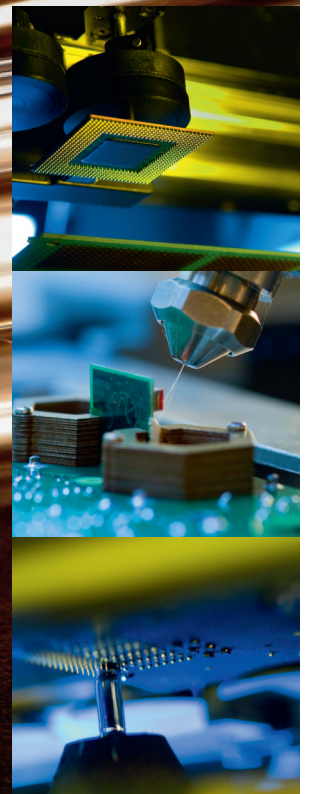




**INTERIM REPORT Q4 2010
AND PRELIMINARY RESULT 2010**





Improved performance before restructuring

Key items

Figures in brackets refer to the fourth quarter of 2009 unless otherwise stated.

■ Order development stable

The order intake decreased by 2.5 per cent to NOK 443.2 million (NOK 454.7 million). The order backlog at the end of the fourth quarter was NOK 836.1 million (NOK 795.8 million), 5.1 per cent higher than last year.

■ Activity level increasing

Revenue increased by 7.4 per cent to NOK 455.2 million (NOK 423.9 million) amid the difficult component situation.

■ Operating profit negative due to booking of restructuring provision

EBITDA and EBIT were negative by NOK 6.2 million (NOK 23.0 million profit) and NOK 13.6 million (NOK 15.8 million profit) respectively due to the booking of NOK 27 million in provisions related to Kitron AB in Karlskoga.

■ Profit (loss) before tax and discontinued operations

The loss before tax and discontinued operations amounted to NOK 18.8 million (NOK 12.8 million profit).

■ Cash flow

Cash flow from operations in the fourth quarter was positive by NOK 38.7 million (NOK 62.3 million) due to working capital improvements.

Kitron's revenue amounted to NOK 455.2 million in the fourth quarter of 2010, a 7.4 per cent increase compared with the same period last year. EBIT was negative by NOK 13.6 million (NOK 15.8 million) due to the booking of NOK 27 million in provisions in Kitron AB, Karlskoga. The loss before tax and discontinued operations was NOK 18.8 million (NOK 12.8 million profit in Q4 2009). Cash flow from operations was positive by NOK 38.7 million (NOK 62.3 million). The order intake was NOK 443.2 million and the order backlog was NOK 836.1 million, a decrease of 2.5 per cent and an increase of 5.1 per cent respectively.

Restructuring of Kitron Sweden

In accordance with the notification in November Kitron is planning to reorganise its Swedish operations to increase its competitiveness and improve profitability. This involves transfer of production to lower cost countries and to optimise the production between the operating units in Sweden. Furthermore the intention is to merge the Swedish legal entities and to centralise all the administration to Jönköping in order to reduce indirect costs. The reorganisation will primarily affect the operation in Karlskoga. The Karlskoga operation will be downsized to a manufacturing site for defence customers and a customer interface for our entities in Lithuania and China within the medical segment. The Karlskoga operation will maintain competence to provide technical services to its customers. As a result of this plan it is estimated that 55 employees will leave the company.

The estimated financial impact of the restructuring is reflected in the fourth quarter accounts. A NOK 27 million restructuring provision is included in the Kitron AB accounts. The provision is mainly related to the layoff of personnel and facility costs. A NOK 4 million provision for bad debt is also included in the provision.

Component shortage still a challenge

The fourth quarter showed a growth trend compared to the same period last year (adjusting for the restructuring provision) but the recovery is slowed down by the shortage of components. There is both a negative effect on revenue and margin due to the reduced manufacturing efficiency and delayed deliver-

ies. While there is a gradual improvement in the component market it is expected that the difficulties will continue in 2011. As a response to these challenges Kitron has initiated discussions with its customers to increase prices.

New contracts secured

In the fourth quarter Kitron secured several important contracts including contracts for the Swedish defence industry and an important Data Telecom order also in Sweden. New orders were also secured in the Offshore/Marine segment and it is expected that we will see a rebound in 2011 in this segment.

