



Annual report 2008



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KITRON IN BRIEF

Kitron is one of Scandinavia's leading companies within the development, industrialisation and production of tailored electronics manufactured for incorporation in customers' products, as well as finished products containing electronic components. The company's ability to deliver high quality products, at competitive prices, contributes to customer success.

Kitron is a medium-size high mix-low volume Electronic Manufacturing Services (EMS) company that offers services within all parts of the value chain. Kitron's customers typically serve international markets and provide equipment or systems for professional or industrial use within the market segments Data/Telecom, Defence/Marine, Medical equipment and Industry.

ABILITY TO DELIVER AND ACCURACY OF DELIVERY

Quality and delivery precision are important reasons why customers choose Kitron. Expertise and quality characterise our services through the entire value chain from industrialisation to final testing of finished products ready to be transported directly to the end customer.

Kitron employs a total staff of about 1 470 in the development and manufacturing business at five plants in Norway, Sweden and Lithuania. Close collaboration between the Kitron units provides the company with a competitive advantage.

FLEXIBLE TURNKEY SUPPLIER

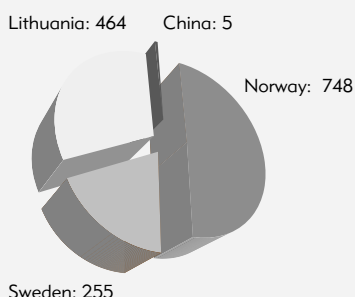
Kitron's services range from development and design, through industrialisation, sourcing and logistics, to manufacturing, redesign and upgrading of products in order to extend their lifespan. Kitron endeavours to achieve as near seamless an integration as possible with customers and suppliers.

Kitron is working to further enhance its competitiveness by expanding its range of services in those parts of the value chain that demand high levels of expertise. The group is constantly striving to optimise the sourcing function, product mix and logistics in order to reduce its cost base.

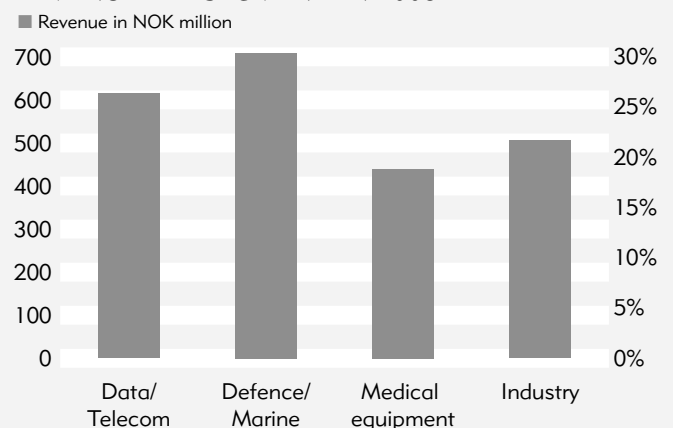
GLOBAL SOURCING

The subsidiary Kitron Sourcing AS performs sourcing activities for the whole group. Its remit is to secure the best possible prices and delivery terms for raw materials and components for the group at all times. Kitron's sourcing office in Ningbo, China is one part of the sourcing organisation facilitating this work. Quality assurance of supplier delivery performance, along with logistics solutions and quality, are other focus areas for the sourcing subsidiary.

EMPLOYEES at 31 December 2008 GEOGRAPHIC DISTRIBUTION



REVENUE PER SEGMENT IN 2008



VISION AND VALUES

VISION

Our solutions deliver success.

VALUES

Reliability, creativity, positivity and involvement.

Kitron's customers are often market leaders in their segments. Kitron contributes to enabling customers to maintain their market positions and to develop their business further. The values are important instruments for achieving the vision.

STRATEGIC INTENT

Serving markets that value Kitron's core competencies

Kitron manufactures electronics and provides box-build electronic products as well as high-level assembly of electro-mechanical products for its customers. Kitron's main markets are Norway and Sweden, but most of the customers sell their products on the international markets. Customers typically provide products or equipment for professional use. Kitron is a typical high mix low volume EMS (Electronic Manufacturing Services) company.

Organic growth

Growth is a catalyst for dynamic development and is an important driver for enhancing competency, processes and competitiveness. Kitron's long-term ambition is to increase its market share in the Scandinavian home market, which is expected to show a long term growth. Furthermore Kitron considers to grow by entering new markets in Northern Europe. Kitron seeks to expand its manufacturing capacity in lower cost countries in order to maintain its competitiveness.

Improving competitiveness

Deliveries to customers are provided by Kitron's staff, manufacturing facilities and information systems in close interaction. The organisation's competitive power is improved by leveraging the company's core values, and by enhancing productivity, quality, adaptivity and attention to profit. In the long term, Kitron will invest in upgrades and replacement of the manufacturing facilities, and in optimal information systems and competency-enhancing programmes that will better enable the organisation to meet customers' demands.

KITRON'S HISTORY

Kitron has its origin in the companies Stratonic and a branch of Elektrisk Bureau, both of which were established in the 1960s in Arendal, Norway.

The Kitron name was established in the 1970s, and Kitron's business idea changed to contract manufacturing of electronics.

Kitron was listed on the Oslo Børs in 1997. In order to strengthen its market position and competence, Kitron has

carried out several mergers and acquisitions, most notably the merger of Sonec ASA and Kitron ASA in 2000. Today, Kitron consists of businesses that have their origin in Ericsson, Kongsberg Gruppen, Nera and Tandberg Data in Norway, in addition to Bofors and Saab in Sweden. Kitron acquired UAB Kitron in Lithuania in 2001 and UAB Kitron Elsis in Lithuania in 2007. In 2008 the two sites in Lithuania were merged and the factory building and underlying land lease were acquired.

Board of directors' report 2008:

ANOTHER YEAR WITH RECORD PERFORMANCE

Kitron's pre-tax profit for 2008 was NOK 137.9 million, breaking the 2007 record performance by 117 per cent. Revenue grew 17.1 per cent to NOK 2 269.5 million. The significant profit improvement has been achieved through continuous focus on operational improvements. The most important programmes to improve competitiveness include transfer of manufacturing to lower-cost countries, optimisation of manufacturing through implementation of 5S and LEAN, and improvements within sourcing.

THE BUSINESS

Kitron's business concept is to offer services within development, design, industrialisation and electronics manufacturing to industrial customers. The business sector is generally known as EMS. The group's head office is located at Billingstad near Oslo, Norway.

The company has operations in Norway, Sweden, Lithuania and China. All Kitron's units employ highly qualified staff and all sites has been certified in accordance with international quality standards for the applicable manufacturing.

Many years' experience and high levels of expertise in all areas of the value chain, together with high levels of flexibility and modern equipment, secure high supply quality. Efficient processes, effective sourcing and low-cost manufacturing guarantee competitiveness. Kitron also offers excellent logistics solutions, and in many cases the group supplies complete products ready for delivery to end customers.

MARKET SEGMENTS

Kitron's activities are characterised by complex manufacturing processes and expertise. Kitron has chosen to focus its sales and marketing activities within the Data/Telecom, Defence/Marine, Medical equipment and Industry market segments.

Data/Telecom

Revenue in the Data/Telecom segment grew 13.2 per cent to NOK 615.3 million in 2008 (NOK 543.6 million). This represented 27.1 per cent of the group's revenue (28.1 per cent). There are signs

of a weaker trend in 2009 for this segment.

Defence/Marine

The Defence/Marine segment grew significantly in terms of revenue in 2008, increasing to NOK 709.2 million, which was 33 per cent up on 2007 (NOK 533.1 million). The segment accounted for 31.2 per cent (27.5 per cent) of the group's total revenues. While the Marine segment is expected to slow down in 2009, the Defence segment continues to show a sound trend.

Medical equipment

Revenue in the Medical equipment segment grew by 7.8 per cent to NOK 439.5 million in 2008 (NOK 407.5 million), corresponding to 19.4 per cent of the group's revenue (21 per cent). Although there are signs of somewhat weaker demand for this segment in the short term, the longer term trend is expected to be one of solid growth.

Industry

Industry revenue grew 11.5 per cent to NOK 505.5 million (NOK 453.5 million), accounting for 22.3 per cent of the group's total revenue (23.4 per cent). The segment is highly competitive and price-sensitive, and several customers have signalled drop in demand in 2009.

IMPORTANT EVENTS IN 2008

High activity levels

All of Kitron's business units experienced generally high levels of activity throughout 2008. This situation is expected to continue in the first half of 2009. Through investment and a focus

on increasing the utilisation of machinery and other manufacturing resources, Kitron is well equipped to meet future demand.

Step change in operational performance

Kitron's low-cost manufacturing hub in Lithuania has been through a transformation in 2008. The operation has been streamlined with the consolidation of manufacturing to one site, Taikos 151. In addition, significant efforts have been undertaken in Lithuania to increase productivity and streamline manufacturing in order to add capacity. At the Uzliedziai site, which focuses on service for the Marine segment, the second service line became operational in third quarter 2008.

In June Kitron acquired a manufacturing property in Lithuania for EUR 3.4 million from a group of Irish investors. The property is the same that Kitron has been leasing for several years and where operations have been carried out. This investment is in line with Kitron's strategy to increase its manufacturing capacity in Lithuania. The plan is to develop the property by expanding with 4000 square metres, and substantially increase the manufacturing capacity within the next few years.

Streamlining the Swedish operation

Kitron Sweden has been turned around from a loss-making position in previous years to a solid profit contributor. The operation has been consolidated to two sites.

At Kitron AB in Karlskoga a decision was made in the fourth quarter to transfer manufacturing of one of their main

products to UAB Kitron. As a consequence of this decision Kitron decided to review and adjust organisation and capacity at the site.

Other adaptations

Kitron is continuing its efforts to streamline and adapt its operations. At Kitron Microelectronics in Røros in Norway there has been a gradual downsizing of the operation due to the termination of a key contract in mid-2008.

FINANCIAL STATEMENTS

The board of directors believes that the annual financial statements provide a true and fair view of the net assets, financial position and result for the year of Kitron ASA and the Kitron group. The group's consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by EU.

Profit and loss

Operating revenue for 2008 amounted to NOK 2 269.5 million, compared to NOK 1 937.8 million for 2007, which represents an increase of 17.1 per cent. The increase in revenue is mainly related to current customers, but a number of new customers representing significant growth potential were added in the year.

The order intake in 2008 amounted to NOK 2 327.4 million, compared to NOK 1 893 million in 2007. Kitron recognises firm orders and four-month customer forecasts in the order backlog, while frame agreements and similar are not included. At the end of 2008 the group's order backlog amounted to NOK 971 million, compared to NOK 914 million at the end of 2007. There is currently a better balance of order intake and manufacturing capacity. Having available manufacturing capacity is a prerequisite for winning new orders, particularly from new customers.

The gross margin for 2008 was 38.8 per cent, up from 38.3 per cent in 2007. Gross margins were generally stable for

each product category. Kitron aims to maintain or improve the gross margin via a series of strategic initiatives in the group's sourcing function in both Kitron Sourcing AS and in the factories.

The number of full-time equivalents increased by 10 per cent from 1 338 at the end of 2007 to 1 472 at the end of 2008. The group's payroll expenses grew by 8.5 per cent, from NOK 496.2 million in 2007 to 538.4 million in 2008. It is particularly in Lithuania and at Kitron Arendal that manning has been increased to handle the increased activity levels, while manning at the other sites has been stable or reduced. Payroll expenses as a percentage of revenue have improved from 25.6 per cent in 2007 to 23.7 per cent in 2008.

Kitron performs development, industrialisation and manufacturing assignments for its customers. Kitron may carry some of the expenses of the actual development work in individual cases where projects are expected to provide a return once the customer starts profitable manufacturing in the next stage. Such expenses are capitalised and amortised over the manufacturing period. Kitron does not conduct any research activities. Kitron's development activities on the company's own account are limited and are primarily aimed at planning and implementing productivity increases, building competency and enhancing quality. Such costs are expensed when incurred.

The group's net financial costs were slightly reduced from NOK 21 million in 2007 to NOK 20.7 million in 2008. While interest rates were higher and increased activity levels led to higher factoring costs, the overall liquidity situation was strong during the year and on average credit line drawings remained low.

Kitron's pre-tax profit for 2008 amounted to NOK 137.9 million, compared to 63.4 million for 2007. The group's reversal of deferred tax assets in 2008 resulted in a net credit of tax costs amounting to NOK 81.3 million. The businesses in Norway and Sweden have significant tax loss carryforwards.

Kitron has now recognised all deferred tax assets related to tax loss carryforwards in the balance sheet.

The group's net profit for the year amounted to NOK 214.3 million (NOK 64.4 million). This corresponds to earnings per share of NOK 1.24 (NOK 0.37). Diluted earnings per share were the same as basic earnings per share.

Cash flow

Cash flow from operating activities was NOK 85.0 million in 2008 (NOK 78.4 million). The difference between operating profit and cash flow from operations is due to increased operating working capital and depreciation of fixed assets. The strong top line growth and high activity levels led to an increase in operating working capital. The negative cash impact from the working capital build-up has been compensated by the strong operating result.

The net cash flow from investing activities in 2008 was negative at minus NOK 76.3 million (minus NOK 57.2 million). The majority of the investments relate to the acquisition of the Taikos 151 property as well as upgrades and replacements of machinery and equipment at Taikos 151 and Arendal.

The net cash flow from financing activities was negative at minus NOK 5.1 million (NOK 1.7 million). Kitron normally enters into financial leasing agreements for investments that are suitable for leasing. The leasing obligation is recognised as debt. Because the volume of investments has exceeded that of previous years, the new loans have exceeded the repayments.

Balance sheet and liquidity

Total assets at 31 December 2008 amounted to NOK 1 250.2 (NOK 1 000.1 million). At the same time equity amounted to NOK 480.4 million (NOK 247 million) and the equity ratio was 38.4 per cent (24.7 per cent).

Inventories increased by NOK 60.1 million during 2008 and amounted to NOK 326.4 million at the end of the year (NOK 266.3 million). Inventory turns

increased from 5.1 to 5.3 even though the combination of strong growth, high capacity utilisation and high inventory turns in an EMS business is a demanding task. Accounts receivable amounted to NOK 503.8 million at the end of 2008 (NOK 417.2 million). Overdue receivables are low and credit losses have been negligible during 2008.

At 31 December 2008, the group's interest-bearing debt was NOK 373.1 million (NOK 381.6 million). The debt is mainly related to factoring, bank overdraft and financial leasing.

Cash and cash equivalents amounted to NOK 99 million at the balance sheet date (NOK 119.9 million). NOK 19.6 million of this amount were restricted deposits (NOK 19.8 million). The group's liquidity situation is satisfactory.

Going concern

There have been no events to date in 2009 that affect the result for 2008 or valuation of the company's assets and liabilities at the balance sheet date. The board confirms that the conditions for the going concern assumption have been satisfied and that the financial statements for 2008 have been prepared on the basis of this assumption.

NET PROFIT (LOSS) OF THE PARENT COMPANY

The parent company Kitron ASA recorded a net profit of NOK 94 267 000 for 2008 (2007: NOK 579 000). The board of directors proposes the following allocations for Kitron ASA:

Dividends	NOK 10 000 000
Transferred to other equity	NOK 84 267 000
Total allocations	NOK 94 267 000

Free equity after dividends in the parent company amounts to NOK 84.8 million.

FINANCIAL MARKET RISK

Kitron's business exposes the company

to financial risks. The company's procedures for risk management are designed to minimise possibly negative effects caused by the company's financial arrangements.

The group is affected by exchange rate fluctuations as a significant share of its goods and services are sold in foreign currency. At the same time raw materials are purchased in foreign currency, while the foreign units' operating costs are incurred in the units' local currency. Exchange-rate gains and losses only arise in the period in which an asset denominated in a foreign currency is recognised. A larger proportion of revenue than costs is recognised in NOK and SEK. However, revenue and costs in foreign currencies are largely balanced in such a way that the net exchange rate risk is small. The group does not enter into significant hedging arrangements other than agreements with customers that allow Kitron to adjust the selling price when the actual exchange rate on the purchase of raw materials significantly deviates from the agreed base rate. It would be complicated and relatively expensive to implement effective long-term currency hedging of the company's revenue flows.

The company is exposed to price risk because raw materials follow international market prices for electronic and mechanical components, and because the company's goods and services are exposed to price pressure.

The credit risk for the majority of the company's customers has been insured in accordance with the terms of the company's factoring agreement. The company is therefore only exposed to credit risk on customers where the credit risk is uninsured. Kitron has only incurred immaterial bad debt costs.

Kitron's debt is largely short-term and related to factored accounts receivable. This means that fluctuations in revenue impact the company's liquidity. The group has overdraft facilities that cover expected liquidity fluctuations during the year.

The group's interest-bearing debt

attracts interest cost at the market-based rate. Kitron has no financial instruments related to interest rates. The group does not hold any significant interest-bearing assets.

The board considers the group's liquidity satisfactory. However, a very small share of the external capital is long-term. This has not restricted the company's development or business opportunities in 2008.

