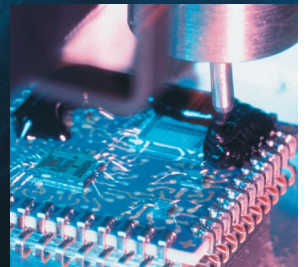
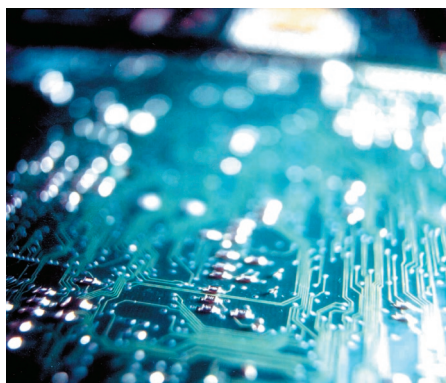


INTERIM REPORT **Q1** 2008





## Strong orders, stable revenue and profit

### Key items

Figures in brackets refer to the first quarter of 2007 unless otherwise stated.

#### ■ Strong order intake, the last two quarters suggesting a higher level

The order intake in the quarter increased by 10 per cent to NOK 509 million (NOK 461 million). The order backlog at the end of the quarter was NOK 928 million (NOK 934 million).

#### ■ Revenue growth (1.9 per cent)

NOK 495.1 million (NOK 485.7 million).

#### ■ Stable profit before tax

NOK 16.2 million (NOK 15.7 million). Profit before tax amounted to an operating margin at 3.3 per cent (3.2 per cent).

#### ■ Increased gross margin

Gross margin was 39.8 per cent (37.7 per cent) due to positive sourcing effects and product mix variations.

#### ■ Stable operating profit

EBITDA and EBIT were NOK 30.5 million (NOK 28.9 million) and NOK 21.6 million respectively (NOK 21.4 million).

#### ■ Seasonally negative cash flow from operations

Cash flow from operations in the first quarter was negative with NOK 60.9 million (negative with NOK 68.6 million).

Revenue amounted to NOK 495.1 million in the first quarter of 2008, representing 1.9 per cent increase over the same period in 2007. Profit before tax was NOK 16.2 million in the quarter, which was in line with first quarter in 2007. Orders increased by 10 per cent compared to first quarter 2007. Order backlog remains healthy.

### Revenue

Kitron's revenue in the first quarter was 1.9 per cent higher than in the same period in 2007 and amounted to NOK 495.1 million (NOK 485.7 million). The revenue was negatively influenced by the Easter holiday in March, reducing the number of manufacturing days compared to 2007. The revenue increase is largely a result of higher activity in Lithuania. Revenue increased the most within the Defence/Marine and Medical equipment segments compared to the first quarter of 2007. Revenue in the Data/Telecom segment and in the Industry segment in the first quarter was lower than the first quarter of 2007.

From 2008 Kitron reports a single 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.

Revenue in the Norwegian operation represented 59.8 per cent of Kitron's gross revenue during the first quarter (65.0 per cent). The Swedish operation represented 18.8 per cent of the group (21.4 per cent). Kitron's operation in Lithuania provided for 21.4 per cent (13.7 per cent). The operation in Lithuania continued its growth based on its competitive strength from quality and pricing. Consequently, the Lithuanian operation's share of Kitron's value creation increased.

Kitron's revenue in the first quarter of 2008 was distributed as follows:

Data/Telecom	23% (27%)
Defence/Marine	31% (26%)
Medical equipment	21% (20%)
Industry	25% (27%)

Sales to customers in the Swedish market represented a 41.6 per cent share of the total revenue during the first quarter (2007: 44.2 per cent). The Norwegian market represented 51.7 per cent of Kitron's total revenue in the first quarter, versus 49.8 per cent during the same quarter in 2007.

### Gross margin

The gross margin was to 2.1 percentage points higher than in the first quarter of 2007, and amounted to 39.8 per cent. The increase is mainly related to positive sourcing effects and changes in product mix.