Establishment of new entities on track

As earlier announced Kitron is setting up operations in Germany, China and US. The establishment of these operations is on track, but in line with the plan there will not be any significant revenue generation until earliest the second half of 2011.

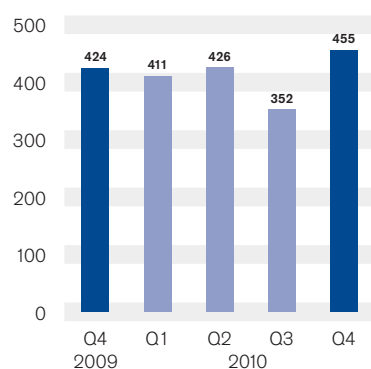
Revenue

Kitron's revenue in the fourth quarter was 7.4 per cent higher than in the same period in 2009, and amounted to NOK 455.2 million (NOK 423.9 million). Revenue in the market segment Data/Telecoms was down 6.3 per cent, Defence was down 7.9 per cent, Industry increased by 49.3 per cent, Medical equipment was up by 14.2 per cent and Offshore/Marine was down 14.8 per cent compared to the fourth quarter of 2009.

Revenue in the Norwegian operation represented 60.3 per cent of Kitron's gross revenue during the fourth quarter (62.5 per cent). The Swedish operation represented 23.3 per

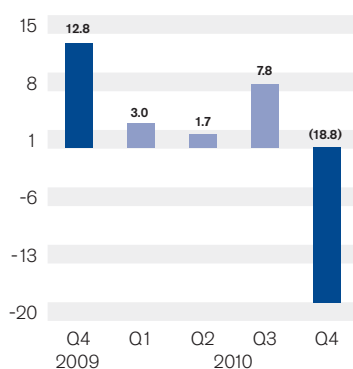
REVENUE Group

NOK million



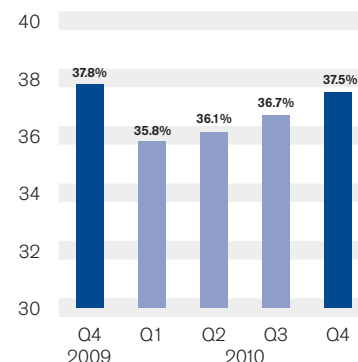
PROFIT BEFORE TAX Group

NOK million



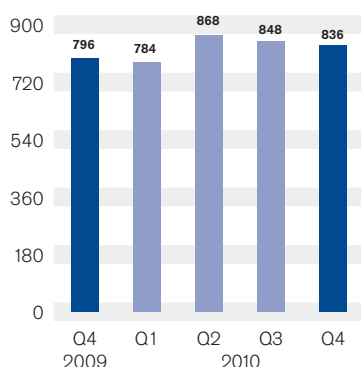
GROSS MARGIN Group

Per cent



ORDER BACKLOG Group

NOK million



REVENUE BUSINESS AREAS

NOK million	Q4 2010	Q4 2009	31.12.2010	31.12.2009
Norway	292.5	286.7	1 088.8	1 143.9
Sweden	113.2	105.7	389.7	362.4
Lithuania	79.5	66.2	282.0	336.1
Others and eliminations	(30.0)	(34.7)	(116.6)	(111.7)
Total group	455.2	423.9	1 644.0	1 730.7

OPERATING PROFIT/(LOSS) BUSINESS AREAS

NOK million	Q4 2010	Q4 2009	31.12.2010	31.12.2009
Norway	10.6	11.2	41.8	48.3
Sweden	(22.0)	1.5	(42.3)	(0.5)
Lithuania	7.0	4.9	21.1	20.9
Others and eliminations	(9.2)	(1.8)	(12.7)	(4.8)
Total group	(13.6)	15.8	7.9	64.0

ORDER BACKLOG BUSINESS AREAS

NOK million	Data/ Telecoms	Defence	Industry	Medical equipment	Offshore/ Marine	Total
Norway	39.7	163.3	82.4	160.4	94.0	539.8
Sweden	42.3	75.1	19.5	49.9	-	186.8
Lithuania	23.8	-	70.5	9.5	2.5	106.3
Germany	-	-	3.1	-	-	3.1
Total group	105.8	238.4	175.5	219.9	96.5	836.1

REVENUE GEOGRAPHIC DISTRIBUTION CUSTOMERS

NOK million	Q4 2010	Q4 2009	31.12.2010	31.12.2009
Norway	231.0	228.3	893.2	1 038.3
Sweden	190.2	182.5	646.8	595.3
Rest of Europe	15.8	1.2	35.6	48.2
USA	18.2	11.0	68.4	47.0
Others	-	0.8	-	1.9
Total group	455.2	423.9	1 644.0	1 730.7

cent of the group (23.0 per cent) and Kitron's operation in Lithuania provided for 16.4 per cent (14.5 per cent).