HEALTH, SAFETY AND ENVIRONMENT

At the end of 2008 the group employed a total of 1 488 persons working as 1 472 full-time equivalents. The figures include temporary employees and have not been reduced for sickness leave. The board would like to thank all employees for the commitment, flexibility and quality-awareness demonstrated in the manufacturing operations and also the reorganisations. The expertise and productivity of our employees represent a major asset and competitive advantage for Kitron.

There were no serious work-related accidents or injuries among employees in 2008. Sickness leave in Kitron decreased from 5.6 per cent in 2007 to 5.1 per cent in 2008. To help create a better working environment and reduce sickness leave, Kitron's Norwegian factories have entered into inclusive workplace agreements (IA) with the employees. This work related to the agreement will continue in the future. The board considers that the working environment is good and special measures in this regard have not been deemed necessary.

Kitron does not pollute the external environment to any notable extent. Several of the group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards.

EQUAL OPPORTUNITIES

Kitron's basic view is that people with

different backgrounds, irrespective of ethnic background, gender, religion or age, should have the same opportunities for work and career development at Kitron. The company's manufacturing factories have traditionally employed a higher proportion of women. Women contributed 55 per cent of total full-time equivalents at Kitron in 2008, and accounted for 61 per cent of 1 123 full-time equivalent employees that worked directly in manufacturing, and 35.2 per cent of 349 full-time equivalent employees in indirect functions.

The average pay of women working directly in manufacturing in the Norwegian and Swedish companies was approximately 88 per cent of the average pay for men. A large proportion of the employees in these categories are union members, whose pay is set on the basis of collective wage agreements. The collective wage rates are linked to skills and service years. The collective wage rates can vary between the various subsidiaries, but not on the basis of gender.

Indirect functions include management employees, staff and other support functions. The employees in corporate and company management teams are

predominantly male. In the corporate management team there are only male members. No gender-based differences exist with regard to working hour regulations or the design of workplaces.

The composition of the board complies with the requirements in the Norwegian Public Limited Companies Act regarding gender balance.

CORPORATE GOVERNANCE

The Kitron board has adopted policies for corporate governance to safeguard the interests of the company's owners, employees and other stakeholders. These principles and associated rules and practices are intended to create increased predictability and transparency, and thus reduce uncertainties connected with the business. Kitron endeavours to have in place procedures which comply with the Norwegian code for corporate governance. The board's review of corporate governance is presented in the annual report.

OUTLOOK

Kitron's main markets are Norway and Sweden, but most of our customers sell

their products on the international markets. Although the long-term impact of the current recession should not be neglected, there are reasons to believe that Kitron's market segment and customer mix will soften the negative impact. Despite this, capacity adjustments will be necessary, partly as a consequence of falling demand in some segments and partly as a result of Kitron's effort to drive efficiency improvements and transfer of business to lower cost countries.

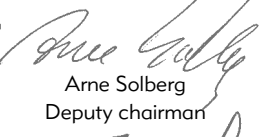
The focus on profitability will continue through productivity improvement measures and cost-efficient materials sourcing. In addition, operating expenses and investments are carefully monitored and managed. In general terms, investments that improve Kitron's competitiveness are being prioritised, while pure capacity related investments are being postponed. Employee training and competency-enhancing initiatives is an area that will continue to be prioritised.

The board emphasises that every assessment of future conditions necessarily involves an element of uncertainty. The current unrest in the market may indicate that the future market situation could become more challenging.

Oslo, 11 March 2009



Nerijus Dagilis
Chairman



Arne Solberg
Deputy chairman



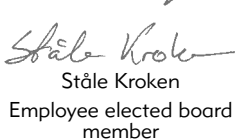
Elend Anfimova



Gun Lisbeth Gustafsson



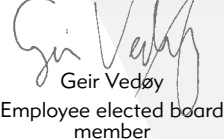
Liv Johansen
Employee elected board member



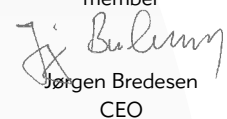
Ståle Kroken
Employee elected board member



Tomas Kucinskas



Geir Vedøy
Employee elected board member



Jørgen Bredesen
CEO

CONSOLIDATED PROFIT AND LOSS STATEMENT

(Amounts in NOK 1 000)	Note	2008	2007
Revenue			
Sales revenues	5	2 269 544	1 937 780
Operating costs			
Cost of materials		1 389 452	1 195 561
Payroll expenses	7,8	538 421	496 199
Depreciation and impairments	9,10	40 065	32 553
Other operating expenses		143 067	129 028
Total operating costs		2 111 005	1 853 341
Operating profit		158 539	84 439
Financial income and expenses			
Net financial items	20	(20 653)	(20 990)
Profit/(loss) before tax		137 886	63 449
Tax	15	(76 426)	(985)
Net profit/(loss)		214 312	64 434
Allocation			
Shareholders		214 312	64 434
Minority share			
Earnings per share for that part of of the net profit/(loss) allocated to the company's shareholders			
(NOK per share)			
Earnings per share		1.24	0.37
Diluted earnings per share		1.24	0.37

The notes on pages 12 to 32 are an integral part of the consolidated financial statement.

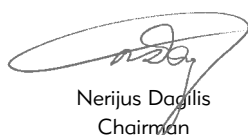







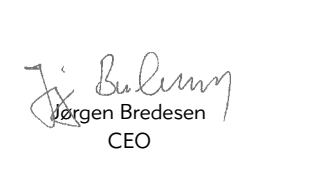
CONSOLIDATED BALANCE SHEET

at 31 December

(Amounts in NOK 1 000)	Note	2008	2007	(Amounts in NOK 1 000)	Note	2008	2007
ASSETS				LIABILITIES AND EQUITY			
Non-current assets				EQUITY			
Goodwill	10	25 714	25 514	Equity allocated to shareholders			
Tangible fixed assets	9	188 970	144 345	Share capital and share premium reserve	27	629 020	629 020
Available-for-sale financial assets	17	36	37	Other equity unrecognised in the profit and loss		12 293	(6 796)
Deferred tax assets	16	106 304	25 000	Retained earnings		(160 915)	(375 227)
Other receivables	11	-	1 900	Total equity		480 398	246 997
Total non-current assets		321 024	196 795	LIABILITIES			
Current assets				Long-term liabilities			
Inventory	6	326 381	266 257	Loans	13,21	29 139	34 246
Accounts receivable and other receivables	11,18	503 827	417 205	Pension commitments	8	21 164	21 938
Cash and cash equivalents	22	98 970	119 866	Total long-term liabilities		50 303	56 184
Total current assets		929 178	803 328	Current liabilities			
Total assets		1 250 202	1 000 123	Accounts payable and other current liabilities	12,18	372 286	344 464
				Tax payable	15	3 218	4 059
				Loans	13,21	343 998	347 399
				Other provisions	14	-	1 021
				Total current liabilities		719 502	696 942
				Total liabilities		769 805	753 126
				Total liabilities and equity		1 250 202	1 000 123

The notes on pages 12 to 32 are an integral part of the consolidated financial statement.

Oslo, 11 March 2009

				
Nerijus Dagilis Chairman	Arne Solberg Deputy chairman	Elend Antimova	Gun Lisbeth Gustafsson	Liv Johansen Employee elected board member
				
Ståle Kroken Employee elected board member	Tomas Kucinskas	Geir Vedøy Employee elected board member	Jørgen Bredesen CEO	

CHANGES IN CONSOLIDATED EQUITY

(Amounts in NOK 1 000)	Allocated to shareholders					Total
	Share capital and share premium reserve	Currency conversion unrecognised in the profit and loss	Other equity unrecognised in the profit and loss	Retained earnings	Minority interests	
Equity at 1 January 2007	629 020	659	(4 319)	(439 661)	-	185 699
Conversion differences	-	(3 136)	-	-	-	(3 136)
Net profit	-	-	-	64 434	-	64 434
Equity at 31 December 2007	629 020	(2 477)	(4 319)	(375 227)	-	246 997
Equity at 1 January 2008	629 020	(2 477)	(4 319)	(375 227)	-	246 997
Conversion differences	-	19 089	-	-	-	19 089
Net profit	-	-	-	214 312	-	214 312
Equity at 31 December 2008	629 020	16 612	(4 319)	(160 915)	-	480 398

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Note	2008	2007
Cash flow from operational activities			
Cash flow from operations	28	105 887	92 063
Interest received		216	4 011
Interest paid		(18 647)	(15 646)
Taxes		(2 426)	(1 966)
Net cash flow from operational activities		85 030	78 462
Cash flow from investment activities			
Aquisition of subsidiaries	29	(12 422)	(8 056)
Aquisition of tangible fixed assets	9	(70 748)	(49 743)
Sale of tangible fixed assets	9	6 893	621
Net cash flow from investment activities		(76 278)	(57 178)
Cash flow from financing activities			
Proceeds from new loans		8 526	8 284
Repayment of loans	29	(13 633)	(6 610)
Net cash flow from financing activities		(5 107)	1 674
Change in cash, cash equivalents and bank credit		3 645	22 958
Cash, cash equivalents and bank credit at 1 January		28 164	5 206
Cash, cash equivalents and bank credit at 31 December	22	31 809	28 164

The notes on pages 12 to 32 are an integral part of the consolidated financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Kitron ASA and its subsidiaries (the group) comprise one of Scandinavia's leading enterprises in the development, industrialisation and manufacturing of electronics for the data/telecom, defence/marine, medical equipment and industry segments. The group has operations in Norway, Sweden, Lithuania and China. Kitron ASA has its head office at Billingstad outside Oslo in Norway and is listed on the Oslo Stock Exchange. The head office's address is: Olav Brunborgs vei 4, 1396 Billingstad. The consolidated accounts were considered and approved by the company's board of directors on 11 March 2009.

NOTE 2 SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING PRINCIPLES

The most significant accounting principles applied in the preparation of the consolidated financial statements are detailed below. These principles have been applied uniformly in all the periods unless otherwise stated.

BASIC PRINCIPLES

The consolidated financial statements for Kitron ASA have been prepared in accordance with "International Financial Reporting Standards" (IFRS) as approved by the European Union (EU).

The consolidated financial statements have been prepared in accordance with the historical cost convention.

Preparing the financial statements in accordance with the IFRS requires the use of estimates. Application of the company's accounting principles also means that the management must exercise discretion. Areas where such discretionary assessments have been made to a particular extent or which have a high degree of complexity, or where assumption and estimates are significant for the consolidated accounts, are described in note 4.

Interpretations effective in 2008

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements, as the group has a pension deficit and is not subject to any minimum funding requirements.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares)

should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the group's operations:

- IFRIC 12, 'Service concession arrangements';

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) retrospectively from 1 January 2009 but is currently not applicable to the group as there are no qualifying assets.
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise

and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The group will apply IFRS 8 from 1 January 2009.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the

grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 January 2009, but is not expected to have a material impact on the group's financial statements.

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but is not expected to have any impact on the group's financial statements.
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The group will apply IFRS 1 (Amendment) from 1 January 2009. The amendment will not have any impact on the group's financial statements.
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified

as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply the IAS 28 (Amendment) to impairment tests related to investment in subsidiaries and any related impairment losses from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent

to those for value-in-use calculation should be made. The group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for shoe mail order catalogues when the group has access to the catalogues and not when the catalogues are distributed to customers, as is the group's current accounting policy. The group will apply the IAS 38 (Amendment) from 1 January 2009 without expecting a material impact on the group accounts.
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
 - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.
 - The group will apply the IAS 19 (Amendment) from 1 January 2009.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
 - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
 - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that

is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.
- When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.
- The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's income statement.
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's financial statements.
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The group will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the group's financial statements.

CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements include the parent company, Kitron ASA, and all its subsidiaries. Subsidiaries are all units in which the group has a controlling influence on the unit's financial and operational strategy, normally through owning more than half the voting capital. When determining whether a controlling influence exists, the effect of potential voting rights which can be exercised or converted on the balance sheet date are taken into account. Subsidiaries are consolidated from the time when control transfers to the group, and de-consolidated when the control ceases.

The purchase method is used to consolidate acquired subsidiaries. The acquisition cost at the transaction date is attributed to the fair value of assets provided as consideration for the acquisition, equity instruments issued, liabilities incurred through the transfer of control and direct transaction costs. Identifiable assets and debt acquired are recognised at their fair value at the transaction date, regardless of possible minority interests. Transaction costs which exceed the fair value of identifiable net assets in the subsidiary are carried as goodwill. If the transaction costs are lower than the fair value of identifiable net assets in the subsidiary, the difference is recognised in the profit and loss account at the acquisition date.

Intra-group transactions, balances and unrealised gains are eliminated. Unrealised losses are eliminated, but are assessed as an indicator of impairment loss on the transferred asset. The accounting principles for subsidiaries have been amended to accord with the group's principles.

Transactions and minority interests

Transactions with minority interests are treated as transactions with third parties. When shares in subsidiaries are sold to minority interests, the group's gain or loss is recognised in the profit and loss account. When shares in subsidiaries are acquired from minority interests, goodwill will arise. This goodwill will be the difference between the consideration and the acquired share of the book equity in the subsidiary.

Associated companies

The group has no joint ventures or associated companies.

SEGMENT REPORTING

A business area is part of the business which delivers products or services exposed to risks and returns which differ from those of other business areas. A geographical market is part of the business which delivers products and services within a defined geographical area which is subject to risks and returns which differ from those in other geographical areas.

TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currencies

The accounts of the individual units are compiled in the principal currency used in the economic area in which the unit operates (the functional currency). The consolidated

accounts are presented in NOK, which is both the functional and the presentation currency for the parent company.

Transaction and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing at the transaction date. Currency gains and losses which arise from the settlement of such transactions, and when translating monetary items (assets and liabilities) in foreign currencies at 31 December at the exchange rate on the balance sheet date, are recognised in the profit and loss account.

Group companies

The profit and loss statements and balance sheets for group units (none of which are affected by hyperinflation) in functional currencies which differ from the presentation currency are translated as follows:

- The balance sheet is translated at the closing exchange rate on the balance sheet date
- The profit and loss statement is translated at the average exchange rate
- Translation differences are recognised directly in equity and specified separately
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

FIXED ASSETS

Tangible fixed assets primarily embrace buildings and land, machinery, equipment, and fixtures and fittings. They also include leased buildings, machinery and equipment where the lease is considered to be a financing method (financial leasing). Tangible fixed assets are stated at historical cost less accumulated depreciation and impairments. They are recognised in the balance sheet and depreciated on a straight-line basis to their residual value over their expected useful life, which is:

Buildings	20-33 years
Machinery and operating equipment	3-10 years

Land is not depreciated.

The useful life of fixed assets and their residual value are reassessed on every balance sheet date and amended if necessary. When the carrying amount of a fixed asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount.

On-going maintenance of fixed assets is charged as an operating cost, which upgrading or improvements are added to the historical cost of the asset and depreciated accordingly.

Gain and loss on disposals is recognised in the profit and loss account as the difference between the sales price and the carrying amount.

Assets considered to have an indefinite useful life and which are not depreciated are tested annually for possible impairment. Fixed assets subject to depreciation are tested for impairment when conditions arise

which indicate a fall in value. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. When assessing impairment, fixed assets are grouped at the lowest level for which identifiable independent cash inflows exist (cash generating units). At each reporting date, an assessment is made of the opportunity for reversing earlier impairment charges on fixed assets.

GOODWILL

Goodwill is the difference between the acquisition of a business and the fair value of the group's share of net identifiable assets in the business at the acquisition date. Goodwill is tested annually for impairment and recognised in the balance sheet at its acquisition cost less impairment charges. Impairment losses on goodwill are not reversed.

When assessing the need to make an impairment charge on goodwill, the goodwill is allocated to relevant cash-generating units. The allocation is made to those cash-generating units or groups of such units which are expected to benefit from the acquisition. The group allocates goodwill to each business area in each country in which it operates.

FINANCIAL ASSETS

The group classifies its financial assets in the following categories based on the purpose for which the financial assets were acquired: loans and receivables, and available for sale. The management reassess this classification of financial assets at each reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Since the group's investment in shares for 2007 and 2008 consists solely of holdings in small companies which are not traded in an effective market, these holdings are recognised at historical cost less impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments which are not traded in an active market. They are classified as current assets unless they mature more than 12 months after the balance sheet date. When maturing more than 12 months after the balance sheet date, loans and receivables are classified as non-current assets. Loans and receivables are classified as accounts receivable and other receivables in the balance sheet.

INVENTORY

Inventory comprises purchased raw materials, work in progress and finished goods. It is stated at the lower of average acquisition cost and fair value (net realisable value). Acquisition cost for work in progress are direct material costs and payroll expenses plus indirect costs (based on normal capacity).

ACCOUNTS RECEIVABLE

Accounts receivable are recognised initially in the balance sheet at their fair value. Provision for bad debts is recognised in the accounts when objective indicators suggest that the group will not receive a settlement in accordance with the original terms. Significant financial problems at the customer, the probability that the customer will go into liquidation or undergo financial reconstruction, and postponements of or shortfalls in payment are regarded as indicators that a receivable needs to be written down. The provision represents the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows discounted by the effective interest rate. Changes in the provision are recognised in the profit and loss account as other operating expenses.