### Profit

Kitron's operating profit (EBIT) in the first quarter was NOK 21.6 million which is on par with the same period in 2007 (21.4 million). Profit before tax in the first quarter of 2008 was NOK 16.2 million. In 2007, profit before tax in the first quarter was NOK 15.7 million.

The company's total payroll expenses in the first quarter of 2008 were NOK 8.2 million higher than the corresponding period in 2007. This is due to increased number of employees compared to the first quarter 2007. The payroll costs increased from 26.0 per cent of revenue in first quarter 2007 to 27.1 per cent of revenue in the first quarter this year. Other operating costs were 6.5 per cent of revenue in the first quarter of 2008 (2007: 5.8 per cent).

During the first quarter net financial items amounted to a cost of NOK 5.5 million. This was NOK 0.3 million lower than during the same period the year before. The principal reason was exchange effects during the first quarter of 2007.

- ■ The operation in Lithuania continued its growth based on its competitive strength from quality and pricing.

### Balance sheet

Kitron's gross balance as at 31 March 2008 amounted to NOK 979.6 million, against NOK 907.7 million at the same time in 2007. Equity was NOK 262.5 million (NOK 199.0 million), corresponding to an equity ratio of 26.8 per cent (21.9 per cent).

Inventory was NOK 304.0 million as at 31 March 2008 (NOK 298.9 million). Considerable resources have been applied to improve inventory management, measured by inventory turns, in 2007. The project continues in 2008.

Trade debtors and other receivables amounted to NOK 424.8 million at the end of the first quarter of 2008. The corresponding amount at the same time in 2007 was NOK 393.6 million. Payments are generally received when due, and credit losses have been insignificant.

The group's reported interest-bearing debt totalled NOK 333.4 million as at 31 March 2008. Interest-bearing debt at the end of the first quarter of 2007 was NOK 324.7 million. The increase is largely increase in factoring debt.

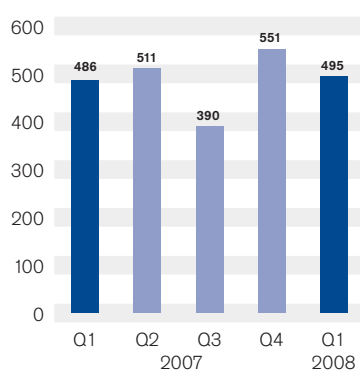
Cash flow from operational activities for the first quarter of 2008 was NOK -60.9 million (NOK -68.6 million).

Kitron's cash and bank credit as at 31 March comprised the following:

Figures in NOK million	
Cash and cash equivalents	49.5
Drawings on the overdraft facility	(77.6)
Restricted bank deposits	(19.8)
<b>Total</b>	<b>(47.9)</b>