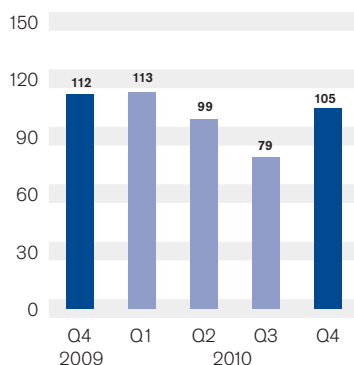
Kitron's revenue in the fourth quarter of 2010 was distributed as follows:

Data/Telecoms	23 % (26 %)
Defence	18 % (21 %)
Industry	21 % (15 %)
Medical equipment	32 % (30 %)
Offshore/Marine	6 % (8 %)

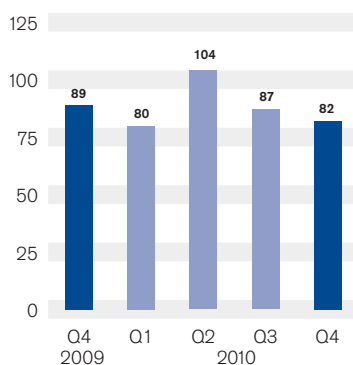
Revenue from customers in the Swedish market represented a 41.8 per cent share of the total revenue during the fourth quarter (43.1 per cent). The Norwegian market represented 50.7 per cent of Kitron's total revenue in the fourth quarter (53.9 per cent).

REVENUE Data/Telecoms

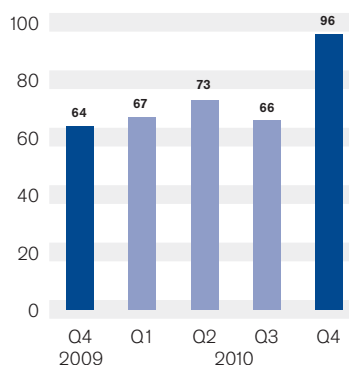
NOK million

**REVENUE Defence**

NOK million

**REVENUE Industry**

NOK million

**Gross and net margin**

The gross margin in fourth quarter 2010 was slightly lower compared to fourth quarter last year, and amounted to 37.5 per cent (37.9 per cent). However, the gross margin is up from third quarter 2010 with 0.8 percentage points. Furthermore the sale and reclassification of the Norwegian development department to discontinued operations reduced the gross margin (nearly 100 per cent gross margin on engineering and development sales). The net margin decreased from 21.9 per cent to 21.2 per cent. Of this 2.3 percentage points is related to the Karlskoga restructuring

Profit

Kitron's operating profit (EBIT) in the fourth quarter was negative by NOK -13.6 million, which is a decrease of NOK 29.4 million compared with same period last year (NOK 15.8 million). Of this NOK 27 million is related the restructuring in Sweden. The Karlskoga operation shows a negative EBIT of NOK 30 million in fourth quarter and a loss of NOK 52.5 million for the whole year. The situation in the component market has had a negative effect on the productivity and efficiency in all operations and the margin has suffered as a result also in the fourth quarter.

Loss before tax and discontinued operations in the fourth quarter of 2010 was NOK (18.8) million, which is a decrease of NOK 31.6 million compared to the same period last year.

The company's total payroll expenses in the fourth quarter were NOK 17.0 million higher than the corresponding period in 2009. Of this NOK 12.7 million is related to the Karlskoga restructuring. The relative payroll costs went from 26.6 per cent of revenue in fourth quarter 2009 to 28.5 per cent of revenue in the fourth quarter this year. Adjusted for the restructuring effect the payroll cost was 25.7 per cent of revenue in the fourth quarter this year. Other operating costs increased to 10.4 per cent of revenue in the fourth quarter of 2010 (5.9 per cent). Adjusted for the restructuring effect on other operating costs (NOK 14.3 million) the percentage of revenue is 7.2 for the fourth quarter this year.

