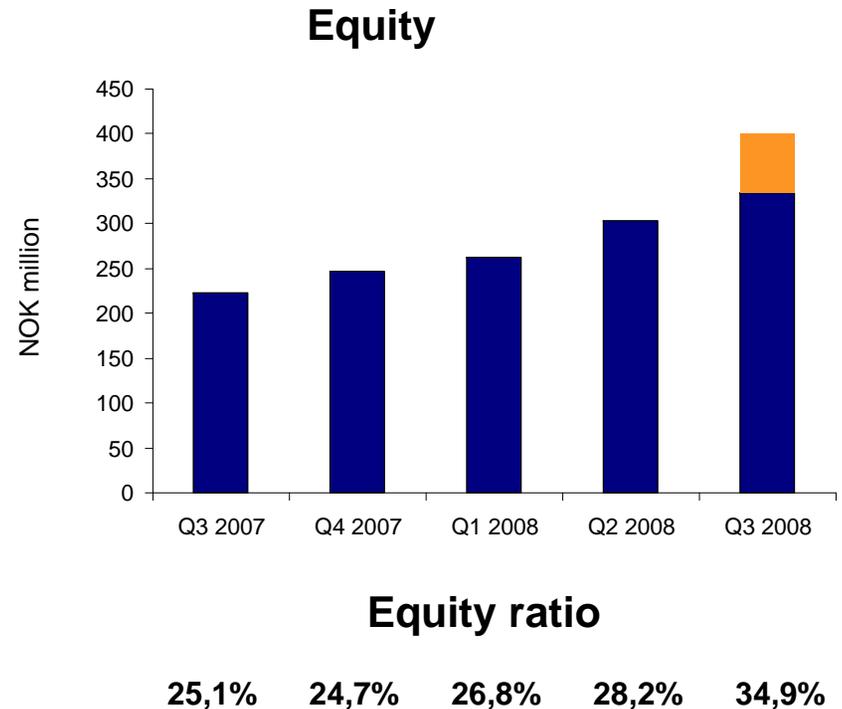


Net working capital Group

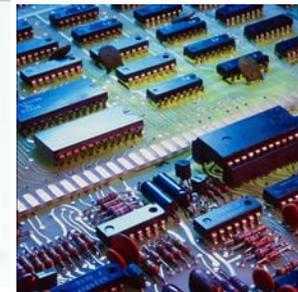


# Deferred tax revaluation boosted equity

- **Equity ratio improved to almost 35% (25%)**
- **Sharp increase in retained earnings as a result of strong performance**
- **Deferred tax asset reassessed from NOK 25 million 31.12.2007 to NOK 91 million 30.09.2008**
  - Equity increase of NOK 65.8 million