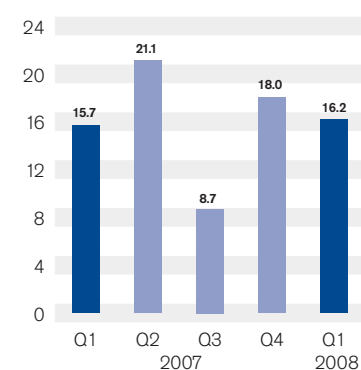
### REVENUE Group

NOK million



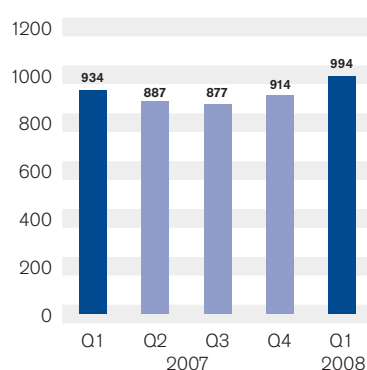
### PROFIT BEFORE TAX Group

NOK million



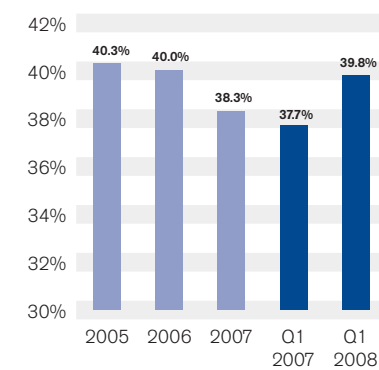
### ORDER BACKLOG Group

NOK million



### GROSS MARGIN Group

Per cent



### REVENUE BUSINESS AREAS

NOK million	Q1 2008	Q1 2007	31.12.2007
Norway	327.9	338.6	1 326.4
Sweden	103.3	111.3	433.7
Lithuania	117.0	71.4	319.3
Others and eliminations	(53.1)	(35.6)	(141.6)
<b>Total group</b>	<b>495.1</b>	<b>485.7</b>	<b>1 937.8</b>

### OPERATING PROFIT/(LOSS) BUSINESS AREAS

NOK million	Q1 2008	Q1 2007	31.12.2007
Norway	9.8	17.1	66.6
Sweden	1.3	(0.2)	0.6
Lithuania	12.1	7.0	21.3
Others and eliminations	(1.6)	(2.5)	(4.1)
<b>Total group</b>	<b>21.6</b>	<b>21.4</b>	<b>84.4</b>

### ORDER BACKLOG BUSINESS AREAS

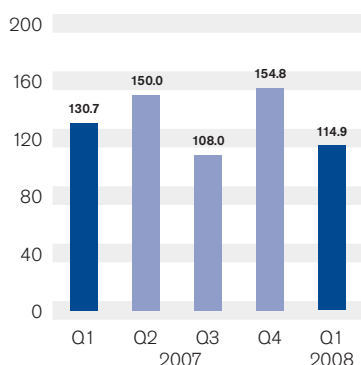
NOK million	Data/ Telecom	Defence/ Marine	Medical equipment	Industry	Total
Norway	143.1	288.8	127.7	135.4	694.9
Sweden	31.1	50.4	83.6	28.5	193.6
Lithuania	14.2	36.1	37.7	20.6	105.8
<b>Total group</b>	<b>188.5</b>	<b>375.3</b>	<b>245.9</b>	<b>184.6</b>	<b>994.3</b>

### REVENUE GEOGRAPHIC DISTRIBUTION CUSTOMERS

NOK million	Q1 2008	Q1 2007	31.12.2007
Norway	256.1	241.7	944.7
Sweden	206.0	214.9	824.3
Rest of Europe	16.6	17.4	89.4
USA	7.7	3.9	20.6
Others	8.7	7.8	58.8
<b>Total group</b>	<b>495.1</b>	<b>485.7</b>	<b>1 937.8</b>

**REVENUE Data/Telecom**

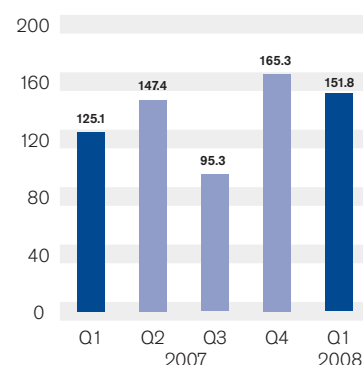
NOK million



Order intake grew by ten per cent from first quarter 2007, and order backlog amounted to NOK 994 million.

**REVENUE Defence/Marine**

NOK million

**REVENUE BREAKDOWN DATA/TELECOM**

	Q1 2008		Q1 2007	
	NOK mill.	Share	NOK mill.	Share
Norway	79.8	69%	96.0	73%
Sweden	21.0	18%	25.5	20%
Lithuania	37.5	33%	13.2	10%
Other and eliminations	(23.4)	(20%)	(4.0)	(3%)
<b>Total</b>	<b>114.9</b>	<b>100%</b>	<b>130.7</b>	<b>100%</b>

**REVENUE BREAKDOWN DEFENCE/MARINE**

	Q1 2008		Q1 2007	
	NOK mill.	Share	NOK mill.	Share
Norway	118.7	78%	101.7	81%
Sweden	15.8	10%	14.1	11%
Lithuania	18.2	12%	14.7	12%
Other and eliminations	(0.9)	(1%)	(5.4)	(4%)
<b>Total</b>	<b>151.8</b>	<b>100%</b>	<b>125.1</b>	<b>100%</b>

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 84.2 million at the end of the first quarter, versus NOK 47.3 million at the same time in 2007.