During the quarter net financial items amounted to a cost of NOK 5.3 million. This was an increase of NOK 2.2 million compared to the same period last year. The main reason for the increase is currency losses on intra-group financial loans (NOK 1.9 million) in fourth quarter 2010.

Balance sheet

Kitron's gross balance as at 31 December 2010 amounted to NOK 1 015.5 million, against NOK 982.2 million at the same time in 2009. Equity was NOK 420.6 million (NOK 450.4 million), corresponding to an equity ratio of 41.4 per cent (45.6 per cent).

Inventory was NOK 325.3 million at 31 December 2010 (NOK 256.3 million). Inventory turns was down from 4.6 in fourth quarter 2009 to 4.3 in fourth quarter 2010.

Trade debtors and other receivables amounted to NOK 352.7 million at the end of the fourth quarter of 2010. The corresponding amount at the same time in 2009 was NOK 337.9 million.

The group's reported interest-bearing debt amounted to NOK 264.0 million as of 31 December 2010. Interest-bearing debt at the end of the fourth quarter 2009 was NOK 233.0 million.

Cash flow from operational activities for the fourth quarter of 2010 was positive by NOK 38.7 million (NOK 62.3 million). This is mainly due to working capital changes. Kitron's cash and bank credit at 31 December 2010 comprised the following:

NOK million

Cash and cash equivalents	48.2
Drawings on the overdraft facility	(15.1)
Restricted bank deposits	(18.8)
Total	14.4

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 113.1 million at the end of the fourth quarter, versus NOK 159.8 million at the same time in 2009. The overall credit line at 31 December 2010 was NOK 95.6 million versus NOK 73.0 million at the same time last year.

Organisation

The Kitron workforce corresponded to 1 112 FTEs at 31 December 2010. This represents a decrease of 9 FTEs since the fourth quarter of 2009.

Full time equivalents	31.12.2010	31.12.2009
Norway	531	555
Sweden	193	236
Lithuania	339	323
Other	49	7
Total	1 112	1 121

Market

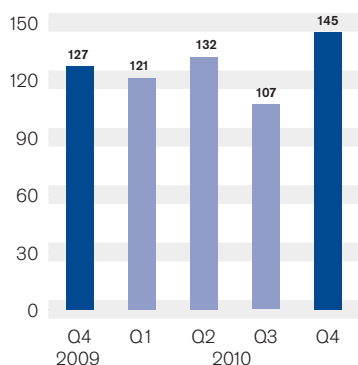
Kitron's services are most competitive within complex products. Kitron has chosen to focus its sales and marketing activities within the Data/Telecoms, Defence, Industry, Medical equipment and Offshore/Marine market segments.

Overall the order intake and backlog trend has been relatively stable in the quarter. Order intake was NOK 443.2 million, which is 2.5 per cent lower than for the fourth quarter 2009. The order backlog ended at NOK 836.1 million, which is NOK 40 million (5.1 per cent) higher than the same period last year. Four quarter moving average order intake was down from NOK 426 million at the beginning of the fourth quarter to NOK 423 million at the end of the quarter. Kitron's order backlog generally includes four months customer forecast plus all firm orders.

The market conditions are gradually improving and although the trend in the fourth quarter was stable there is a positive momentum in the market. The tender activity remains high, especially in the German market, and several important prospects are expected to be concluded in the near future. Furthermore the offshore segment is heading towards recovery and we are starting to see an increased demand from customers in this segment.

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 depart-

REVENUE Medical equipment NOK million



ment of the customer is crucial for success. This is an important channel to new business as most clients maintain a strong R&D presence in Scandinavia even if the manufacturing to a certain degree is moved to lower cost countries.

Data/Telecoms

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

The order backlog decreased by 26.7 per cent and revenue decreased by 6.3 per cent compared to the fourth quarter in 2009. The downturn is due to the loss of a major Norwegian Data/Telecom client reported in the third quarter 2010. This loss is partly offset by new orders from a Swedish Data/Telecom client and a generally positive development with existing customers.

In the next quarter it is expected that the negative development will continue as the customer which has terminated the contract with Kitron is being phased out. This said the general longer term outlook for Data/Telecoms products is promising. Among Kitron's customers in this segment we have one of the fastest growing mid sized Telecom companies in Europe. Another growth driver is the demand within the electrical metering business. Kitron has during the last year secured contracts with several metering companies and the growth in 2011 and beyond is expected to be strong.

