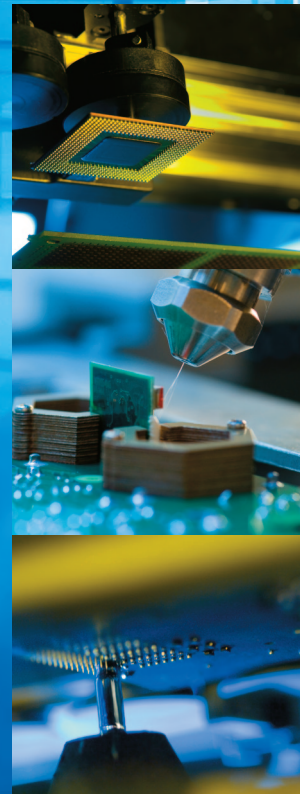
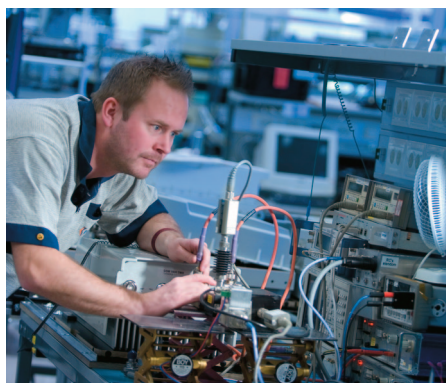




INTERIM REPORT Q3 2010





Improved revenue and operating profit

Key items third quarter 2010

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

Order development

The order intake decreased by 11.3 per cent to NOK 334.0 million (NOK 376.6 million). The order backlog at the end of the third quarter was NOK 848.2 million (NOK 778.2 million).

Revenue

Revenue increased by 4.8 per cent to NOK 351.9 million (NOK 335.7 million).

Operating profit

EBITDA and EBIT were NOK 19.3 million (NOK 16.0 million) and NOK 11.2 million (NOK 7.7 million) respectively.

Profit before tax and discontinued operations

Profit before tax and discontinued operations amounted to NOK 7.8 million (NOK 3.0 million), which reflects a margin of 2.2 per cent (0.9 per cent).

Cash flow

Cash flow from operations in the third quarter was negative by NOK -39.8 million (NOK 11.0 million) due to working capital changes.

Kitron's revenue amounted to NOK 351.9 million in the third quarter of 2010, a 4.8 per cent increase compared with the same period last year. EBIT were NOK 11.2 million (NOK 7.7 million), a 1.0 percentage point increase compared with same period last year. The profit before tax and discontinued operations was NOK 7.8 million (NOK 3.0 million) which reflects a margin of 2.2 per cent (0.9 per cent). Cash flow from operations was negative by NOK -39.8 million (NOK 11.0 million). The order intake was NOK 334.0 million and the order backlog was NOK 848.2 million, a decrease of 11.3 and an increase of 9.0 per cent respectively.

Recovery slowed down by component shortage

The third quarter generally showed a growth trend compared to the same period last year but the recovery is slowed down by the shortage of components. There is both a negative effect on revenue volume and margin as the manufacturing efficiency is reduced. The difficulties in the component market are expected to continue in the fourth quarter.

Loss of Data/Telecoms client

Kitron ASA's subsidiary Kitron AS in Arendal, Norway, has received notice of termination from one of its Data/Telecoms clients. The production will continue until the end of March 2011. The effect on the annual turnover is estimated to NOK 100 million. It is expected that this loss will be offset with increased demand from other clients.

Transfer of manufacturing

As a response to the unsatisfactory profitability in the Nordic operations Kitron is stepping up the initiatives to transfer manufacturing to lower cost countries (Lithuania and China). This will at the same time require operational adjustments in the Nordic manufacturing operations.

Revenue

Kitron's revenue in the third quarter was 4.8 per cent higher than in the same period in 2009, and amounted to NOK 351.9 million (NOK 335.7 million). Revenue in the market segment Data/Telecoms was down 20.4

per cent, Defence was up 29.7 per cent, Industry increased by 24.7 per cent, Medical equipment was up by 12.0 per cent and Offshore/Marine was down 38.9 per cent compared to the third quarter of 2009.

Revenue in the Norwegian operation represented 65.6 per cent of Kitron's gross revenue during the third quarter (65.6 per cent). The Swedish operation represented 18.7 per cent of the group (19.2 per cent) and Kitron's operation in Lithuania provided for 15.7 per cent (15.2 per cent).