A significant proportion of receivables are credit-insured as part of the company's factoring arrangement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and deposits in bank accounts. Amounts drawn on overdraft facilities are included in loans under current liabilities.

SHARE CAPITAL

The share capital comprises the number of shares multiplied by their nominal value, and are classified as equity. Expenses which can be attributed directly to the issue of new shares or options (less tax) are recognised in equity as a reduction in the proceeds received.

LOANS

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans using the effective interest method. Loans are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

DEFERRED TAX

Deferred tax is calculated using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. If, however, deferred tax arises when initially recognising a liability or asset in a transaction which is not the integration of a business and which at the transaction date has no effect on the profit and loss statement or on tax, it is not recognised. Deferred tax is determined using tax rates and laws which have been substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, and that the temporary differences can be deducted from this profit.

Deferred tax is calculated on temporary

differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the group and it is probable that they will not be reversed in the foreseeable future.

PENSION COMMITMENTS, BONUS SCHEMES AND OTHER COMPENSATION FOR EMPLOYEES

Pension commitments

Group companies have various pension schemes. These schemes are generally funded through payments to insurance companies or pension funds on the basis of periodic actuarial calculations. The group has both defined contribution and defined benefit plans. A defined contribution plan is one under which the group pays fixed contributions to a separate legal entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is one which is not a defined contribution plan, and typically defines an amount of pension benefit an employee will receive on retirement. That benefit is normally dependent on one or more factors such as age, years of service and pay.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses. The pension commitment is calculated annually by an independent actuary using a straight-line earnings method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates corresponding to a 10-year Norwegian government bond extended in duration to provide a term to maturity approximating to the terms of the related pension liability. Estimated payroll tax on the net pension commitment calculated by an actuary is added to the carrying amount of the obligation.

Changes in pension plan benefits are recognised immediately in the profit and loss account unless rights in the new pension plan are conditional on the employee remaining in service for a specific period of time (the vesting period). In that case, the costs associated with the change in benefit are amortised on a straight-line basis over the vesting period.

Changes to estimates arising from new information or changes to actuarial assumptions are recognised in the profit and loss account over a period corresponding to the expected average remaining working lives of the employees.

For defined contribution plans, the group pays contribution to publicly- or privately-administered pension insurance plans on an obligatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as a payroll expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based compensation

The fair value of share options granted is assessed at the granting date and expensed over the vesting period. The cost also includes payroll tax.

Liabilities incurred related to cash-settled options (share appreciation rights) are measured at the fair value at the reporting date. Until the liability is settled, the fair value of the liability is remeasured at each reporting date with any changes in fair value recognised in profit or loss for the period.

Bonus schemes

Certain senior executives have bonus agreements related to the attainment of specified targets for the business (budgets and activities). Obligations (provisions) and costs (pay) are recognised for bonuses in accordance with the company's contractual obligations.

Severance pay

Severance pay is given when the contract of employment is terminated by the group before the normal age of retirement or when an employee voluntarily agrees to leave in return for such a payment. The group recognises severance pay in the accounts when it is demonstrably obliged either to terminate the contract of employment for existing employees in accordance with a formal, detailed plan which the group cannot rescind, or to make a payment as a consequence of an offer made to encourage voluntary resignations. Severance pay which falls due more than 12 months after the balance sheet date is discounted to present value.

PROVISIONS

The group makes provisions when a legal or constructive obligation exists as a result of past events, it is more likely than not that an

transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be estimated with a sufficient degree of reliability. Provisions relate primarily to restructuring costs. Obligations falling due more than 12 months after the balance sheet date is discounted to present value.

GOVERNMENT GRANTS

Government grants including non-monetary grants at fair value, will only be recognised when there is reasonable assurance that the company will comply with the conditions attaching to them, and the grants will be received. The grants are recognised as cost reductions in the profit and loss statement.

REVENUE RECOGNITION

Revenue from the sale of goods and services is recognised at fair value, net of VAT, returns, discounts and rejects.

Sales of goods

Sales of goods are recognised in the profit and loss account when a unit within the group has delivered its products to the customer and the customer has accepted the product.

Sales of services

Sales of services embrace development assignments and services related to industrialisation. Service deliveries are partly project-based and partly hourly-based. Sales of project-based services are recognised in the period in which the services are rendered, based on the degree of completion of the relevant project. The degree of completion is determined by measuring the services provided as a proportion of the total services to be rendered. Hourly-based services are recognised in the period when the service is rendered.

Interest income

Interest on bank deposits is recognised in the period when it is earned.

LEASING

Leases where a significant portion of the risks associated with the fixed asset are retained by the lessor are classified as operating leasing. Payments made under operating leases are recognised in the profit and loss statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

DIVIDEND PAYMENTS

Possible dividend payments to the company's shareholders are recognised as a liability in the group's financial statements in the period when the dividend is approved by the general meeting.

NOTE 3 FINANCIAL RISK

The company is exposed through its business to a number of financial risks. Its corporate routines for risk management focus on the unpredictability of the financial markets, and endeavour to minimise potential negative effects arising from the company's financial dispositions.

MARKET RISK

Currency risk: The group is exposed to changes in foreign exchange rates because a significant share of the group's goods and services are sold in such currencies. At the same time raw material are bought in foreign currency and the operating costs in foreign group entities are in local currency. To reduce the currency risk the company's standard contracts include currency clauses which allow the company to adjust the price when the actual exchange rate differs significantly from the agreed base rate. The group has not established other significant currency hedge arrangements over and above its standard contracts with customers. The most significant foreign currencies are SEK, LTL, EURO

and USD. The group has significant investments in foreign operations who's net assets are exposed to foreign currency translation risk in SEK and LTL.

At 31 December, if the currency had weakened/strengthened by 1 per cent against the US dollar with all variables held constant, post-tax profit for the year would have been NOK 0.3 million (2007: NOK 0.1 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits, trade receivables and debt.

At 31 December, if the currency had weakened/strengthened by 1 per cent against the EURO with all variables held constant, post-tax profit for the year would have been NOK 0.5 million (2007: NOK 1.4 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EURO denominated bank deposits, trade receivables and debt.

Price risk: The company is exposed to price risk both because raw materials follow international market prices for electronic and

mechanical components and because the company's goods and services are subject to price pressures. Routines have been established for procurement by the company's own sourcing organisation, which negotiates group contracts. The sourcing function allows Kitron to achieve improved material prices

The company is exposed to price risk on share prices in Available-for-sale financial assets. However, these investments are insignificant and the company has not established specific measures in order to reduce this risk.

CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with bank and receivables. The bulk of the group's accounts receivable are credit insured as part of the company's factoring agreement. Kitron accordingly bears credit risk only for accounts receivable which are not insured. The company has routines to ensure that uninsured sales on credit are made only to creditworthy customers. The groups main banks have credit ratings of AA-/A+ (Standard & Poor, January 2009).

LIQUIDITY RISK

Kitron's financing is primarily short-term and based on factoring finance for accounts receivable. This means that fluctuations in turnover affect the company's liquidity. In addition, drawing facilities have been established in banks which counteract the liquidity fluctuations related to turnover.

INTEREST RATE RISK

The group's interest rate risk arises mainly from short-term borrowings (factoring debt and bank overdraft). Only a minor part of the loans are long-term borrowings (leasing debt). The group's borrowings are mainly with variable rates which expose the group to cash flow

interest rate risk.

Interest on the group's interest-bearing debt is charged at the relevant market rate prevailing at any given time (three months interbank offered rate – Nibor, Stibor, Libor or Vilibor as the case may be – plus the agreed interest margin). There will not occur any gain/loss on the balance sheet amounts in case interest rates are increased or lowered. At 31 December 2008, if interest rate on NOK borrowings had been 1 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 2.0 million (2007: NOK 2.1 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. At

31 December 2008, if interest rate on borrowings in foreign currency had been 1 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 1.7 million (2007: NOK 1.7 million) lower/higher. External financing for the group's operational companies takes place in the functional currency. No interest rate instruments have been established in the group. The company does not have significant interest-bearing assets, so that its income and cash flow from operational activities are not significantly exposed to changes in the market interest rate.

Periods to maturity of loans including interest:

(Amounts in NOK 1 000)	Less than one year	Between one and two years	Between two and five years	More than five years
At 31 December 2008				
Bank overdraft	50 687	-	-	-
Leasing	13 026	23 799	7 704	-
Factoring debt	304 539	-	-	-
Total loans	368 252	23 799	7 704	-
At 31 December 2007				
Bank overdraft	75 904	-	-	-
Leasing	12 913	17 198	11 373	9 073
Factoring debt	279 573	-	-	-
Total loans	368 389	17 198	11 373	9 073

NOTE 4 IMPORTANT ACCOUNTING ESTIMATES AND DISCRETIONARY ASSESSMENTS

Estimates and discretionary assessments are based on historical experience and other factors, including expectations of future events which are considered to be likely under present conditions.

The group prepares estimates and makes assumptions about the future. Accounting estimates derived from these will by definition seldom accord fully with the final outcome. Estimates and assumptions which represent a substantial risk for significant changes in the carrying amount of assets and liabilities during the coming fiscal year are discussed below.

Estimated value of goodwill

The group performs annual tests to assess the fall in value of goodwill and tangible fixed assets. The recoverable amount from cash-generating units is determined on the basis of present-value calculations of expected annual cash flows. These calculations require the use of estimates for cash flows and the choice of discount rate before tax for discounting the cash flows. A 10 per cent reduction in the estimated contribution margin or increase in the discount rate before tax for discounting cash flows would not have generated an additional impairment charge for goodwill.

Deferred tax assets

The group performs annual tests for impairment of deferred tax assets. Part of the basis for recognising deferred tax assets is based on applying the loss carried forward against future taxable income in the group. This requires the use of estimates for calculating future taxable income.

NOTE 5 SALES REVENUES AND BUSINESS AREAS

Kitron provides goods and services within development, industrialisation and manufacturing for the electronics sector in various geographical areas and different market segments.

Primary reporting format – business area

From 2008 the group's business is grouped in only one business area: electronic manufacturing services (EMS). The activities at the Microelectronics units at Røros and in Jönköping have blended with the EMS business at large, and are no longer reported as a separate business area.

Breakdown by business area

(Amounts in NOK 1 000)	Electronic Manufacturing Services		Other and eliminations	
	2008	2007	2008	2007
Revenues	2 269 392	1 942 550	152	(4 770)
Other operating costs	2 081 996	1 823 216	(11 056)	(2 428)
Depreciation and impairment	37 846	30 278	2 219	2 275
Operating profit/(loss)	170 469	89 056	(11 930)	(4 617)
Assets	1 247 433	996 897	2 769	3 226
Liabilities	982 789	768 853	(212 985)	(15 727)
Investment	78 972	48 083	4 198	5 024

Assets and liabilities are the carrying amounts in the accounts of the companies included in the business areas. Transactions and balances within each business area are eliminated.

Sales by market segment

(Amounts in NOK 1 000)	2008	2007
Data/Telecom	615 300	543 608
Defence/marine	709 220	533 085
Medical equipment	439 477	407 548
Industry	505 547	453 539
Total sales revenues	2 269 544	1 937 780

Secondary reporting format - Geographical area Geographical breakdown sales

(Amounts in NOK 1 000)	2008	2007
Norway	1 138 000	944 697
Sweden	963 000	824 344
Rest of Europe	76 700	89 390
USA	60 600	20 573
Other	31 244	58 776
Total	2 269 544	1 937 780

Geographical breakdown of assets and investments

(Amounts in NOK 1 000)	Norway		Sweden		Lithuania		China	
	2008	2007	2008	2007	2008	2007	2008	2007
Assets	799 467	607 786	228 506	216 280	221 582	175 742	647	315
Investments	41 135	32 878	5 111	3 223	36 919	16 916	5	90

NOTE 6 INVENTORY

(Amounts in NOK 1 000)	2008	2007
Raw materials and purchased semi-manufactures	208 577	175 080
Work in progress	88 948	75 202
Finished goods	28 855	15 975
Total inventory	326 381	266 257

The total impairment charge recognised in the profit and loss account for the year is NOK 4.8 million (2007: NOK 3.4 million). Inventory at 31 December 2008 provides security for NOK 285.8 million (2007: NOK 231.6 million). See note 21.

NOTE 7 PAYROLL COSTS

(Amounts in NOK 1 000)	2008	2007
Pay	407 772	377 793
Payroll tax	75 976	72 828
Net pension costs defined benefit plans (note 8)	3 356	2 755
Pension costs defined contribution plans	12 731	14 138
Other remuneration	38 587	28 685
Total	538 421	496 199
Average number of man-years	1 432	1 324
Average number of employees	1 449	1 373

NOTE 8 PENSIONS AND SIMILAR OBLIGATIONS

Employees in Kitrons's Norwegian entities are covered by pension plans which give the right to future benefits according to Norwegian law. The plans comprise defined contribution plans for the Swedish and Norwegian entities, as well as early retirement schemes (AFP) for some Norwegian employees. Furthermore the pension obligations below include life-long benefits to a former CEO.

All pension plans are unfunded.

The company is obliged to have pension plans according to the Norwegian mandatory service pension act. The company's contribution-based pension scheme complies with these requirements.

DEFINED PENSION BENEFIT PLANS

Carrying amount of the obligation is determined as follows

(Amounts in NOK 1 000)	2008	2007
Present value of accrued commitments in unfunded defined benefit plans	(31 200)	(30 604)
Unrecognised actuarial gains and losses	10 036	8 666
Net commitments in unfunded defined benefit plans	(21 164)	(21 938)
Hereof payroll tax on the pension obligations	3 856	3 782
Net pension commitment in the balance sheet	(21 164)	(21 938)

Net pension costs comprise

(Amounts in NOK 1 000)	2008	2007
Present value of pension earnings for the year	1 556	1 300
Interest cost	1 356	1 178
Amortised actuarial gain and losses	445	277
Total, included in payroll costs	3 356	2 755

Change in carrying amount of pension commitments

(Amounts in NOK 1 000)	2008	2007
Opening balance	21 938	23 007
Cost recognised in the profit and loss account for the year	3 356	2 755
Benefits paid	(4 130)	(3 824)
Closing balance	21 164	21 938

Notes to the consolidated financial statements

The following assumptions have been applied in calculating pension commitments:

	2008	2007
Discount rate	3.8%	4.75%
Annual pay adjustment	3.75%	4.5%
Annual pension adjustment	3.75%	4.0%
Social security tax rate	14.1%	14.1%
Expected contractual pension withdrawals (Early retirement scheme)	30%	30%
Assumptions on mortality rates are based on published statistics in Norway	K2005	K2005
	2008	2007
Number of employees in defined benefit plans	799	688

NOTE 9 TANGIBLE FIXED ASSETS AND DEPRECIATION

(Amounts in NOK 1 000)	Machinery and equipment	Buildings and land	Total
At 1 January 2007			
Acquisition cost	553 610	69 357	622 967
Accumulated depreciation/impairment	(462 586)	(36 859)	(499 445)
Accounting carrying amount	91 024	32 499	123 523
Fiscal 2007			
Opening balance	91 024	32 499	123 523
Conversion differences	(1 241)	(560)	(1 801)
Additions	55 424	374	55 798
Disposals	-	(621)	(621)
Depreciation	(28 926)	(3 628)	(32 553)
Closing balance	116 281	28 064	144 345
At 31 December 2007			
Acquisition cost	607 792	68 550	676 342
Accumulated depreciation/impairment	(491 512)	(40 485)	(531 998)
Accounting carrying amount	116 281	28 064	144 345
Fiscal 2008			
Opening balance	116 281	28 064	144 345
Conversion differences	5 443	2 970	8 413
Additions	66 492	16 679	83 170
Disposals	(6 893)	-	(6 893)
Depreciation	(36 832)	(3 233)	(40 065)
Closing balance	144 490	44 480	188 970
At 31 December 2008			
Acquisition cost	672 834	88 198	706 916
Accumulated depreciation/impairment	(528 344)	(43 718)	(564 551)
Accounting carrying amount	144 490	44 480	188 970

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 23.

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 102.8 million and NOK 12.8 million (2007: NOK 94.4 million and NOK 28.1 million), see note 21.

NOTE 10 GOODWILL

(Amounts in NOK 1 000)	Goodwill	
At 1 January 2007		
Acquisition cost		22 955
Accumulated impairment charge		3 832
Accounting carrying amount		19 123
Fiscal 2007		
Opening balance		19 123
Additions		6 391
Closing balance		25 514
At 31 December 2007		
Acquisition cost		29 346
Accumulated impairment charge		3 832
Accounting carrying amount		25 514
Fiscal 2008		
Opening balance		25 514
Additions	29	200
Closing balance		25 714
At 31 December 2008		
Acquisition cost		29 546
Accumulated impairment charge		3 832
Accounting carrying amount		25 714

The company's cash-generating units are identified by country.