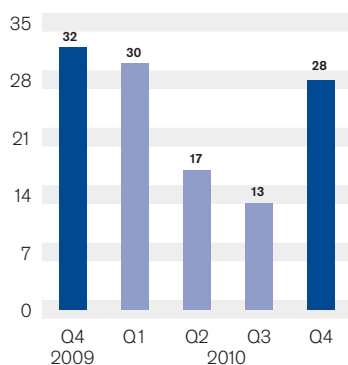
Defence

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

The order backlog increased by 4.5 per cent and the revenue decreased by 7.5 per cent compared to the fourth quarter in 2009. The development is driven by the demand from the Swedish and Norwegian defence industries.

The longer term outlook for the Defence

REVENUE Offshore/Marine NOK million



segment remains positive. Kitron is currently involved in defence programs with among others the Kongsberg Group and Lockheed Martin that could yield more than 1 billion NOK in revenue in the years to come. Under the Manufacturing License Agreement between Kitron ASA and Lockheed Martin Maritime Systems and Sensors Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. The positive trend in the Swedish defence industry is further supporting our optimistic outlook. Several long term contracts were secured in the Swedish market in the quarter. Defence is also a prioritised area for our new operation in Germany.

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 order backlog decreased by 1.9 per cent while revenue increased by 49.3 per cent compared to the fourth quarter in 2009. The strong revenue growth is primarily explained by the recovery in the Swedish industrial sector.

The market situation within the Industry segment has improved and it is expected that the positive trend will continue in 2011. The order intake is gradually picking up again and we see an increasing number of RFI/RFQs in the market.

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 8.1 per cent and revenue increased by 14.2 per cent compared to the fourth quarter in 2009. The strong revenue trend in Medical is driven by ramp up of production for existing clients.

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 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 revenue decreased by 14.8 per cent compared to the fourth quarter in 2009. This said we saw new orders being placed in the fourth quarter and the outlook is improving.

The trend in the Offshore/Marine segment is closely correlated with the development of the oil price. In the last two years there has been a sharp drop in demand from the offshore segment but lately the outlook has improved. It is expected that the Offshore/Marine segment will recover in 2011.

Outlook

Kitron's markets are mainly Norway and Sweden, but most customers of Kitron sell their products on international markets. As the recovery in the global economy continues Kitron expects to see an increased demand from its customers. The shortage in the component market will contribute to a strong demand pressure going forward. The backlog position at the end of the fourth quarter as well as the improved market conditions indicates that we will see a growth in revenue in 2011.

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 strong focus on balance sheet management and cash flow will continue in 2011. Management will focus on reducing inventory as the component situation gradually is improving.

Operating expenses and investments are carefully monitored and managed. Investments that improve Kitron's competitiveness are being prioritised. Training of employees and competency enhancing initiatives are still given high attention.

Board of directors, Kitron ASA
Jönköping, 8 February 2011

Condensed profit and loss statement

NOK 1 000	Q4 2010	Q4 2009	31.12.2010	31.12.2009
Revenue	455 243	423 855	1 643 948	1 730 690
Cost of materials	284 646	263 396	1 043 639	1 077 374
Payroll expenses	129 541	112 578	429 530	445 754
Other operational expenses	47 219	24 948	131 811	110 568
Operating profit (loss) before depreciation and impairments (EBITDA)	(6 163)	22 933	38 969	96 993
Depreciation and impairments	7 453	7 118	31 076	33 031
Operating profit (loss) (EBIT)	(13 616)	15 815	7 894	63 962
Net financial items	(5 223)	(3 047)	(14 220)	(20 547)
Profit (loss) before tax	(18 839)	12 768	(6 326)	43 415
Tax	8 971	(3 057)	9 664	1 543
Net profit (loss) from continuing operations	(27 810)	15 825	(15 991)	41 872
Profit (loss) from discontinued operations	-	(2 894)	(9 375)	(33 704)
Profit (loss) for the period	(27 810)	12 931	(25 366)	8 167
Earnings per share (basic and diluted)	(0.16)	0.07	(0.15)	0.05