**Shareholders**

As at 31 March 2008 Kitron had 3 034 shareholders with a total of 172 961 625 shares (NOK 1.- nominal value per share). Ten largest registered shareholders as at 31 March 2008:

UAB DnB NORD Bankas (UAB Hermis Capital 29,97%)	29.97%
Kongsberg Gruppen ASA	19.33%
ING Luxembourg SA	13.77%
SEB Vilniaus Bankas (UAB Hermis Capital 10,02%)	10.72%
MP Pensjon	6.02%
AS Hansabank Clients	1.76%
Swedbank S/A MP Investment BA	1.45%
SES AS	1.10%
AS Bemacs	0.99%
Verdipapirfondet NOR c/o Nordea Fondene AS	0.73%

**Organisation**

The Kitron workforce increased by 74 full time equivalents (FTE) in the first quarter, and corresponded to 1 412 FTE at 31 March. This represents an increase of 115 FTEs since the first quarter of 2007.

Full time equivalents	31.03.08	31.03.07
Norway	718	690
Sweden	257	289
Lithuania	420	306
Other	17	12
<b>Total</b>	<b>1 412</b>	<b>1 297</b>

**EMS market trends**

Kitron is a medium-size high mix low volume Electronic Manufacturing Services (EMS) company. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products and provides high-level assembly (HLA) of electromechanical products for its customers. Kitron offers all parts of the value chain: from design via industrialisation, manufacturing and logistics, to repairs. The electronics content may be based on conventional printed circuit boards or ceramics. Kitron also provides related services such as cable harness manufacturing and components analysis, and resilience testing, and also source any other part of the customer's product. Customers typically serve international markets and provide equipment or systems for professional or industrial use.

Over the last few years, the microelectronics business has blended with the EMS business at large, and is no longer reported as a separate business area. The thick film technology and chip and wire bonding technology provide distinct features to customers with demanding requirements, and constitute an important element in Kitron's manufacturing process portfolio.

Kitron's growth within the EMS-market

is primarily connected to increasing activity with existing customers.

**Order intake continuing at a high level**

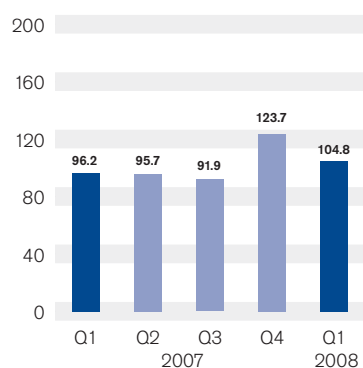
In the first quarter, Kitron's total order intake amounted to NOK 509 million, which was 10.4 per cent higher than the order intake in the first quarter in 2007. Orders amounting to NOK 66 million which were inadvertently omitted in past reports have been added to order backlog. Order intake varies between quarters. Average quarterly order intake last four quarters was NOK 502 million. Kitron's order backlog includes four months customer forecast plus all hard orders for later delivery. The order backlog has been stable at a level corresponding to about six months revenue. At the end of the quarter, the order backlog was NOK 994 million. Kitron seeks to expand manufacturing capacity to deliver according to customers' orders.

**Market segments****Data/Telecom**

The activity in the Data/Telecom market segment grew by 29 per cent from 2006 to 2007, but first quarter 2008 was slower in terms of both orders and revenue. Kitron participates in both industrialisation and production of advanced products especially within infrastructure equipment. Road pricing equipment also represents good growth opportunities in this segment. The segment is however highly competitive and price sensitive.