Allocation of carrying amount of goodwill by country:

(Amounts in NOK 1 000)	2008	2007
Norway	2 097	1 897
Sweden	3 555	3 555
Lithuania	20 062	20 062
Total	25 714	25 514

The recoverable amount for a cash-generating unit is based on a calculation of value in use.

The cash flow assumption is based on financial budgets approved by the company's management. These calculations are based on growth assumptions which correspond with industry expectations of growth in the EMS market in the coming years (10 per cent annually) and no significant changes in the margins. The calculations are based on cash flows for the next five years and a discount rate of 15 per cent.

NOTE 11 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

(Amounts in NOK 1 000)	2008	2007
Accounts receivable	399 550	325 226
Provision for bad debts	(5 986)	(4 400)
Accounts receivable - net	393 564	320 826
Receivable from related parties (note 18)	42 791	66 127
Earned non-invoiced income	5 296	1 853
Prepaid costs	7 724	7 097
Other receivables	54 453	23 202
Total	503 827	419 105
Deducted long-term items	–	1 900
Current items	503 827	417 205

Notes to the consolidated financial statements

Long-term receivables are non-interest-bearing long-term receivables. All long-term receivables fall due within five years from the balance sheet date.

Fair value of accounts receivable and other receivables:

(Amounts in NOK 1 000)	2008	2007
Accounts receivable - net	393 564	320 826
Receivable from related parties (note 18)	42 791	66 127
Earned non-invoiced income	5 296	1 853
Total	441 650	388 807

For current receivables, the carrying amount is virtually identical with the fair value.

As of 31 December 2008 trade receivables of NOK 393.6 million were fully performing. (2007: NOK 320.8 million).

As of 31 December 2008 trade receivables of NOK 44.2 million (2007: NOK 47.9 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	2007
Up to 3 months	42 787	44 259
3 to 6 months	1 452	3 619
Total	44 239	47 878

As of 31 December 2008 trade receivables of NOK 6.7 million were impaired and provided for (2007: NOK 4.9 million). The amount of the provision was NOK 6.0 million as of 31 December 2008 (2007: NOK 4.4 million).

The ageing analysis of these trade receivables is as follows:

	2008	2007
Up to 3 months	1 424	1 385
3 to 6 months	390	275
Over 6 months	4 859	3 238
Total	6 673	4 898

The carrying amount of the groups, trade and other receivables are denominated in the following currencies:

	2008	2007
Euro	94 556	162 070
USD	27 410	20 665
LTL	13 699	26 542
SEK	138 320	98 889
NOK	229 843	110 939
Total	503 827	419 105

Movements on the group provision for impairment of trade receivables are as follows:

	2008	2007
Provision at 1 January	4 400	4 873
Provision for receivables impairment	2 978	1 192
Receivables written off during the year as uncollectable	(1 392)	(1 665)
Provision at 31 December	5 986	4 400

The creation and release of provision for impaired receivables have been included in other operating expenses in the profit and loss statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The group does not hold any collateral as security. However, the company has credit insurance that reduces the credit risk on account receivables.

The total impairment charge recognised in the profit and loss account for the year is NOK 3.0 million (2007: NOK 1.2 million).

No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 Desember 2008 provided security for NOK 503.8 million (2007: 419.1 million), see note 21.

NOTE 12 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

(Amounts in NOK 1 000)	2008	2007
Accounts payable	237 761	225 596
Public duties	39 870	33 665
Payable to related parties (note 18)	7 803	2 612
Costs incurred	86 852	82 591
Total	372 286	344 464

NOTE 13 LOANS

(Amounts in NOK 1 000)	2008	2007
Long-term loans		
Leasing	29 139	34 246
Total	29 139	34 246
Current loans		
Bank overdraft	47 593	71 947
Factoring debt	285 952	264 998
Leasing	10 453	10 454
Total	343 998	347 399
Total loans	373 137	381 645

Other loans primarily involve leasing liabilities (see note 23) and factoring debt.

Periods to maturity of long-term loans:

(Amounts in NOK 1 000)	2008	2007
Between one and two years	21 905	15 314
Between two and five years	7 234	10 332
More than five years	-	8 600
Total	29 139	34 246

Effective interest rate at the balance sheet date:

	2008		2007	
	NOK	Other	NOK	Other
Bank overdraft	5.0%	4.4-5.3%	7.3%	3.0-7.8%
Bank loans				
Other loans	7.4-7.5%	5.5%	6.7-7.0%	5.0%

Carrying amount and fair value of long-term loans:

(Amounts in NOK 1 000)	Carrying amount		Fair value	
	2008	2007	2008	2007
Leasing	29 139	34 246	26 272	27 437
Total	29 139	34 246	26 272	27 437

Fair value is based on discounted cash flow with a discount rate of 8.0 per cent (2007: 6.5 per cent)

The carrying amount of current loans is virtually identical with fair value.

Notes to the consolidated financial statements

Carrying amount of the group's loans in various currencies:

(Amounts in NOK 1 000)	2008	2007
NOK	203 666	211 117
SEK	85 274	77 187
LTL	40 220	58 491
EURO	41 588	26 968
USD	2 389	7 882
Total	373 137	381 645

The company's financing agreements include covenants relating to such factors as the company's equity and earnings.

The company complies with the covenants at 31 December 2008.

Loans include NOK 373.1 million (2007: 381.6 million) in secured commitments (bank loans and other secured loans). See note 21.

NOTE 14 PROVISIONS

(Amounts in NOK 1 000)	Restructuring
At 1 January 2008	1 021
Recognised in consolidated profit and loss account	(1 021)
At 31 December 2008	-

Classification in the balance sheet

(Amounts in NOK 1 000)	2008	2007
Current liabilities	-	1 021
Total	-	1 021

Total provisions at 31 December 2008 came to NOK 0.

NOTE 15 TAX

(Amounts in NOK 1 000)	2008	2007
Tax payable	4 878	4 015
Deferred tax (Note 16)	(81 304)	(5 000)
Total	(76 426)	(985)

Tax on the group's result varies from the amount which would have arisen if the group's weighted average tax rate had been applied. The difference is explained as follows:

(Amounts in NOK 1 000)	2008	2007
Ordinary profit before tax	137 886	63 449
Tax calculated at the various national rates	34 329	15 552
Expenses not deductible for tax purposes	331	1 264
Recognition of previously unrecognised tax losses	(113 298)	(17 801)
Remeasurement of deferred tax due to change in tax rate	1 803	-
Tax cost	(76 426)	(985)

The weighted average tax rate was 25.4 per cent (2007: 26.5 per cent).

The tax rate is 28.0 per cent in Norway, 28.0 per cent in Sweden and 15.0 per cent in Lithuania. During the year, as a result of change in Swedish tax rate from 28.0 per cent to 26.3 per cent that will be effective from 1 January 2009, deferred tax balances have been remeasured.

NOTE 16 DEFERRED TAX

Deferred tax is recognised net when the group has a legal right to net deferred tax assets against deferred tax in the balance sheet and if the deferred tax is payable to the same tax authority.

Change in carrying amount of deferred tax asset:

(Amounts in NOK 1 000)	2008	2007
Opening balance	25 000	20 000
Profit and loss account	83 107	5 000
Remeasurement of deferred tax due to change in tax rate	(1 803)	-
Closing balance	106 304	25 000

Changes in deferred tax assets and deferred tax (with netting in same tax regime)

Deferred tax

(Amounts in NOK 1 000)	Gain and loss account	Financial leasing	Total
At 1 January 2007	996	-	996
Profit/(loss) for the period	(65)	160	95
At 31 December 2007	931	160	1 091
Profit/(loss) for the period	(361)	836	475
At 31 December 2008	570	996	1 566

Deferred tax assets

(Amounts in NOK 1 000)	Provision and current assets	Fixed assets and goodwill	Loss carried forward	Pension	Total
At 1 January 2007	2 796	7 291	120 794	3 273	134 154
Profit/(loss) for the period	1 524	7 562	(8 161)	2 850	3 775
Conversion differences	-	-	(2 586)	-	(2 586)
At 31 December 2007	4 320	14 853	110 047	6 123	135 343
Profit/(loss) for the period	1 095	(2 238)	(25 725)	(197)	(27 065)
Conversion differences	-	-	1 395	-	1 395
Change in tax rate	-	-	(1 803)	-	(1 803)
At 31 December 2008	5 415	12 615	83 914	5 926	107 870

Deferred tax assets related to tax loss carried forward is recognised in the balance sheet to the extent that it is probable that the group can apply this against future taxable profit. These assumptions are based on taxable profit (before utilisation of tax losses) in the previous years and the group budgets for the coming years.

The group has no unrecognised deferred tax asset at year end (2007: NOK 109.3 million). There are no restrictions on the right to carry the tax loss forward.

NOTE 17 INVESTMENTS

Investment in subsidiaries

(Amounts in NOK 1 000)	Business office	Shareholding	Voting share	Equity 2008	Result 2008	Book value
Company						
Kitron AS	Arendal	100%	100%	152 465	87 781	232 337
Kitron Microelectronics AS	Røros	100%	100%	12 552	(287)	15 848
Kitron Sourcing AS	Oslo	100%	100%	11 424	158	11 400
Kitron AB	Karlskoga, Sweden	100%	100%	27 612	21 016	44 696
Kitron Microelectronics AB	Jönköping, Sweden	100%	100%	30 260	11 158	13 463
Kitron Flen AB	Flen, Sweden	100%	100%	7 362	5 698	31 332
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	334	(481)	1 360
UAB Lumen Intellectus	Kaunas, Lithuania	100%	100%	618	(1 050)	12 422
UAB Kitron	Kaunas, Lithuania	100%	100%	94 039	25 134	29 180
Total investment in subsidiaries						392 039

Notes to the consolidated financial statements

Available-for-sale investments

Group	Business office	Shareholding	Voting share	Acquisition cost	Book value
Company's name					
Let's train AS	Oslo	20%	20%	150	1
Elektronikcentrum i Karlskoga AB	Karlskoga	10%	10%	9	9
Telespor AS	Bærum	5%	5%	26	26
Total				185	36

NOTE 18 RELATED PARTIES

(Amounts in NOK 1 000)	2008	2007
i) Sale of goods and services		
Sale of goods ¹	219 659	204 723
ii) Purchase of goods and services		
Purchase of goods ¹	3 018	6 921
iii) Remuneration of senior executives		
Pay and other short-term benefits ²	14 083	14 186
Severance pay	476	1 100
Total	14 559	15 286
iv) Balance items at 31 December resulting from purchase/sale of goods and services		
Receivable from related parties		
Shareholders ¹	42 791	66 127
Total	42 791	66 127
Payable to related parties:		
Shareholders ¹	-	2 217
Senior executives ³	7 803	395
Total	7 803	2 612

¹ Kongsberg Gruppen ASA owns 19.33 per cent of the shares in Kitron ASA. Purchase and sales of goods and services consist almost entirely of transactions with Kongsberg Gruppen ASA. All contracts and transactions between companies in the Kitron Group and and Kongsberg Gruppen with subsidiaries are made on commercial terms at the market price for goods and services.

² Senior executives comprise the corporate management team at Kitron ASA. See note 19 for a more extensive description of remuneration of senior executives.

³ The amount at 31 December comprises accrued bonuses to corporate management team.

NOTE 19 REMUNERATION OF SENIOR EXECUTIVES, DIRECTORS AND AUDITOR

(Amounts in NOK 1 000)	2008	2007
Directors' fees		
- chair	1 165	1 430
- directors	275	360
	890	1 070
Auditor's fee		
- statutory audit	1 757	1 657
- audit related services	362	311
- tax related services	272	284
- other services	170	354

Pay and other remuneration of senior executives in 2008:

(Amounts in NOK 1 000)

Name	Function	Period	Fee	Pay	Bonus	Other short-term remuneration	Severance pay	Total pay and remuneration	Pension contribution
Jørgen Bredesen	CEO	01.01.2008–31.12.2008	-	2 732	214	206	-	3 152	190
Erling Svela	CFO	01.01.2008–30.04.2008	-	550	178	53	-	781	13
Bjørn Wigstrøm	CFO	01.06.2008–31.12.2008	-	880	-	92	-	972	24
Jan Liholt	Vice president	01.01.2008–31.12.2008	-	1 113	75	102	-	1 290	40
Gard Eliassen	Vice president	01.01.2008–31.12.2008	-	1 248	200	107	-	1 555	40
Jan Sigvartsen	Vice president	01.01.2008–31.12.2008	-	1 799	111	118	-	2 028	40
Bengt Enbom	Vice president	01.01.2008–31.12.2008	-	853	25	-	-	878	267
Johannes Lind	Vice president	01.01.2008–31.12.2008	-	1 166	58	-	-	1 224	244
Almante Medziausiene	Vice president	01.01.2008–26.02.2008	-	159	-	-	476	635	-
Leif Tore Smedås	Vice president	01.01.2008–31.12.2008	-	1 081	58	129	-	1 268	51
Mindaugas Sestokas	Vice president	01.03.2008–31.12.2008	-	628	-	-	-	628	-
Dag Songedal	Vice president	26.11.2008–31.12.2008	-	147	-	1	-	148	3
Total			-	12 356	919	808	476	14 559	912
Comparative figures for 2007 (totals)			-	10 408	3 120	659	-	14 186	661
Nerijus Dagilis	Board member/chairman	08.05.2007–29.04.2008	275	-	-	-	-	275	-
Arne Solberg	Deputy chair	08.05.2007–29.04.2008	90	-	-	-	-	90	-
Titas Sereika	Board member	08.05.2007–29.04.2008	160	-	-	-	-	160	-
Elena Anfimova	Board member	08.05.2007–29.04.2008	130	-	-	-	-	130	-
Lisbeth Gustavasson	Board member	13.12.2007–29.04.2008	75	-	-	-	-	75	-
Liv Esther Johansen	Employee representative	08.05.2007–29.04.2008	90	-	-	-	-	90	-
Geir Vedøy	Employee representative	08.05.2007–29.04.2008	90	-	-	-	-	90	-
Ståle Kroken	Employee representative	08.05.2007–29.04.2008	90	-	-	-	-	90	-
Carl Espen Vollebakk	Chairman	08.05.2007–25.10.2007	165	-	-	-	-	165	-
Total			1 165	-	-	-	-	1 165	-
Comparative figures for 2007 (totals)			1 530	-	-	-	-	1 530	-

The table above comprises salaries and remunerations reported for tax purposes. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared. Provisions for management bonuses at 31 December 2008 have been made. The bonuses will be paid after the annual financial statements 2008 have been approved by the Board of Directors.

DECLARATION OF REMUNERATION TO SENIOR EXECUTIVES

The table above includes information on all individuals covered by the disclosure obligation at any time during the year, while the following declaration is limited to the CEO and the vice presidents. The CEO is covered by the same schemes as the vice presidents unless otherwise stated.

The following review presents the executive remuneration policy as resolved by the board in Kitron ASA. The mandatory executive remuneration policy was resolved by Kitron ASA's annual general meeting on 29 April 2008. Changes, if any, may be resolved by the annual general meeting on 7 May 2009.

The executive remuneration policy for Kitron ASA applies to all units in the group.

Recommended executive remuneration policy

Kitron wants to offer competitive terms in order for the company to attract and retain competent managers, and at the same time achieve alignment of interest between management and shareholders. The remuneration and other terms of employment for the executives reflect a number of factors, such as the position itself and the market conditions.

The remuneration comprises a reasonable basic salary and a pension contribution plus a cash bonus, which is principally linked to the company's performance. For the CEO the total bonus may not amount to more than 125 per cent of base salary. For the vice presidents the total bonus is limited to 100 per cent of base salary. Kitron does not offer other substantial benefits in kind than company cars. Certain tools, which are needed to perform executive duties, represent a taxable benefit which has been included in the amounts in the table above. Kitron honours all employment agreements which are in effect. Future supplements to employment agreements and new employment agreements will be in accordance with these guidelines.

The board determines the remuneration and other terms of employment of the CEO. The CEO determines the remuneration and other terms

of employment of the vice presidents within the framework resolved by the board.

The vice presidents are members of Kitron's general pension contribution scheme. The age of retirement is 67 years. The annual pension contribution to the CEO is six per cent of base salary. The contribution is coordinated with the contribution to the general scheme. The CEO's age of retirement is 65 years. The CEO may under certain circumstances have the right to receive twelve months post-employment compensation. There is no other post-employment remuneration or employment protection beyond a normal notice period.

Mandatory executive remuneration policy

On 22 March 2007 the board resolved to introduce a bonus scheme for the vice presidents and a large number of selected managers and specialists. The bonus is calculated from any actual increase in the share price of up to two million underlying shares. Half of the number of shares is reserved for others than the vice presidents. At the same time, the board resolved a corresponding scheme for the CEO, based on 0.5 million underlying shares.

The incentive will consist of a cash bonus calculated on the basis of any actual increase in the share price on a number of underlying shares. No shares or options are issued. The participants will receive a bonus amounting to the increase in the share price in the period between the publication of the preliminary annual result for one year and the publication of the next year's preliminary result.