Condensed balance sheet

NOK 1 000	31.12.2010	31.12.2009
ASSETS		
Goodwill	26 786	24 332
Other intangible assets	31 438	14 845
Tangible fixed assets	132 069	131 411
Available for sale financial assets	1	9
Deferred tax assets	95 847	98 981
Other receivables	3 227	4 884
Total fixed assets	289 368	274 462
Inventory	325 251	256 288
Accounts receivable and other receivables	352 678	337 859
Cash and cash equivalents	48 243	105 238
Total current assets	726 171	699 384
Assets of disposal group classified as held for sale	-	8 316
Total assets	1 015 539	982 162
LIABILITIES AND EQUITY		
Equity	420 575	450 406
Total equity	420 575	450 406
Loans	38 832	12 802
Pension commitments	12 076	21 326
Total long-term liabilities	50 908	34 128
Accounts payable and other current liabilities	318 855	271 633
Loans	225 201	220 159
Total current liabilities	544 055	491 792
Liabilities of disposal group classified as held for sale	-	5 836
Total liabilities and equity	1 015 539	982 162

Condensed cash flow statement

NOK 1 000	Q4 2010	Q4 2009	31.12.2010	31.12.2009
Net cash flow from operational activities	38 717	62 261	(46 435)	93 779
Net cash flow from investment activities	(13 538)	(11 739)	(49 230)	(24 041)
Net cash flow from financing activities	19 101	(274)	23 265	(14 792)
Change in cash and bank credit	44 280	50 248	(72 400)	54 946
Cash and bank credit opening balance	(29 927)	36 509	86 754	31 808
Cash and bank credit closing balance	14 354	86 754	14 354	86 754

Consolidated statement of comprehensive income

NOK 1 000	Q4 2010	Q4 2009	31.12.2010	31.12.2009
Net profit	(27 810)	12 931	(25 366)	8 167
Currency translation differences and other changes	(3 670)	(7 610)	(4 465)	(38 160)
Total comprehensive income for the period	(24 140)	5 321	(29 830)	(29 993)
Allocated to shareholders	(24 140)	5 321	(29 830)	(29 993)

Changes in equity

NOK 1 000	31.12.2010	31.12.2009
Equity opening balance	450 406	480 398
Comprehensive income for the period	(29 830)	(29 993)
Equity closing balance	420 575	450 406

Notes to the financial statements (unaudited)

Note 1 – General information and principles

The condensed consolidated financial statements for the fourth quarter of 2010 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 2009.

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 2009, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU. The consolidated financial statements for 2009 are available upon request from the company and at 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 2009.

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 2010.

Note 4 – Discontinued operations

In the second quarter Kitron signed an agreement to sell its Development Department located in

Oslo to some of the local employees and Simpro AS. Kitron Development has about 25 employees and had an annual turnover of NOK 22 million and an operating result of negative NOK 11 million in 2009. The transaction was closed June 1 2010. Kitron booked a loss of NOK 4.5 million in connection with the transaction. The loss and the operating result of Kitron Development for the first five months of 2010 have been booked as discontinued operations.

On June 30 2009, the Kitron group sold Kitron Microelectronics AS for cash consideration of NOK 1.00. Kitron Microelectronics AS results are presented in this condensed interim financial information as discontinued operations.

Comparative figures have been restated. 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 2010	Q4 2009	31.12.2010	31.12.2009
Revenue	-	5 897	5 936	52 106
Expenses	-	(8 642)	(10 947)	(68 430)
Profit (loss) before income tax	-	(2 745)	(5 011)	(16 324)
Tax	-	-	-	-
Profit (loss) after income tax	-	(2 745)	(5 011)	(16 324)
Post tax loss on disposal of discontinued operations	-	(149)	(4 364)	(17 380)
Profit (loss) from discontinued operations	-	(2 894)	(9 375)	(33 704)

Cash flow statement information from discontinued operations

NOK 1 000	31.12.2010	31.12.2009
Net cash flow from operating activities	(409)	(390)
Net cash flow from investment activities	-	(124)
Net cash flow from financing activities	-	-
Change in cash and bank credit	(409)	(514)
Cash and bank credit opening balance	409	923
Cash and bank credit closing balance	-	409



Kitron ASA

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Norway

Your ambition. Our passion.

Kitron is a medium-size Electronic Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden and Lithuania, 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 electro-mechanical products for its customers.

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

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.