**REVENUE Medical equipment**

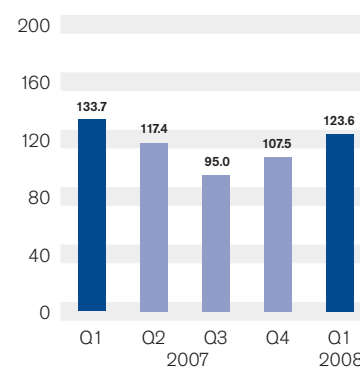
NOK million



■ ■ Kitron operates at virtually full capacity, and seeks to increase the capacity in order to serve customers' requests.

**REVENUE Industry**

NOK million

**REVENUE BREAKDOWN MEDICAL EQUIPMENT**

	Q1 2008		Q1 2007	
	NOK mill.	Share	NOK mill.	Share
Norway	51.8	49%	53.2	55%
Sweden	39.2	37%	41.0	43%
Lithuania	16.7	16%	14.1	15%
Other and eliminations	(2.9)	(3%)	(12.1)	(13%)
<b>Total</b>	<b>104.8</b>	<b>100%</b>	<b>96.2</b>	<b>100%</b>

**REVENUE BREAKDOWN INDUSTRY**

	Q1 2008		Q1 2007	
	NOK mill.	Share	NOK mill.	Share
Norway	77.6	63%	87.5	65%
Sweden	27.3	22%	30.7	23%
Lithuania	44.6	36%	29.4	22%
Other and eliminations	(25.9)	(21%)	(13.9)	(10%)
<b>Total</b>	<b>123.6</b>	<b>100%</b>	<b>133.7</b>	<b>100%</b>

**Defence/Marine**

The favourable development in this segment in 2007, especially in Kitron, seems to continue in 2008. Order intake was more than double of first quarter in 2007 and the revenue grew by 21 per cent. Both upgrading and the development of new technology contribute to growing demand in a market segment where Kitron has a strong position. The outlook for 2008 for both the defence and the marine part of this market segment is promising in Norway, but less attractive in Sweden.

**Medical equipment**

The high activity and growth in the segment is expected to last for several years. Customer and product specific circumstances caused Kitron's revenue to be slightly lower in 2007 than the year before. The order backlog has now improved and the revenue in the quarter was nine per cent higher than the corresponding quarter in 2007. In addition to expected growth with present customers in Norway and Sweden, the Swedish market provides promising new opportunities. In the first quarter, Kitron Sweden entered into a five-year contract for manufacturing of blood sample centrifuge for the international Swedish company Gambro.

**Industry**

Kitron's revenue within the Industry segment is cause for concern. Revenue in the quarter was eight per cent lower than first quarter 2007. Order intake was however more than doubled, and may indicate recovery. Price seems to be a more important fac-

tor in the Industry segment compared to the other segments, where quality and competency are more emphasised.

**Prospects**

Since 2005, the strong international economy as well as an increasing degree of outsourcing has contributed to continuing positive development within the industrial EMS-market. Kitron's machinery upgrade investments have enabled capacity increases to meet the growing order volume.

Kitron's main markets are Norway and Sweden, but most customers sell their products on the international markets. Kitron also has manufacturing operations in Lithuania. The negotiations with possible property developers for the resolved construction of a new facility in Kaunas are still ongoing, and are pending resolution of certain technical and regulatory matters. New orders under agreements in the Defence/Marine segment provides for a separate expansion by another 1 700 square meters at an assembly site near Kaunas, Lithuania. This expansion is now expected to be operational in the third quarter.

Kitron operates at virtually full capacity, and works to increase the capacity in order to improve productivity and to serve customers' requests. Kitron's short-term results are more linked to our customers' specific success than the general economy. Order intake and indications from customers support Kitron's expectation of a growth for the year in line with the strategic ambition of about 10 per cent annual growth. On the other hand, the recent unrest in the financial

markets may indicate that the market situation could become more difficult.