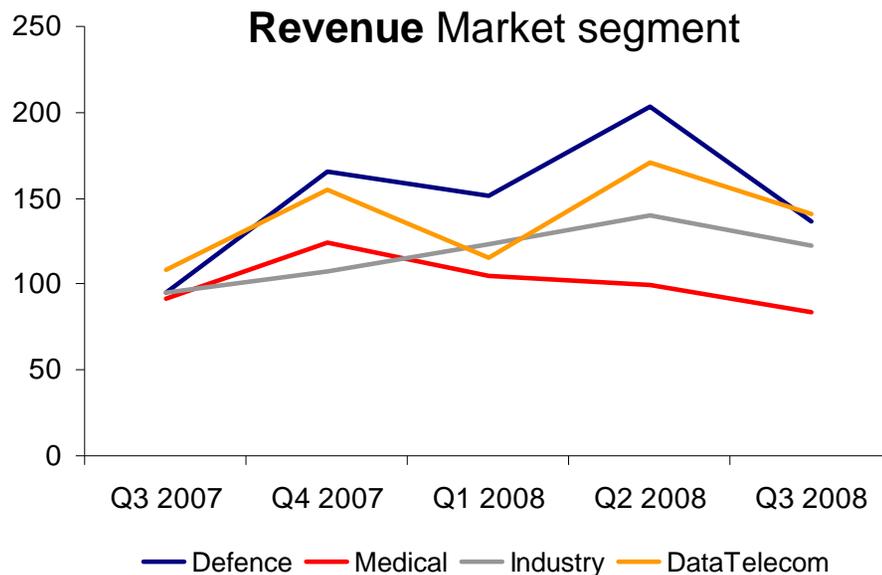


# Market development



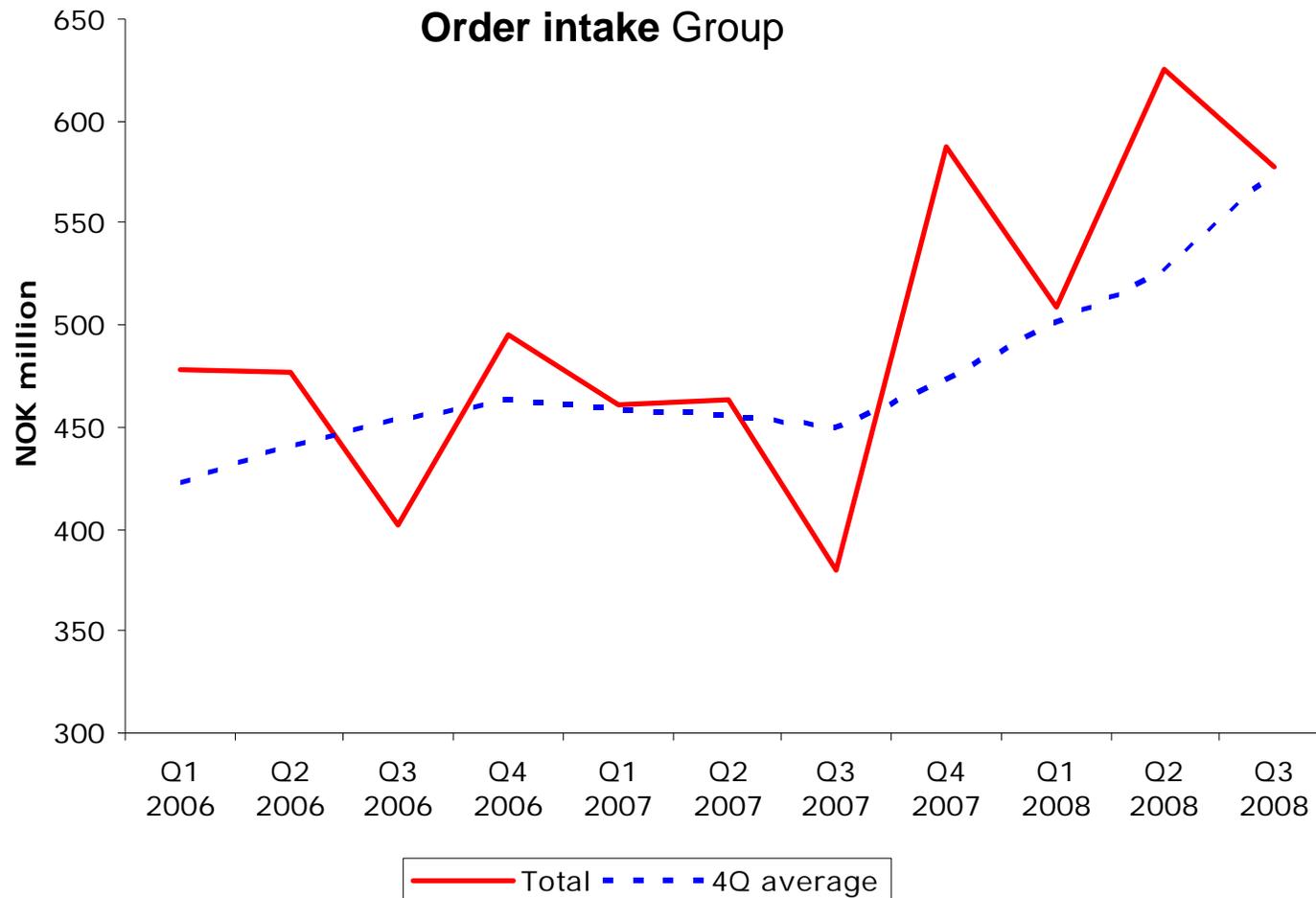
# Strong demand in most segments

- No indications of weaker demand in Defence / Marine
- A steady number of enquiries received
- Continued capacity expansion



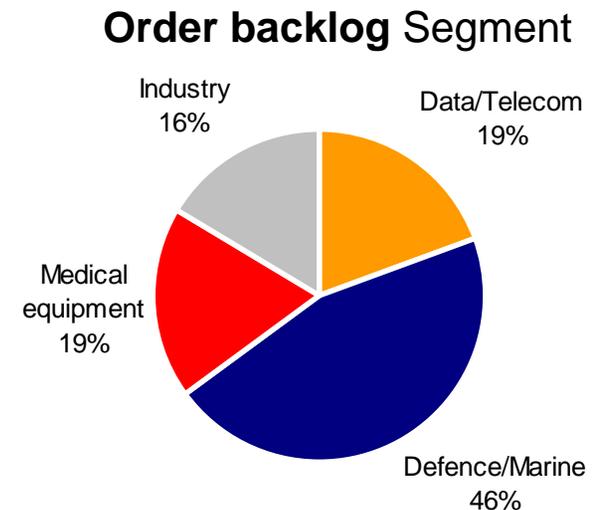
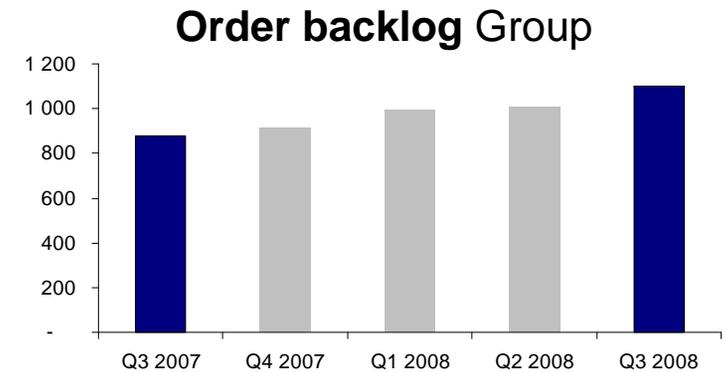
- Highly competitive and price sensitive Data/Telecom segment
- New technology development in the Defence/Marine segment
- Price sensitive Industry segment
- New opportunities within Medical based on quality and competency

# Order intake reaches a higher level



# Order backlog signals high revenue visibility over the next six months

- **Order backlog reached NOK 1 100 million (NOK 877 million)**
- **The backlog in Defence / Marine represents 46% of the total:**
  - Technology upgrades and development of new technology gave high demand in the defence industry
  - Strong demand within oilfield services
- **Signals high revenue visibility for Q4 and the beginning of 2009**
  - Prudent definition of order backlog



# Outlook



# Safeguarding long-term profitability

- **Accelerating transfer of production to Lithuania (lower costs)**
- **Adjustment of manning in Karlskoga**
  - 50 employees redundant – negotiations with unions are ongoing
  - Full effect of the capacity adjustments from September 2009
- **Continue program to increase manufacturing efficiency**
- **Intensify work to identifying further measures to secure long-term profitability**



## Healthy profitability expected in Q4

- Growth target of 10% for 2008 will be exceeded
- Stable market conditions expected in Q4
- Healthy profitability and margin level expected for Q4 2008
- EBT expected to more than double compared to Q4 2007
- Management is proactively responding to the possible impact of the financial crisis.





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