Grants will be allocated in equal tranches over the three years 2008-2010. For the CEO the full grant is made in each year. Payments, if any, under the scheme will be made in February 2008, 2009 and 2010 and will be conditional on the recipient remaining employed by Kitron in a participating position. Bonus units which are released upon termination of employment of one employee, may be granted to another, possibly a new hired, employee.

The first tranche of the grant had a base price equal to the average of closing share prices 9-15 February 2007, which was NOK 5.02 per

Notes to the consolidated financial statements

share. The second tranche of the grant had a base price equal to the average of closing share prices 11-15 February 2008, which was NOK 3.12 per share. The third tranche has a base price equal to the share price 9-13 February 2009, which was NOK 2.75 per share.

Any gain for the CEO and the vice presidents is limited by inclusion in the bonus restriction stated above. For other recipients, any annual gain cannot exceed 50 per cent of base salary.

During the period from the time of grant to the time any gain is paid the company must book a provision for the expected cost of the scheme. The accrued portion of the fair value of the grants is recognized in the group's interim financial statements. If this value is reduced from one quarter to

the next, a cost reversal will take place. The cost and the accrued liability related to employees in the subsidiaries shall be recorded in the annual financial statements of the respective subsidiaries.

The scheme is not dilutive, and it leads to clearly aligned interests of management and shareholders.

The board may also in the coming financial year resolve on bonus schemes that are linked to the quotation of Kitron's shares. Any new bonus schemes shall be based on the same main terms as the current program, however, so that the duration may vary. The total bonus that is linked to the quotation of the company's shares shall not exceed 50 per cent of base salary for those employees that are included in the scheme.

NOTE 20 FINANCIAL ITEMS

(Amounts in NOK 1 000)	2008	2007
Interest expenses	20 214	15 646
Other financial expenses	10 858	9 003
Interest income	4 871	4 011
Currency loss	9 550	4 985
Currency gain	(15 098)	(4 633)
Net currency loss	(5 548)	352
Net financial costs	20 653	20 990

NOTE 21 MORTGAGES

(Amounts in NOK 1 000)	2008	2007
Debt secured by mortgages	373 137	381 644

Carrying amount of assets provided as security:

(Amounts in NOK 1 000)	2008	2007
Buildings and land	12 777	28 064
Machinery and equipment	102 817	94 411
Receivables	503 827	419 105
Inventory	285 820	236 099
Total	905 241	777 679

Debt secured by mortgages includes leasing liabilities for fixed assets treated for accounting purposes as financial leasing. The carrying amount of these fixed assets is included in the carrying amount of assets provided as security. Of the mortgage debt in the consolidated accounts, the commitment related to leasing recognised in the balance sheet amounted to NOK 39.6 million at 31 December 2008 (2007: NOK 44.7 million).

Conditions in the form of vendor's fixed charge are moreover related to deliveries from Kitron's suppliers of goods.

The group's receivables recognised in the balance sheet are provided as security (factoring mortgage) for obligations to DnB NOR Finans.

The group's bankers had provided guarantees at 31 December for leasing obligations and tax due but not paid. These totalled NOK 7.5 million and NOK 14.4 million respectively for the group.

NOTE 22 CASH, CASH EQUIVALENTS AND BANK OVERDRAFT

(Amounts in NOK 1 000)	2008	2007
Cash and cash equivalents	98 970	119 866

Cash, cash equivalents and bank overdraft in the cash flow statement comprise:

(Amounts in NOK 1 000)	2008	2007
Cash and cash equivalents	98 970	119 866
Overdraft drawn down	(47 593)	(71 947)
Restricted bank deposits	(19 569)	(19 755)
Total	31 809	28 164

(Amounts in NOK 1 000)	2008	2007
Bank overdraft facilities 31 December	126 540	126 600
Net drawn on overdraft facilities 31 December	47 593	71 145
Locked-in bank deposits 31 December		
Security for tax withholding	1 649	2 181
Security for factoring receivables	10 335	10 382
Security for rent guarantee	7 585	7 192
Total	19 569	19 755

Kitron ASA has established a group account agreement with the company's principal banks. This embrace Kitron ASA and Norwegian and Swedish subsidiaries.

NOTE 23 LEASING AGREEMENTS

FINANCIAL LEASE AGREEMENTS

Non-current assets

(Amounts in NOK 1 000)	2008	2007
Machinery and equipment		
Carrying amount 31 December	57 129	38 396
Depreciation	10 253	7 534
Nominal rent	46 545	35 911
Present value of future rent	41 600	32 836
Remaining lease period	1-5 years	1-5 years
Buildings and land		
Carrying amount 31 December		14 241
Depreciation		1 924
Nominal rent		19 261
Present value of future rent		13 504
Remaining lease period		11 years

Buildings and land includes factory premises in Lithuania. The premises were acquired by Kitron during 2008.

Specification of estimated lease payments falling due within:

(Amounts in NOK 1 000)		2008	2007
Nominal rent	1 year	14 781	11 402
	2-5 years	31 764	33 331
	> 5 years		10 439
Present value of future rent	1 year	14 076	9 964
	2-5 years	27 524	27 774
	> 5 years		8 602

OPERATING LEASES

Non-current assets

(Amounts in NOK 1 000)	2008	2007
Machinery and equipment		
Rent	5 606	6 196
Remaining lease	1-5 years	1-5 years
Buildings and land		
Rent	20 584	26 845
Remaining lease	1-8 years	1-8 years

Buildings and land includes premises in Norway and Sweden. Specification of estimated lease payments falling due within:

(Amounts in NOK 1 000)		2008	2007
Nominal rent	1 year	16 349	15 631
	2-5 years	59 096	45 397
	> 5 years	20 477	29 562

With some leases for machinery and equipment, the company has a limited right to buy the leased object at the termination of the lease period. The buy-out price is the normal market price for the relevant leased object.

NOTE 24 SHARES AND SUBSCRIPTION RIGHTS DIRECTORS AND SENIOR EMPLOYEES

There are at 31 December 2008 no outstanding subscription rights.

The following directors and members of the corporate management team held shares in the company at 31 December:

Board	Number of shares 2008	Number of shares 2007
Nerijus Dagilis, chairman ¹	-	-
Arne Solberg, deputy chairman ²	-	-
Elena Anfimova, board member ³	-	-
Ståle Kroken, employees representative	214	214
Corporate management	Number of shares 2008	Number of shares 2007
Jørgen Bredesen, CEO	150 000	150 000
Leif Tore Smedås, vice president	52 952	52 788
Jan Liholt, vice president	107 660	87 660
Bengt Enbom, vice president	10 000	-
Johannes Lind, vice president	30 000	-

¹ Nerijus Dagilis is a director of UAB Hermis Capital, which owns 69 164 583 shares (39.99 per cent) in Kitron ASA

² Arne Solberg is CFO in Kongsberg Gruppen ASA, which owns 33 439 153 shares (19.33 per cent) in Kitron ASA

³ Elena Anfimova is Assistant Portfolio Manager at Firebird Management LLC, a New York based hedge fund. Firebird Management LLC is a partner in Amber Trust II which holds 23 672 000 shares (13.69 per cent) in Kitron ASA.

NOTE 25 SHARES AND SHAREHOLDER INFORMATION

The company's share capital at 31 December 2008 comprised 172 961 625 shares with a nominal value of NOK 1 each. Each share carries one vote. There were 2 949 shareholders at 31 December 2008.

The 20 largest shareholders in Kitron ASA at 31 December 2008:

Shareholder	Number	Percentage
AB DnB NORD Bankas ¹	51 840 000	29.97%
Kongsberg Gruppen ASA	33 439 153	19.33%
ING Luxembourg SA General Account ²	23 822 000	13.77%
SEB Vilniaus Bankas A/C Clients Account ¹	19 313 296	11.17%
MP Pensjon	10 406 211	6.02%
AS Hansabank clients	2 728 530	1.58%
Swedbank S/A MP Investment BA	2 034 000	1.18%
SES AS	2 000 000	1.16%
A/S Bemacs	2 000 000	1.16%
JP Morgan Chase Bank	1 729 049	1.00%
Verdipapirfondet NORDEA SMB	1 267 984	0.73%
Petter Torgersen	636 000	0.37%
Bjørn Håheim	569 637	0.33%
Helge Hareland	500 000	0.29%
Malvin Sigbjørn Skjønhaug	395 685	0.23%
A/S Skjærdalen Eiendom	386 326	0.22%
Amagerbanken S/A Clients	318 250	0.18%
Vestvik Preservering A/S	300 000	0.17%
Robert Wikerøy	280 000	0.16%
Stein-Arne Stangeland	253 824	0.15%
Total 20 largest shareholders	154 219 945	89.16%
Total other shareholders	18 741 680	10.84%
Total outstanding shares	172 961 625	100.00%

¹ UAB Hermis Capital owns 69 164 583 shares (39.99 per cent) in Kitron ASA

² Amber Trust II holds 23 672 000 shares (13.69 per cent) in Kitron ASA.

MANDATES**Increasing the share capital**

The ordinary general meeting of 29 April 2008 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 29 April 2008. The total amount by which the share capital may be increased is NOK 17 296 162.50. The authority applies until the ordinary general meeting in 2009, but no longer than to 30 June 2009. The authority can be used for acquisitions of and mergers with other companies or businesses or to raise funds. The authority had not been exercised at 31 December 2008.

OWN SHARES

In accordance with the Norwegian Public limited companies act, the ordinary general meeting on 29 April 2008 authorised the board to acquire own shares, for the purpose of ownership or charge, for a total nominal value of up to NOK 17 296 162.50, which is equal to 10 per cent of Kitron's registered share capital at 29 April 2008. Under the authorisation the board shall pay minimum NOK 1.00 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the amount does not exceed NOK 25.00 per share. The authority is valid until the ordinary general meeting in 2009 but no longer than until 30 June 2009. The authority was used for three buy backs of a total of 200 000 shares carried out end September/beginning of October for a total amount of NOK 527 240. The shares were sold again for a total amount of NOK 507 900 in December. The loss for sale of own shares were recognised in the profit and loss.

NOTE 26 EARNINGS PER SHARE

Earnings per share is calculated by dividing the group's net result for the year with a time-weighted average of the number of outstanding ordinary shares in Kitron ASA

	2008	2007
Net profit/(loss) (NOK 1 000)	214 312	64 434
Earnings per share (NOK)	1.24	0.37
Diluted earnings per share (NOK)	1.24	0.37
Time-weighted number of shares	172 961 625	172 961 625
Time-weighted number of shares including options	172 961 625	172 961 625

NOTE 27 SHARE CAPITAL AND SHARE PREMIUM RESERVE

(Amounts in NOK 1 000)	Number of shares	Ordinary shares	Share premium reserve	Total
At 1 January 2007	172 962	172 962	456 058	629 020
Change 2007				
At 31 December 2007	172 962	172 962	456 058	629 020
Change 2008				
At 31 December 2008	172 962	172 962	456 058	629 020

NOTE 28 CASH FLOW FROM OPERATIONS

(Amounts in NOK 1 000)	2008	2007
Ordinary profit/(loss) before tax	137 886	63 449
Depreciation	40 065	32 553
Change in inventory	(60 124)	18 316
Change in accounts receivable	(64 461)	(19 348)
Change in accounts payable	7 499	(34 664)
Change in pension funds/obligations	(771)	(1 072)
Change in other accrual items	28 018	22 035
Change in restricted bank deposits	185	(841)
Interest received	(571)	(4 011)
Interest paid	18 161	15 646
Cash flow from operations	105 887	92 063

NOTE 29 ACQUISITIONS AND BUSINESS COMBINATIONS

(Amounts in NOK 1 000)

On 1 July 2008, the group acquired 100 per cent of the share capital of UAB Lumen Intellectus, a real estate company operating in Lithuania.

Details of net assets and excess value are as follows:

Purchase consideration	
- Cash paid	12 034
- Direct cost relating to the acquisition	388
Total purchase consideration	12 422
Carrying value of net assets acquired	(1 527)
Excess value	10 895

The excess value is attributable to the real estate value acquired. The acquisition is classified as purchase of a single asset (real estate) and is not a business combination according to IFRS 3. Correspondingly no deferred tax is calculated on excess value.

The assets and liabilities as of 1 July 2008 arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	664	664
Tangible fixed assets	28 645	17 750
Accounts receivable and other receivables	415	415
Accounts payables and other current liabilities	(3 668)	(3 668)
Loans (long term)	(13 633)	(13 633)
Net assets acquired	12 422	1 527
Purchase consideration settled in cash		12 422
Cash and cash equivalents in the subsidiary acquired		(664)
Cash outflow on acquisition		11 758

On 18 August 2008, the group acquired a business from Norsys AS. The business consist of exclusive distribution agreement for the development tool IAR, Segger and Altium in addition to customer database.

Details of goodwill value are as follows:

Purchase consideration	
- Cash paid	200
Total purchase consideration	200
Fair value of net assets acquired	-
Goodwill (note 10)	200

The goodwill value is attributable to future income from the acquired business.

Purchase consideration settled in cash	200
Cash and cash equivalents in the subsidiary acquired	-
Cash outflow on acquisition	200

PROFIT AND LOSS STATEMENT

Kitron ASA

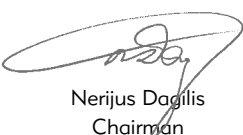
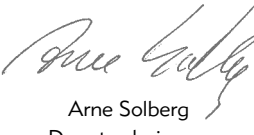


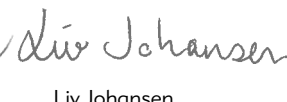



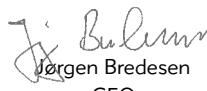
(Amounts in NOK 1 000)	Note	2008	2007
Revenues			
Sales revenues	2	36 055	29 741
Total revenues		36 055	29 741
Operating costs			
Payroll expenses	3, 4, 14	23 157	15 687
Depreciation and impairments	5, 6	2 911	4 475
Other operating expenses		21 327	14 807
Total operating costs		47 395	34 969
Operating loss		(11 340)	(5 228)
Financial income and expenses			
Intra-group interest income		3 360	2 560
Other interest income		1 697	1 930
Other financial income	20	76 501	6 545
Other interest expenses		(5 452)	(3 738)
Other financial expenses	20	(1 425)	(1 490)
Net financial items		74 681	5 807
Profit before tax		63 341	579
Tax	8	(30 926)	-
Net profit/(loss)		94 267	579

BALANCE SHEET AT 31 DECEMBER

Kitron ASA

(Amounts in NOK 1 000)	Note	2008	2007	(Amounts in NOK 1 000)	Note	2008	2007
ASSETS				LIABILITIES AND EQUITY			
FIXED ASSETS				EQUITY			
Intangible fixed assets				Paid-in equity			
Goodwill		-	446	Share capital (172 961 625 shares at NOK 1)	11, 13	172 962	172 962
Deferred tax assets	8	49 922	18 996	Share premium reserve	11	242 827	242 827
Total intangible fixed assets		49 922	19 442	Total paid-in equity		415 789	415 789
Tangible fixed assets				Other equity			
Machinery, equipment etc	5, 17	7 383	4 758	Total equity		500 633	416 368
Financial fixed assets				LIABILITIES			
Investment in subsidiaries	9, 17	392 039	387 452	Long-term liabilities			
Intra-group loans	7, 15	35 742	35 869	Pension commitments	1, 4	7 185	7 205
Investment in shares	10	26	26	Current liabilities			
Other long-term receivables		-	600	Liabilities to financial institutions	17, 18	74 830	53 797
Total financial fixed assets		427 807	423 947	Accounts payable		6 301	4 604
Total fixed assets		485 112	448 147	Public duties payable		-	306
CURRENT ASSETS				Dividend			
Receivables				10 000			
Accounts receivables	7, 17	99 706	15 162	Other current liabilities	7	8 334	2 929
Other receivables		10 430	10 623	Total current liabilities		99 465	61 636
Total receivables		110 136	25 785	Total liabilities		106 650	68 841
Bank deposits, cash in hand, etc	18	12 035	11 277	Total liabilities and equity		607 283	485 209
Total current assets		122 171	37 062				
Total assets		607 283	485 209				

Oslo, 11 March 2009

				
Nerijus Dagilis Chairman	Arne Solberg Deputy chairman	Elend Antimova	Gun Lisbeth Gustafsson	Liv Johansen Employee elected board member
				
Ståle Kroken Employee elected board member	Tomas Kucinskas	Geir Vedøy Employee elected board member	Jørgen Bredesen CEO	

CASH FLOW STATEMENT

Kitron ASA

(Amounts in NOK 1 000)	2008	2007
Cash flow from operational activities		
Profit before tax	63 341	579
Periodens betalte skatt	-	-
Ordinary depreciation	2 911	4 475
Change in accounts receivable	(76 709)	12 338
Change in accounts payable	1 697	(24)
Change in pension funds/obligations	(20)	(113)
Change in other accrual items	5 290	21 193
Net cash flow from operational activities	(3 490)	38 448
Cash flow from investment activities		
Acquisition of tangible fixed assets	(5 090)	(4 935)
Acquisition of shares in other companies		
Acquisition of subsidiaries	(12 422)	(9 195)
Rapayment of lendings	727	600
Loan disbursement		(20 068)
Net cash flow from investment activities	(16 785)	(33 598)
Cash flow from financing activities		
Net change in overdraft facilities	21 033	(6 353)
Net cash flow from financing activities	21 033	(6 353)
Net change in cash and cash equivalents	758	(1 502)
Cash and cash equivalents at 1 January	11 277	12 779
Cash and cash equivalents at 31 December	12 035	11 277

NOTES TO THE FINANCIAL STATEMENTS

Kitron ASA

ACCOUNTING PRINCIPLES

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally-accepted accounting principles (NGAAP). All amounts are in NOK 1 000 unless otherwise stated.