Strong competition within the EMS market contributes to continuous pressure on the margins. Kitron expects to grow with its customers and realise margin improvement through economy of scale, productivity improvement and materials sourcing.

Oslo, 28 April 2008

The Board of Directors of Kitron ASA

# Profit and loss statement

(Figures in NOK 1 000)	Q1 2008	Q1 2007	31.12.2007
Revenue	495 076	485 691	1 937 780
Cost of materials	297 999	302 453	1 195 561
Gross profit margin	39.8%	37.7%	38.3%
Payroll expenses	134 382	126 174	496 199
Other operational expenses	32 205	28 205	129 028
<b>Operating profit before depreciation and impairments (EBITDA)</b>	<b>30 490</b>	<b>28 860</b>	<b>116 992</b>
Depreciation and impairments	8 859	7 460	32 553
<b>Operating profit (EBIT)</b>	<b>21 631</b>	<b>21 400</b>	<b>84 439</b>
Net financial items	(5 472)	(5 708)	(20 990)
<b>Profit before tax</b>	<b>16 159</b>	<b>15 692</b>	<b>63 449</b>
Tax	1 603	899	(985)
<b>Profit after tax</b>	<b>14 556</b>	<b>14 793</b>	<b>64 434</b>
Earnings per share	0.08	0.09	0.37
Diluted earnings per share	0.08	0.09	0.37

# Balance sheet

(Figures in NOK 1 000)	Q1 2008	Q1 2007	31.12.2007
<b>ASSETS</b>			
Goodwill	25 514	19 123	25 514
Tangible fixed assets	148 811	126 236	144 345
Investment in shares	37	41	37
Deferred tax assets	25 000	20 000	25 000
Other receivables	1 827	2 748	1 899
<b>Total fixed assets</b>	<b>201 189</b>	<b>168 148</b>	<b>196 795</b>
Inventory	304 007	298 910	266 257
Accounts receivable and other receivables	424 842	393 566	417 205
Cash and cash equivalents	49 542	47 116	119 866
<b>Total current assets</b>	<b>778 390</b>	<b>739 592</b>	<b>803 328</b>
<b>Total assets</b>	<b>979 579</b>	<b>907 740</b>	<b>1 000 123</b>
<b>LIABILITIES AND EQUITY</b>			
Equity	262 521	198 974	246 997
<b>Total equity</b>	<b>262 521</b>	<b>198 974</b>	<b>246 997</b>
Loans	32 345	31 373	34 246
Pension commitments	21 745	22 827	21 938
Other provisions	-	4 639	-
<b>Total long-term liabilities</b>	<b>54 090</b>	<b>58 839</b>	<b>56 184</b>
Accounts payable and other current liabilities	361 254	354 958	348 522
Loans	301 031	293 320	347 399
Other provisions	684	1 649	1 021
<b>Total current liabilities</b>	<b>662 968</b>	<b>649 927</b>	<b>696 942</b>
<b>Total liabilities and equity</b>	<b>979 579</b>	<b>907 740</b>	<b>1 000 123</b>

## Cash flow statement

(Figures in NOK 1 000)	Q1 2008	Q1 2007	31.12.2007
Net cash flow from operational activities	(60 891)	(68 636)	78 462
Net cash flow from investment activities	(13 325)	(10 173)	(57 178)
Net cash flow from financing activities	(1 830)	(5 285)	1 674
Change in cash and bank credit	(76 046)	(84 094)	22 958
Cash and bank credit opening balance	28 164	5 206	5 206
Cash and bank credit closing balance	(47 882)	(78 888)	28 164

## Changes in equity

(Figures in NOK 1 000)	Q1 2008	Q1 2007	31.12.2007
Equity opening balance	246 997	185 699	185 699
Profit for the year	14 556	14 793	64 434
Other*	968	(1 519)	(3 136)
Equity closing balance	262 521	198 974	246 997

\* Conversion differences, etc.

This interim report has been prepared in accordance with the same accounting principles that have been applied to the annual financial statements



## **Kitron ASA**

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