REVENUE RECOGNITION

Income from the sale of goods and services is recognised at the time of delivery.

CLASSIFICATION AND RECOGNITION OF ASSETS AND LIABILITIES

Assets intended for long-term ownership or use are classified as fixed. Other assets are classified as current. Accounts receivable which fall due within one year are always classified as current assets. Analogue criteria are applied in classifying liabilities.

Current assets are recognised at the lower of cost price and fair value. Current liabilities are recognised in the balance sheet at the nominal value on the establishment date.

Fixed assets are recognised at their acquisition cost. Tangible fixed assets which decline in value are depreciated on a straight-line basis over their expected useful lifetime. Fixed assets are written down to their fair value where this is lower than the cost price and the decline in value is not considered to be temporary. Long-term debt in Norwegian kroner, with the exception of other provisions, is recognised at the nominal value on the establishment date. Provisions are discounted if the interest element is significant.

INTANGIBLE FIXED ASSETS

Intangible fixed assets, excluding deferred tax benefit, consist of goodwill. Goodwill is amortised on a straight-line basis over its expected useful life.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised in the balance sheet and depreciated on a straight-line basis over their expected useful lifetime if they have an expected lifetime of more than three years and a cost price which exceeds NOK 15 000. Maintenance costs for tangi-

ble fixed assets are recognised as an operating expense as they arise, while upgrades or improvements are added to the cost price of the asset and depreciated accordingly. The distinction between maintenance and upgrading/improvement is calculated in relation to the condition of the asset when it was acquired.

Leased fixed assets are recognised in the balance sheet as tangible fixed assets if the lease is regarded as financial.

SUBSIDIARIES

Subsidiaries are recognised in the company accounts using the cost method. The investment is written down to its fair value when the fair value is lower than the cost price and this fall in value is not expected to be temporary.

ACCOUNTS RECEIVABLE

Accounts receivable from customers and other receivables are recorded at their nominal value after deducting a provision for bad debts. The latter is based on an individual assessment of each receivable. An unspecified provision is made for minor receivables to cover estimated bad debts.

SHORT-TERM PLACEMENTS

Short-term placements (shares regarded as current assets) are recognised at the lower of their average cost price and their fair value on the balance sheet date. Dividends received and other payments are recognised as other financial income.

FOREIGN CURRENCIES

Holdings in foreign currencies are translated at the rates prevailing at the balance sheet date.

PENSIONS

Pension costs and obligations are calculated on a linear earning of pension rights, based on assumptions concerning the discount rate, future pay adjustments, state pensions and other social security benefits, the expected return on pension fund assets, and actuarial assumptions on mortality, voluntary retirement and so forth. Pension funds are recognised in the balance sheet at their fair value less net

pension commitments. Changes in pension commitments relating to changes in pension plans are allocated over the average remaining period of service. The same applies to variances in underlying pension assumptions to the extent that these exceed 10 per cent of the larger of pension commitments and pension fund assets (corridor). Payroll tax is expensed for funded (collective) pension plans, and accrued in accordance with changes in the pension commitment for unfunded pensions.

TAX

Tax cost in the profit and loss account comprises the sum of tax payable for the period and changes to deferred tax or deferred tax assets. Deferred tax is calculated at a rate of 28 per cent on the basis of temporary differences between accounting and tax values, plus possible tax loss for carrying forward at the end of the fiscal year. Tax increasing and reducing temporary differences which reverse or could reverse in the same period are eliminated, and are recorded net in the balance sheet. Recognition of deferred tax assets on net tax-reducing differences which have not been eliminated, and tax loss for carrying forward, is based on expected future earnings. Deferred tax and tax assets which can be recognised in the balance sheet are stated net.

Tax on group contribution paid which is recognised as an increase in the cost price of shares in other companies, and tax on group contribution received which is recognised directly against equity, is recognised directly against tax in the balance sheet (against tax payable if the group contribution has an effect on tax payable and against deferred tax if the group contribution has an effect on deferred tax).

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other short-term liquid placements which immediately and with insignificant currency risk can be converted to known amounts of cash and with a maturity which is less than three months from the acquisition date.

NOTE 1 FINANCIAL RISK

Interest rate risk

Interest on the group's interest-bearing debt is charged at the relevant market rate prevailing at any given time (three months Norwegian interbank offered rate - NIBOR - plus the agreed interest margin). No interest rate instruments have been established in the company. The company does not have significant interest-bearing assets, so that its income and cash flow from operational activities are not significantly exposed to changes in the market interest rate.

Currency risk

Exchange rate developments represent a risk for the company both directly and indirectly. No contracts which reduce this risk had been concluded at 31 December 2008.

Price risk

The raw materials price risk for the company's business is small. Nevertheless, the risk of price fluctuations is hedged through long-term purchase contracts as well as the conclusion of strategic agreements with suppliers and other players in the market.

NOTE 2 SALES REVENUES

Kitron provides development, industrialisation and manufacturing services to the electronics industry in various geographical areas and market segments. Given that the parent company's revenues cannot be said to relate to significant different segments, the sales revenues are not broken down further into segments. The business of Kitron ASA is administration of its subsidiaries, and revenues consist primarily of group contributions.

Sales revenues by geographical area

(Amounts in NOK 1 000)	2008	2007
Norway	22 223	18 763
Sweden	7 716	6 949
Lithuania	6 050	4 029
Other	66	-
Total	36 055	29 741

NOTE 3 PAYROLL COSTS

(Amounts in NOK 1 000)	2008	2007
Pay	16 883	11 633
Payroll taxes	1 716	1 666
Pension costs	574	584
Other remuneration	3 984	1 804
Total	23 157	15 687
Average number of employees	9	8

NOTE 4 PENSIONS AND SIMILAR OBLIGATIONS

Employees in Kitron ASA are covered by unfunded defined benefit plans (AFP early retirement scheme). The plan embraces 10 employees. The company is obliged to have pension plans according to the Norwegian mandatory service pension act. The company's contribution based pension scheme complies with these requirements.

DEFINED PENSION BENEFIT PLANS

Carrying amount of the obligation is determined as follows:

(Amounts in NOK 1 000)	2008	2007
Present value of accrued commitments in unfunded benefit plans	7 196	6 533
+/- unrecognised actuarial gains and losses	(10)	672
Net commitments in unfunded defined benefit plans	7 186	7 205
Hereof payroll tax on the pension obligation	889	807

Pension costs comprise:

(Amounts in NOK 1 000)	2008	2007
+ Present value of pension earnings for the year	41	48
+ Interest costs	302	292
+ Amortised actuarial gains and losses	(21)	(41)
Net pension cost for unfunded plans	322	299
Net pension cost for contribution based pension plans	252	285
Net pension costs included in note 3	574	584

The following assumptions have been applied in calculating pension commitments:

	2008	2007
Discount rate	3.80%	4.75%
Annual pay adjustment	3.75%	4.5%
Annual pension adjustment	3.75%	4.0%
G-adjustment	3.75%	4.0%
Social security tax rate	14.1%	14.1%
Expected contractual pension withdrawals (early retirement scheme)	30%	30%

NOTE 5 TANGIBLE FIXED ASSETS AND DEPRECIATION

(Amounts in NOK 1 000)	Machinery and equipment
Acquisition cost at 1 January	24 430
Additions during the year	5 090
Acquisition cost at 31 December	29 520
Accumulated depreciation 1 January	19 672
Depreciation during the year	2 465
Accumulated depreciation at 31 December	22 137
Book value 31 December	7 383
Useful lifetime	3 – 5 years
Depreciation plan	Linear

Annual lease of fixed assets unrecognised in the balance sheet

Fixed asset	Length of lease	Annual rent
Premises	>2011	596
Operating equipment	>2010	43
Vehicles	>2010	455

The company has an option to buy leased printers

NOTE 6 INTANGIBLE FIXED ASSETS

(Amounts in NOK 1 000)	Goodwill
Acquisition cost at 1 January	15 146
Additions during the year	-
Acquisition cost at 31 December	15 146
Accumulated amortisation at 31 December	15 146
Book value 31 December	-
Ordinary amortisation for the year	446
Useful lifetime	5 years

Goodwill is amortised over its expected useful lifetime

NOTE 7 INTRA-GROUP ACCOUNTS

(Amounts in NOK 1 000)	2008	2007
Current receivables	97 741	23 229
Current liabilities	342	306
Intra-group loans	35 732	35 869

NOTE 8 TAXES

(Amounts in NOK 1 000)	2008	2007
Tax cost for the year breaks down into:		
Tax payable	-	-
Change in deferred tax	(30 926)	-
Total tax cost	(30 926)	-
Calculation of tax base for the year:		
Profit before tax	63 341	579
Permanent differences ¹	(70 381)	169
Change in temporary differences	425	941
Group contribution	880	-
Change in tax loss carried forward	5 735	(1 689)
Tax base for the year	-	-
Overview of temporary differences		
Receivables	84	(270)
Fixed assets	(7 484)	(5 399)
Pensions	(7 186)	(7 205)
Gain and loss account	1 409	1 762
Total	(13 177)	(11 112)
Loss carried forward	(165 115)	(159 382)
Total	(178 292)	(170 494)
28% deferred tax	(49 922)	(47 738)
Deferred tax unrecorded in the balance sheet	-	(28 742)
Deferred tax asset	49 922	18 996
Explanation of why tax cost for the year does not equal 28% of pre-tax result		
28% of profit before tax	17 736	162
Permanent differences (28%)	(19 707)	48
Effect of deferred tax asset unrecorded in balance sheet	1 971	(210)
Calculated tax cost	-	-
Effective tax rate ²	0.0%	0.0%

¹ Includes non-tax-deductible costs such as entertainment, group contribution and dividend

² Tax cost in relation to pre-tax result

NOTE 9 INVESTMENT IN SUBSIDIARIES

Company (Amounts in NOK 1 000)	Business office	Share-holding	Voting share	Equity 2008	Result 2008	Book value
Kitron AS	Arendal	100%	100%	152 465	87 781	232 337
Kitron Microelectronics AS	Røros	100%	100%	12 552	(287)	15 848
Kitron Sourcing AS	Oslo	100%	100%	11 424	158	11 400
Kitron AB	Karlskoga, Sweden	100%	100%	27 612	21 016	44 696
Kitron Microelectronics AB	Jönköping, Sweden	100%	100%	30 260	11 158	13 463
Kitron Flen AB	Flen, Sweden	100%	100%	7 362	5 698	31 332
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	334	(481)	1 360
UAB Lumen Intellectus	Kaunas, Lithuania	100%	100%	618	1 050	12 422
UAB Kitron	Kaunas, Lithuania	100%	100%	94 039	25 134	29 180
Total investment in subsidiaries		-	-	-	-	392 039

NOTE 10 INVESTMENT IN OTHER COMPANIES

Company	Business office	Shareholding	Voting share	Cost price	Book value
Telespor AS	Bærum	5%	5%	26	26

NOTE 11 EQUITY

(Amounts in NOK 1 000)	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2007	172 962	242 827	579	416 368
Net profit	-	-	94 267	94 267
Dividend	-	-	(10 000)	(10 000)
At 31 December 2008	172 962	242 827	84 844	500 633

NOTE 12 SHARES AND SUBSCRIPTION RIGHTS DIRECTORS AND SENIOR EMPLOYEES

There are at 31 December 2008 no outstanding subscription rights.

The following directors and members of the corporate management team held shares in the company at 31 December:

Board	Number of shares 2008	Number of shares 2007
Nerijus Dagilis, chairman ¹	-	-
Arne Solberg, deputy chairman ²	-	-
Elena Anfimova, board member ³	-	-
Ståle Kroken, employees representative	214	214
Corporate management	Number of shares 2008	Number of shares 2007
Jørgen Bredesen, President and CEO	150 000	150 000
Leif Tore Smedås, vice president	52 952	52 788
Jan Liholt, vice president	107 660	87 660
Bengt Enbom, vice president	10 000	-
Johannes Lind, vice president	30 000	-

¹ Nerijus Dagilis is a director of UAB Hermis Capital, which owns 69 164 583 shares (39.99 per cent) in Kitron ASA

² Arne Solberg is CFO in Kongsberg Gruppen ASA, which owns 33 439 153 shares (19.33 per cent) in Kitron ASA

³ Elena Anfimova is Assistant Portfolio Manager at Firebird Management LLC, a New York based hedge fund. Firebird Management LLC is a partner in Amber Trust II which holds 23 672 000 shares (13.69 per cent) in Kitron ASA.

NOTE 13 SHARES AND SHAREHOLDERS INFORMATION

The company's share capital at 31 December 2008 comprised 172 961 625 shares with a nominal value of NOK 1 each. Each share carries one vote. There were 2 949 shareholders at 31 December 2008.

The 20 largest shareholders in Kitron ASA at 31 December 2008:

Shareholder	Number	Percentage
AB DnB NORD Bankas ¹	51 840 000	29.97%
Kongsberg Gruppen ASA	33 439 153	19.33%
ING Luxembourg SA General Account ²	23 822 000	13.77%
SEB Vilniaus Bankas A/C Clients Account ¹	19 313 296	11.17%
MP Pensjon	10 406 211	6.02%
AS Hansabank clients	2 728 530	1.58%
Swedbank S/A MP Investment BA	2 034 000	1.18%
SES AS	2 000 000	1.16%
A/S Bemacs	2 000 000	1.16%
JP Morgan Chase Bank	1 729 049	1.00%
Verdipapirfondet NORDEA SMB	1 267 984	0.73%
Petter Torgersen	636 000	0.37%
Bjørn Håheim	569 637	0.33%
Helge Hareland	500 000	0.29%
Malvin Sigbjørn Skjønhaug	395 685	0.23%
A/S Skjærdalen Eiendom	386 326	0.22%
Amagerbanken S/A Clients	318 250	0.18%
Vestvik Preservering A/S	300 000	0.17%
Robert Wikerøy	280 000	0.16%
Stein-Arne Stangeland	253 824	0.15%
Total 20 largest shareholders	154 219 945	89.16%
Total other shareholders	18 741 680	10.84%
Total outstanding shares	172 961 625	100.00%

¹ UAB Hermis Capital owns 69 164 583 shares (39.99 per cent) in Kitron ASA

² Amber Trust II holds 23 672 000 shares (13.69 per cent) in Kitron ASA.

MANDATES

Increasing the share capital

The ordinary general meeting of 29 April 2008 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 29 April 2008. The total amount by which the share capital may be increased is NOK 17 296 162.50. The authority applies until the ordinary general meeting in 2009, but no longer than to 30 June 2009. The authority can be used for acquisitions of and mergers with other companies or businesses or to raise funds. The authority had not been exercised at 31 December 2008.

OWN SHARES

In accordance with the Norwegian Public limited companies act, the ordinary general meeting on 29 April 2008 authorised the board to acquire own shares, for the purpose of ownership or charge, for a total nominal value of up to NOK 17 296 162.50, which is equal to 10 per cent of Kitron's registered share capital at 29 April 2008. Under the authorisation the board shall pay minimum NOK 1.00 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the amount does not exceed NOK 25.00 per share. The authority is valid until the ordinary general meeting in 2009 but no longer than until 30 June 2009. The authority was used for three buy backs of a total of 200 000 shares carried out end September/beginning of October for a total amount of NOK 527 240. The shares were sold again for a total amount of NOK 507 900 in December. The loss for sale of own shares were recognised in the profit and loss,

NOTE 14 REMUNERATION OF SENIOR EXECUTIVES, DIRECTORS AND AUDITOR

(Amounts in NOK 1 000)

	2008	2007
Directors' fees	1 165	1 430
- chair	275	360
- directors	890	1 070
Auditor's fee		
- statutory audit	405	375
- audit related services	362	311
- tax related services	138	128
- other services	111	177

Pay and other remuneration of senior executives in 2008:

(Amounts in NOK 1 000)

Name	Function	Period	Fee	Pay	Bonus	Other short-term remuneration	Severance pay	Total pay and remuneration	Pension contribution
Jørgen Bredesen	CEO	01.01.2008–31.12.2008	-	2 732	214	206	-	3 152	190
Erling Svela	CFO	01.01.2008–30.04.2008	-	550	178	53	-	781	13
Bjørn Wigstrøm	CFO	01.06.2008–31.12.2008	-	880	-	92	-	972	24
Jan Liholt	Vice president	01.01.2008–31.12.2008	-	1 113	75	102	-	1 290	40
Gard Eliassen	Vice president	01.01.2008–31.12.2008	-	1 248	200	107	-	1 555	40
Jan Sigvartsen	Vice president	01.01.2008–31.12.2008	-	1 799	111	118	-	2 028	40
Bengt Enbom	Vice president	01.01.2008–31.12.2008	-	853	25	-	-	878	267
Johannes Lind	Vice president	01.01.2008–31.12.2008	-	1 166	58	-	-	1 224	244
Almante Medziausiene	Vice president	01.01.2008–26.02.2008	-	159	-	-	476	635	-
Leif Tore Smedås	Vice president	01.01.2008–31.12.2008	-	1 081	58	129	-	1 268	51
Mindaugas Sestokas	Vice president	01.03.2008–31.12.2008	-	628	-	-	-	628	-
Dag Songedal	Vice president	26.11.2008–31.12.2008	-	147	-	1	-	148	3
Total			-	12 356	919	808	476	14 559	912
Comparative figures for 2007 (totals)			-	10 408	3 120	659	-	14 186	661
Nerijus Dagilis	Board member/chairman	08.05.2007–29.04.2008	275	-	-	-	-	275	-
Arne Solberg	Deputy chair	08.05.2007–29.04.2008	90	-	-	-	-	90	-
Titas Sereika	Board member	08.05.2007–29.04.2008	160	-	-	-	-	160	-
Elena Anfimova	Board member	08.05.2007–29.04.2008	130	-	-	-	-	130	-
Lisbeth Gustavasson	Board member	13.12.2007–29.04.2008	75	-	-	-	-	75	-
Liv Esther Johansen	Employee representative	08.05.2007–29.04.2008	90	-	-	-	-	90	-
Geir Vedøy	Employee representative	08.05.2007–29.04.2008	90	-	-	-	-	90	-
Ståle Kroken	Employee representative	08.05.2007–29.04.2008	90	-	-	-	-	90	-
Carl Espen Vollebakk	Chairman	08.05.2007–25.10.2007	165	-	-	-	-	165	-
Total			1 165	-	-	-	-	1 165	-
Comparative figures for 2007 (totals)			1 530	-	-	-	-	1 530	-

The table above comprises salaries and remunerations reported for tax purposes. Pension contribution includes paid contribution to the company's pension scheme.

For employee representatives only the board remuneration is declared. Provisions for management bonuses at 31 December 2008 have been made. The bonuses will be paid after the annual financial statements 2008 have been approved by the board of directors.

DECLARATION OF REMUNERATION TO SENIOR EXECUTIVES

The table above includes information on all individuals covered by the disclosure obligation at any time during the year, while the following declaration is limited to the CEO and the vice presidents. The CEO is covered by the same schemes as the vice presidents unless otherwise stated.

The following review presents the executive remuneration policy as resolved by the board in Kitron ASA. The mandatory executive remuneration policy was resolved by Kitron ASA's annual general meeting on 29 April 2008. Changes, if any, may be resolved by the annual general meeting on 7 May 2009.

The executive remuneration policy for Kitron ASA applies to all units in the group.

Recommended executive remuneration policy

Kitron wants to offer competitive terms in order for the company to attract and retain competent managers, and at the same time achieve alignment of interest between management and shareholders. The

remuneration and other terms of employment for the executives reflect a number of factors, such as the position itself and the market conditions.

The remuneration comprises a reasonable basic salary and a pension contribution plus a cash bonus, which is principally linked to the company's performance. For the CEO the total bonus may not amount to more than 125 per cent of base salary. For the vice presidents the total bonus is limited to 100 per cent of base salary. Kitron does not offer other substantial benefits in kind than company cars. Certain tools, which are needed to perform executive duties, represent a taxable benefit which has been included in the amounts in the table above.

Kitron honours all employment agreements which are in effect. Future supplements to employment agreements and new employment agreements will be in accordance with these guidelines.

The board determines the remuneration and other terms of employment of the CEO. The CEO determines the remuneration and other terms of employment of the vice presidents within the framework resolved by the board.

The vice presidents are members of Kitron's general pension contribution scheme. The age of retirement is 67 years. The annual pension contribution to the CEO is six per cent of base salary. The contribution is coordinated with the contribution to the general scheme. The CEO's age of retirement is 65 years. The CEO may under certain circumstances have the right to receive twelve months post-employment compensation. There is no other post-employment remuneration or employment protection beyond a normal notice period.

Mandatory executive remuneration policy

On 22 March 2007 the board resolved to introduce a bonus scheme for the vice presidents and a large number of selected managers and specialists. The bonus is calculated from any actual increase in the share price of up to two million underlying shares. Half of the number of shares is reserved for others than the vice presidents. At the same time, the board resolved a corresponding scheme for the CEO, based on 0.5 million underlying shares.

The incentive will consist of a cash bonus calculated on the basis of any actual increase in the share price on a number of underlying shares. No shares or options are issued. The participants will receive a bonus amounting to the increase in the share price in the period between the publication of the preliminary annual result for one year and the publication of the next year's preliminary result.

Grants will be allocated in equal tranches over the three years 2008-2010. For the CEO the full grant is made in each year. Payments, if any, under the scheme will be made in February 2008, 2009 and 2010 and will be conditional on the recipient remaining employed by Kitron in a participating position. Bonus units which are released upon termination

of employment of one employee, may be granted to another, possibly a new hired, employee.

The first tranche of the grant had a base price equal to the average of closing share prices 9-15 February 2007, which was NOK 5.02 per share. The second tranche of the grant had a base price equal to the average of closing share prices 11-15 February 2008, which was NOK 3.12 per share. The third tranche has a base price equal to the share price 9-13 February 2009, which was NOK 2.75 per share.

Any gain for the CEO and the vice presidents is limited by inclusion in the bonus restriction stated above. For other recipients, any annual gain cannot exceed 50 per cent of base salary.

During the period from the time of grant to the time any gain is paid the company must book a provision for the expected cost of the scheme. The accrued portion of the fair value of the grants is recognized in the group's interim financial statements. If this value is reduced from one quarter to the next, a cost reversal will take place. The cost and the accrued liability related to employees in the subsidiaries shall be recorded in the annual financial statements of the respective subsidiaries.

The scheme is not dilutive, and it leads to clearly aligned interests of management and shareholders.

The board may also in the coming financial year resolve on bonus schemes that are linked to the quotation of Kitron's shares. Any new bonus schemes shall be based on the same main terms as the current program, however, so that the duration may vary. The total bonus that is linked to the quotation of the company's shares shall not exceed 50 per cent of base salary for those employees that are included in the scheme.

NOTE 15 INTRA-GROUP LOANS

NOK 35 742 000 of the NOK 35 742 000 in intra-group loans at 31 December 2008 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1 000)	2008	2007
Kitron AS	15 000	23 328
Kitron Microelectronics AS	2 346	3 233
UAB Lumen Intellectus	18 396	9 307
Total	35 742	35 868

NOTE 16 INFORMATION ON LONG-TERM LIABILITIES TO FINANCIAL INSTITUTIONS

The company has no long-term debt at 31 December 2008. The group's bank financing includes covenants relating to such factors as the company's equity and earnings. The company complies with these covenants at 31 December 2008.

NOTE 17 MORTGAGES

(Amounts in NOK 1 000)	2008	2007
Debt secured by mortgages:	74 830	53 797
Carrying amount of assets provided as security:		
Machinery and equipment	7 383	4 758
Investment in subsidiaries	392 039	387 452
Receivables	145 878	62 254
Total	545 300	454 464

The company's bankers had provided guarantees of NOK 2 million for tax due but not paid in Kitron ASA.

NOTE 18 LIQUID ASSETS

Kitron ASA has established a group account agreement with the company's principal banks. This embraces Kitron ASA and its Norwegian and Swedish subsidiaries.

The company has a cash deposit of NOK 10.3 million related to the group's factoring agreement with DnB NOR Finans.

NOTE 19 RELATED PARTIES

No loans/security have been provided for the chief executive, the chair or other related parties.

No single loan/security totals more than five per cent of the company's equity.

NOTE 20 ITEMS CONSOLIDATED IN THE ACCOUNTS

(Amounts in NOK 1 000)	2008	2007
Other financial income		
Dividend and contributions from subsidiaries	70 774	6 531
Currency gain	5 727	14
Total other financial income	76 501	6 545
Financial expenses		
Other financial expenses	1 153	885
Currency loss	272	605
Total financial expenses	1 425	1 490

To the Annual Shareholders' Meeting of Kitron ASA

Auditor's report for 2008

We have audited the annual financial statements of Kitron ASA as of December 31, 2008, showing a profit of kNOK 94 267 for the parent company and a profit of kNOK 214 312 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company as of December 31, 2008 and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group as of December 31, 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, March 11, 2009
 PricewaterhouseCoopers AS

Herman Skibrek
 State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

- the consolidated financial statements for 2008 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that
- the financial statements for the parent company for 2008 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway,

and that

- the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that
- the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the principle risks and uncertainties.

Oslo, 11 March 2009



Nerijus Dagilis
Chairman



Arne Solberg
Deputy chairman



Elend Anifimova



Gun Lisbeth Gustafsson



Liv Johansen
Employee elected board member



Ståle Kroken
Employee elected board member



Tomas Kucinkas



Geir Vedøy
Employee elected board member



Jørgen Bredesen
CEO

CORPORATE GOVERNANCE

Kitron's corporate governance principles clarify the division of roles between shareholders, the board of directors and the corporate management. The principles are also intended to help safeguard the interests of shareholders, employees and other stakeholders, such as customers and suppliers, as well as society at large. The primary intention is to increase predictability and transparency, and thereby reduce uncertainties associated with the business.

It is Kitron's intent to practise good corporate governance in accordance with laws and regulations and the recommendations of Oslo Børs under the 'comply or explain' concept. This review has been prepared by the board of Kitron, and it is the board's intention to comply with the Norwegian Code of Practice for Corporate Governance dated 4 December 2007 ("the Code").

BASIC VALUES AND ETHICAL GUIDELINES

The board has stated Kitron's purpose and core values as presented in the annual report, and the board has prepared and implemented ethical guidelines which reflect these values.

BUSINESS

Kitron's business purpose clause is stated in the company's articles of association:

Kitron's business purpose is manufacturing and development activities related to electronics. The business includes purchase and sale of shares and companies in the same or related business sectors. The business may also include related consultancy activities and other activities associated with the operation.

The company's main goals and strategies are presented in the annual report. It is the board's opinion that these objectives and strategies are within the scope of the business purpose clause.

EQUITY AND DIVIDENDS

The parent company's share capital at 31 December 2008 amounted to NOK 173 million. Total equity for the group at the same date was NOK 480.4 mil-

lion, corresponding to an equity ratio of 38.4 per cent. Considering the nature and scope of Kitron's business, the board considers that the company has adequate equity.

Existing mandates granted to the board to issue shares and to acquire treasury shares are presented in the shareholder information section of the annual report. The mandates are in accordance with the Code.

Kitron's dividend policy implies an objective to pay a dividend of 30-50 per cent of net profit for the year, provided that the company's equity and liquidity position remain adequate after any dividend payment.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The shares are freely negotiable. The articles of association include no form of restriction on negotiability. All shares have equal voting rights and there is only one class of shares. No new shares were issued in 2008. During 2008 Kitron acquired 200 000 treasury shares. These shares were sold at market price in December 2008.

Kitron has issued an insider manual with guidelines and control procedures. According to the company's ethical guidelines, board members and the executive management must notify the board if they have any direct or indirect material interest in any transaction contemplated or entered into by the company.

All transactions with close associates are disclosed in the notes to the annual accounts. Kitron has a long-term sup-

plier relationship with Kongsberg Gruppen ASA, who is also a significant shareholder in Kitron. All business activities are based on arm's length terms. In the event of transactions with insiders or close associates, such transactions will be carried out in accordance with the relevant recommendations in the Code.

GENERAL MEETINGS

Shareholders exercise the ultimate authority in Kitron through the annual general meeting. All shareholders are entitled to attend a general meeting, where representatives of the board, the nomination committee, and the auditor are present. It is Kitron's intention that the notice of the meeting, the agenda and detailed and comprehensive supporting information, including the nomination committee's justified recommendations, are issued and made available on Kitron's website at least 21 days before a general meeting takes place. The same material will be distributed to all shareholders at the latest two weeks before a general meeting takes place. For administrative purposes, the shareholders must give notice of their attendance at the meeting minimum two working days before the meeting.

The general meeting deals with such matters as required by Norwegian law. Shareholders who cannot attend the meeting in person can vote by proxy, and voting instructions can be given on each item on the agenda.

The general meetings are opened by the chair of the board. Normally, the board proposes that the chair of the board shall also chair the general meetings. The board will propose an independent chair for the general meeting

if any of the matters to be considered calls for such arrangement.

The notices and minutes of the general meetings are published in Oslo Børs' information system (www.newsweb.no, ticker: KIT) and on Kitron's website.

NOMINATION COMMITTEE

Kitron's nomination committee is stated in the articles of association. The committee shall have three members, including the head of the committee. At the composition of the nomination committee, the interests of the shareholders will be taken into account, as well as the members' independence of the board and of the executive management. The general meeting elects the head and the members of the nomination committee and determines its remuneration. The general meeting has resolved a mandate for the nomination committee which is compliant with the Code. The members of the nomination committee are elected for a period of two years. For the sake of continuity, one or two members stand for election each year.

The nomination committee shall propose and present to the general meeting: Candidates for election to the board, remuneration of the board, and new members of the nomination committee.

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

According to the articles of association, the board shall consist of seven to eleven members as resolved by the general meeting. The annual general meeting in 2007 resolved that the board shall have eight members. It follows from the rules for employee representation that the board thus consists of five shareholder-elected members and three members elected by and among the employees. Board members are elected for a period of two years. There is no corporate assembly in Kitron, and the board elects its own chair.

The board's composition shall ensure that it can effectively and proactively

perform its supervisory and strategic functions. Furthermore, the board is composed to enable it to always act independently of special interests. The three major shareholders, UAB Hermis Capital, Kongsberg Gruppen ASA and Amber Trust II, are represented on the board by one board member each. The representation of shareholders was proposed by the nomination committee and unanimously resolved by the general meeting.

All the shareholder-elected board members are independent of the executive management. Further information about the board members is presented in the annual report and on the company's website.

THE WORK OF THE BOARD OF DIRECTORS

The board has an overall responsibility for safeguarding the interests of all shareholders and other stakeholders. Furthermore, it is the board's duty and responsibility to exercise overall control of the company, and to supervise the management and the company's operations. The division of roles between board and management is specified in Kitron's rules of procedure for the board. The board has approved an annual meeting plan for its work, which includes meetings with a special focus on strategy and budgeting. The board conducted a self-evaluation in February 2009.

Kitron's board shall serve as a constructive and qualified discussion partner for the executive management. One of the board's key duties is to establish appropriate strategies for the group. It is important in this context that the board, in cooperation with the management, ensures that the strategies are implemented, the results are measured and evaluated and that the strategies are developed in the most appropriate way. Kitron has defined performance parameters for the strategies and can thus measure its performance.

The board receives financial reports on a monthly basis from the adminis-

tration. The underlying data for these reports are prepared at each reporting unit. The information is checked, consolidated, and processed by the group's corporate financial staff to produce the consolidated reports that are submitted to the board. The reports also include relevant operational matters. The group does not have a separate internal audit function. Account controls are exercised through various forms of division of labour, guidelines and approval procedures. The corporate financial staff is responsible for establishing guidelines and principles. The group's financial transactions are handled by the corporate financial staff. Each profit centre is responsible for the commercial benefit of manufacturing contracts. Responsibility for the commercial content of significant procurement contracts rests with the corporate sourcing organisation.

Annual evaluations of the executive managers and their performance are conducted by the board. These evaluations also cover an assessment of cooperation between the board and the management. The results of these evaluations represent an important element in the remuneration and incentive programmes, which are described in the notes to the financial statements.

THE BOARD'S AUDIT COMMITTEE

From 1 January 2009 the board has set up an Audit Committee. The Audit Committee has responsibilities related to financial reporting, the independent auditor and risk management. The committee consists of two shareholder-elected board members and one employee-elected board member. The independent auditor usually attends the meetings. The CEO is entitled to attend if he so desires.

RISK MANAGEMENT AND INTERNAL CONTROL

Kitron's business consists of operating contract manufacturing, development and related services (Electronic Manu-

facturing Services or EMS) for product-owning companies who are outsourcing such services. The board sees no unusual or conspicuous risks beyond those which any light industry operation is exposed to.

EMS is a highly competitive industry, presenting the company with an inherent business risk related to Kitron's ability, firstly, to attract and retain customers who are and who will be predictable and successful in their respective markets and, secondly, to make a fair profit margin on its business. The group's customer portfolio consists of reputable companies operating in various segments. Several of the group's customers are world leaders in their respective fields. It is Kitron's perception that the customer portfolio is robust and well balanced. The 20 largest customers account for about 80 per cent of Kitron's revenue. Kitron's value proposition to its customers comprises flexibility, competence, quality, closeness and full value chain capability. While recognising the continuous demand for improvement and cost efficiency, the board considers these competitive advantages defensible. The board is confident that Kitron is able to maintain a viable, leading and adaptive business.

Kitron is organised in distinct manufacturing sites, each fully accountable for its own revenues, profitability and level of capital employed. The structure facilitates closeness between management and the operation, which in turn provides good oversight and adequate internal business control. The structure also allows for a slim corporate centre whose primary task is follow-up and coordination of the sites.

Kitron's cost base for operations consists of material cost, employee cost and plant and machinery cost. The material cost is to a large degree priced in international currencies, with prices set or derived from global raw material and component markets.

Employee and plant costs are incurred in respective local currencies, namely NOK, SEK and LTL. Machinery investments are predominantly internation-

ally priced. Kitron's revenues are mainly booked in NOK and SEK, but also in USD and EUR, with currency and raw material clauses included when appropriate. The company considers the mix as reasonably balanced, and that an effective long-term hedging strategy for the net profit would be extremely complex and costly to operate. Appreciation of Kitron's local currencies will be an advantage for competitors with their cost base in foreign currencies. The currency effect may be amplified or moderated by differences in inflation.

To balance the financial risk and shareholders' interests, the equity ratio should be in the range between 25 per cent and 40 per cent. Kitron's equity ratio was 38.4 per cent at the end of 2008. Kitron's debt is predominantly short-term. This is a result of corporate history and inadequate profitability over several years. The company will seek to reduce this risk by obtaining long-term debt to replace short-term and expand the company's funding base.

Kitron does not employ any off-balance sheet financial instruments for hedging or leverage, or for funding. The company has entered into conventional financial leasing agreements, which are reported in the financial statements.

The health, safety, and environmental risks are limited and well managed, and Kitron's ISO quality systems are certified by certification agencies and also inspected and approved by several of the group's customers.

Kitron's customers are professional product-owning companies, which purchase the manufacturing service – less than the full product as such – from Kitron. Thus, the group's product liability risk is negligible.

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the board members reflects responsibility, expertise, time spent and the character of Kitron's business. The remuneration is not linked to the company's performance or share price.

Board members may perform special assignments for the company in addition to their directorship. Such assignments, if any, are reported to the full board and disclosed in the annual report. Information about each director's remuneration, including shares and subscription rights, is provided in the notes to the annual financial statements.

REMUNERATION OF SENIOR EXECUTIVES

The board has resolved guidelines to the CEO for remuneration to senior executives. The salary and other remuneration of the CEO shall be decided by a convened meeting of the board.

At present Kitron does not have any outstanding share option schemes or other arrangements to award shares to employees. However, a bonus scheme related to the share price development was introduced in 2007. The bonus scheme is explained in the notes to the annual financial statements. Any future share option schemes or other forms of remuneration linked to shares or the official quotation of the shares in Kitron shall be approved in advance by the general meeting.

Kitron reports all forms of remuneration received by the chief executive and each of the other members of the executive management. For one or more executives, the remuneration may include performance-related cash bonus and cash bonus related to share price development. Details about remuneration of the executive management are provided in the notes to the annual financial statements.

INFORMATION AND COMMUNICATION

Kitron wants to maintain good communication with its shareholders and other stakeholders. The information practice is based on openness and will help to ensure that Kitron's shareholders and other stakeholders are able to make a realistic assessment of the company and its prospects. Guidelines have been established to ensure a flow of relevant

and reliable financial and other information. The group endeavours to ensure that all shareholders have equal access to the same information.

All information distributed to the shareholders is published on Kitron's website (www.kitron.com) at the same time as it is sent to the shareholders. Furthermore, all announcements to the market are posted on Kitron's website following publication in Oslo Børs' company disclosure system (www.newsweb.no, ticker: KIT). Public, webcasted presentations are held quarterly in connection with the interim reporting. Kitron presents a financial calendar every year with dates for important events. Kitron's guidelines for reporting of financial and other information as well as guidelines for the company's contact with shareholders, other than through the general meeting, are presented in the shareholder information section in the annual report.

Kitron has established contingency plans for information management in the case of issues or situations that could impact the company's reputation.

TAKEOVERS

There are no authorisations or other measures in place with the intention to prevent possible takeovers. In the event of a takeover bid, the fundamental principle for the board of Kitron will be equal treatment of all shareholders. If such a situation should arise, the board will comply with the recommendations on takeovers in the Code.

AUDITOR

PricewaterhouseCoopers AS (PwC) has been the company's auditor since 2005. PwC has issued a written confirmation that PwC continues to satisfy the requirements for independence. As part of the 2008 audit, PwC submitted the

main features of the plan for the audit to the board. In addition, the auditor participated in the meeting of the board that dealt with the annual financial statements.

If required by the board or by the auditor, the board and the auditor will hold meetings where neither the CEO nor any other members of the executive management are present. No such meetings were held during 2008.

The board of Kitron has established guidelines in respect of the use of the auditor by the company's executive management for services other than mandatory audit. PwC has provided the board with a summary of all services that have been undertaken for Kitron for the accounting year 2008. The fees paid for audit work and fees paid for other specific assignments are specified in the notes to the financial statements.

ARTICLES OF ASSOCIATION

(latest update 13 December 2007)

§ 1

The company's name is Kitron ASA. The company is a public limited company.

§ 2

The company's registered office shall be located in the municipality of Asker.

§ 3

Kitron's business is manufacturing and development activities related to electronics. The business includes purchase and sale of shares and companies in the same or related business sectors. The business may also include related consultancy activities and other activities associated with the operation.

§ 4

The share capital of the company is NOK 172 961 625.- divided into 172 961 625 shares with face value NOK 1.- each. The company's shares shall be registered at the Norwegian Central Securities Depository.

§ 5

The company's board of directors shall have from 7 to 11 members as resolved by the general meeting. The board elects its own chairman. Two board members can jointly sign for the company. The board can grant power of attorney.

§ 6

The ordinary general meeting is held each year before the end of the month of June. The call is distributed by letter with 14 days' notice. The ordinary general meeting shall:

1. Consider and approve the annual report, the profit and loss statement and the balance sheet for the preceding year
2. Consider and approve the application of profit or coverage of deficit according to the adopted balance sheet, as well as payment of dividend
3. Consider and resolve other matters that pertain to the general meeting according to Norwegian law

The company may hold its general meeting in the municipality of Oslo.

§ 7

Kitron shall have a nomination committee. The nomination committee shall have three members, including its chairman. Members of the nomination committee shall be elected for a term of office of two years.

The annual general meeting of Kitron shall elect the chairman and the members of the nomination committee. The mandate of the nomination committee shall be determined by the annual general meeting. The annual general meeting shall also determine the committee's remuneration.

The nomination committee shall submit proposals to the annual general meeting in respect of the following matters:

- Propose candidates for election to the board of directors
- Propose the fees to be paid to the members of the board of directors

§ 8

Any issue that has not been resolved in these Articles of Association shall be considered in accordance with the regulations in the existing laws applicable to limited companies.

(Office translation)

SHAREHOLDER INFORMATION

SHARE CAPITAL

Kitron ASA (Kitron) has one class of shares. Each share carries one vote at the company's general meeting. The shares are freely negotiable. No form of restriction on negotiability is included in the articles of association.

Kitron's registered share capital at 31 December 2008 was NOK 172 961 625, divided between 172 961 625 shares with a nominal value of NOK 1.00 each. The company had no outstanding options or subscription rights in 2008.

STOCK MARKET LISTING

The company's shares are listed on the Oslo Børs (ticker code: KIT) in the OB Match segment.

During 2008 the share price moved from NOK 3.56 to NOK 2.46, a decrease of 30.9 per cent. The Oslo Børs main index fell by 54.1 per cent in the same period. The share price has varied between NOK 2.42 and 3.65. At the end of 2008 the company's market capitalisation was NOK 425.5 million. A total of 20 million shares were traded during the year, corresponding to a turnover rate of 11.6 per cent.

SHAREHOLDER STRUCTURE

At the end of 2008, Kitron had 2 949 shareholders, compared with 3 065 shareholders at the end of 2007. At the end of the year, the foreign shareholding amounted to 56.7 per cent. The Hermis Capital private equity fund is the company's largest shareholder and held 39.99 per cent of the shares in Kitron at the balance sheet date. Kongsberg Gruppen ASA is the second largest shareholder, and held 19.3 per cent of the shares in Kitron ASA at 31 December 2008. Kongsberg Gruppen ASA is also one of the company's largest customers. A third significant shareholder is the joint venture fund Amber Trust II, holding 13.69 per cent of the shares. The 20 largest shareholders held a total of 89.3 per cent of the company's shares at the end of the year.

MANDATES

Increasing the share capital

The ordinary general meeting of 29 April 2008 authorised the board to execute one or more share capital increases by issuing a number of shares maximised to 10 per cent of Kitron's registered share capital at 29 April 2008. The total amount by which the share capital may be increased is NOK 17 296 162.50. The authority applies until the ordinary general meeting in 2009, but no longer than 30 June 2009. The authority can be used for acquisitions of and mergers with other companies or businesses or to raise funds. The authority had not been exercised at 31 December 2008.

Own shares

The ordinary general meeting on 29 April 2008 authorised the board to acquire own shares, for the purpose of ownership or charge, for a total nominal value of up to NOK 17 296 162.50, which is equal to 10 per cent of Kitron's registered share capital at 29 April 2008. Under the authorisation the board shall pay minimum NOK 1.00 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the amount does not exceed NOK 25.00 per share. The authority is valid until the ordinary general meeting in 2009 but no longer than 30 June 2009. The authority was used for three buy-backs of a total of 200 000 shares carried out at the end of September/beginning of October

for a total amount of NOK 527 240. The shares were sold again for a total amount of NOK 507 900 in December.

DIVIDEND POLICY

Kitron ASA has as a policy to pay dividend corresponding to between 30 and 50 per cent of net profit for the year, provided that the company's share capital and liquidity situation are acceptable after the dividend has been paid out.

INFORMATION AND INVESTOR RELATIONS

Kitron wishes to maintain open communications with its shareholders and other stakeholders. Stakeholders are kept informed by announcements to the Oslo Børs and press releases. Kitron's website www.kitron.com provides information on Kitron's business and financial situation. Interim financial statements are presented at meetings open to the general public and are available as webcasts at www.kitron.com.

Kitron reports all manufacturing orders exceeding NOK 20 million and development and other service orders over NOK 5 million. The group also reports smaller orders if these are of strategic importance or significant in any other way.

The corporate management is responsible for communication activities and investor relations, and also facilitates direct contact with the CEO or board members.

SHARE PRICE KITRON vs OSLO STOCK EXCHANGE – 2008



BOARD AND MANAGEMENT

BOARD

NERIJUS DAGILIS

Chairman of the board

Elected for the period 2007-2009

Born in 1974. On the Kitron board since 2005. Board member and co-founder of UAB Hermis Capital. Earlier, he used to work as an investment analyst with Hermis bank.

Master of Business Administration. At the end of 2008, UAB Hermis Capital controlled 69 164 583 shares in Kitron ASA. Mr. Dagilis is a Lithuanian citizen.

ARNE SOLBERG

Vice chairman of the board

Elected for the period 2007-2009

Born in 1953. On the Kitron board since 2000. CFO in Kongsberg Gruppen ASA. Diverse experience from administrative positions within finance and management. Bachelor of Commerce. At the end of 2008 Kongsberg Gruppen ASA controlled 33 439 153 shares in Kitron ASA. Mr. Solberg is a Norwegian citizen.

ELENA ANFIMOVA

Board member

Elected for the period 2007-2009

Born in 1975. On the Kitron board since 2007. Assistant Portfolio Manager at Firebird Management LLC, a New York-based hedge fund. Previously, a co-founder of Ukrainian Business Library LTD; a sales executive at Internet Securities Inc, Ukraine. Wharton MBA. Firebird is a partner in a

joint venture that, at the end of 2008, controlled 23.672.000 shares in Kitron ASA. Ms. Anfimova is a Ukrainian citizen.

LISBETH GUSTAFSSON

Board member

Elected for the period 2007-2009

Born in 1947. On the Kitron board since 2007. Business consultant in leadership and organisational development at Executive Action Management. Diverse experience in sales and management from various industries, including four years as country general manager at Digital Equipment AB. Board member in a number of Swedish companies. Degree from University of Stockholm, Master of Science. Ms. Gustafsson is a Swedish citizen.

LIV E. JOHANSEN

Board member, elected by and among the employees

Elected for the period 2007-2009

Born in 1953. On the Kitron board since 2000. Production worker in Kitron AS. Craft certificate in electronics manufacturing. Mrs. Johansen is a Norwegian citizen.

STÅLE KROKEN

Board member, elected by and among the employees

Elected for the period 2007-2009

Born in 1968. On the Kitron board since 2007. Key account manager at Kitron Microelectronics in

Røros. Electrical Engineer. At the end of 2008 Ståle Kroken held 214 shares in Kitron ASA. Mr. Kroken is a Norwegian citizen.

TOMAS KUCINSKAS

Board member

Elected for the period 2008-2009

Born in 1967. On the Kitron board since 2008. Chairman of Supervisory boards in Carlsberg's 3 subsidiaries in Lithuania, Latvia and Estonia. Member of Supervisory Board in Leo LT, the largest national electrical energy supply company in the Baltic region.

Diverse experience in general management from the beverage industry. Graduate of EMBA studies. Masters degree in Physics. Mr. Kucinskas is a Lithuanian citizen.

GEIR VEDØY

Board member, employee representative

Elected for the period 2007-2009

Born in 1966. On the Kitron board since 2007. Project Manager at Kitron AS in Arendal, where he has been employed since 1985 holding different leader positions within production and testing. Electrical Engineer. Mr. Geir Vedøy is a Norwegian citizen.

MANAGEMENT

JØRGEN BREDESEN

CEO

Born in 1956. In Kitron since 2006. Diverse international experience from sales/marketing and general management of telecom and high-tech companies. Studies in Business Administration. At the end of 2008 Jørgen Bredesen held 150 000 shares in Kitron ASA. Mr. Bredesen has been granted 500 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Mr. Jørgen Bredesen is a Norwegian citizen.

GARD ELIASSEN

Sourcing director

Born in 1960. In Kitron since 2006. Diverse experience in sourcing management, mainly from EMS suppliers and technology firms as GE Healthcare. Bachelor of Science, Six Sigma Green Belt. Mr. Eliassen has been granted 100 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Gard Eliassen is a Norwegian citizen.

BENGT ENBOM

HR director

Born 1961. In Kitron since 2007. Diverse experience from HR management in various industries. Bachelor of Science, Human Resources. At the end of 2008 Mr. Enbom held 10 000 shares in Kitron ASA. Bengt Enbom has been granted 75 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Mr. Enbom is a Swedish citizen.

JAN LIHOLT

Business development director

Born in 1954. In Kitron since 2000. Diverse experience from manufacturing and general manage-

ment of manufacturing companies, also development activities. Bachelor of Science, Electronics. At the end of 2008 Mr. Liholt held 107 660 shares in Kitron ASA. Mr. Liholt has been granted 100 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Mr. Liholt is a Norwegian citizen.

JOHANNES LIND

General manager Kitron Sweden

Born in 1972. In Kitron since 2007. Diverse experience from purchasing and logistics in EMS industry and medical field. University degree in Business Administration. At the end of 2008 Mr. Lind held 30 000 shares in Kitron ASA. Johannes Lind has been granted 100 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Mr. Lind is a Swedish citizen.

MINDAUGAS SESTOKAS

Managing director UAB Kitron

Born in 1971. In Kitron since 2008. Diverse experience from sales and marketing in the beverage industry and general management of an appliance manufacturing company. Master of Business Administration. Mr. Sestokas has been granted 100 000 bonus units for the period 2008-2009 connected to the value increase of the same number of shares. Mindaugas Sestokas is a Lithuanian citizen.

JAN SIGVARTSEN

Director special projects

Born in 1960. In Kitron since 2002. Diverse experience from finance and administrative management in various industries. Bachelor of Commerce, CPA. At the end of 2008 Mr. Sigvartsen held 44 050 shares in Kitron ASA through the company Karajan AS. Mr. Sigvartsen is a Norwegian citizen.

LEIF TORE SMEDÅS

Managing director Kitron Microelectronics AS

Born in 1958. In Kitron since 1981. Experience from electronics engineering, technology development and general management. Bachelor of Science, Electronics. At the end of 2008 Mr. Smedås held 52 952 shares in Kitron ASA. Mr. Smedås has been granted 120 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Leif Tore Smedås is a Norwegian citizen.

DAG SONGEDAL

Managing director Kitron AS

Born in 1965. In Kitron since 2008. Extensive experience in organisational development, operational management, strategic and operative finance, mergers and acquisitions. Mr. Songedal holds a university degree in Finance and Auditing. Mr. Songedal is a norwegian citizen.

BJÖRN WIGSTRÖM

CFO

Born in 1966. In Kitron since 2008. Diverse experience from finance and administrative management in various industries. Master of Business Administration. Mr. Wigström has been granted 150 000 bonus units for the period 2008-2009 connected to the value increase of the same number of shares. Björn Wigström is a Swedish citizen.

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