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

Data/Telecoms	22% (25%)
Defence	25% (22%)
Industry	19% (14%)
Medical equipment	30% (22%)
Offshore/Marine	4% (17%)

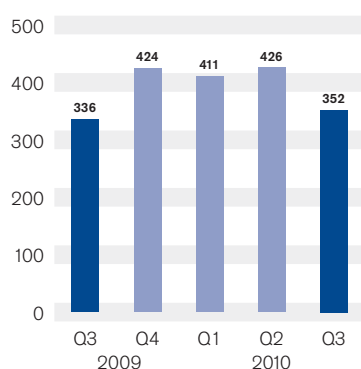
Revenue from customers in the Swedish market represented a 34.6 per cent share of the total revenue during the third quarter (34.1 per cent). The Norwegian market represented 52.9 per cent of Kitron's total revenue in the third quarter (58.1 per cent).

Gross and net margin

The gross margin in third quarter 2010 was slightly lower compared to third quarter last year, and amounted to 36.7 per cent (36.8 per cent). However, the gross margin is up from second quarter 2010 with 0.6 percentage points. Furthermore the sale and reclassification of the Norwegian development department to discontinued operations

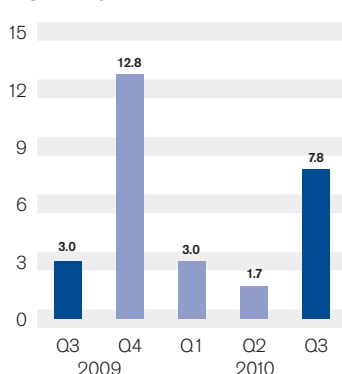
REVENUE Group

NOK million



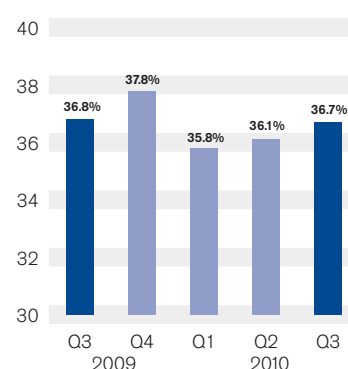
PROFIT BEFORE TAX Group

NOK million



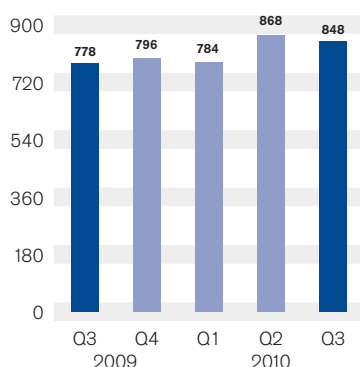
GROSS MARGIN Group

Per cent



ORDER BACKLOG Group

NOK million



reduced the gross margin (nearly 100 per cent gross margin on engineering and development sales). The net margin increased from 21.7 per cent to 21.9 per cent.

Profit

Kitron's operating profit (EBIT) in the third quarter was NOK 11.2 million, which is a 1.0 percentage point increase compared with same period last year (7.7 million). The situation in the component market has had a negative effect on the productivity and efficiency in all operations and the margin has suffered as a result. In addition the operational challenges for the Karlskoga subsidiary were also present through the third quarter, which lead to a negative EBIT of NOK 4.2 million. Further measures are implemented to improve the profitability in Karlskoga and the Swedish operation in total.

REVENUE BUSINESS AREAS

NOK million	Q3 2010	Q3 2009	30.09.2010	30.09.2009	31.12.2009
Norway	246.8	232.9	796.3	857.2	1 143.9
Sweden	70.1	68.1	276.5	256.7	362.4
Lithuania	59.1	54.2	202.5	270.0	336.1
Others and eliminations	(24.1)	(19.6)	(86.6)	(77.0)	(111.7)
Total group	351.9	335.7	1 188.7	1 306.8	1 730.7

OPERATING PROFIT/(LOSS) BUSINESS AREAS

NOK million	Q3 2010	Q3 2009	30.09.2010	30.09.2009	31.12.2009
Norway	9.9	5.2	31.2	37.1	48.3
Sweden	(2.1)	(0.8)	(20.3)	(2.0)	(0.5)
Lithuania	2.7	0.9	14.1	16.0	20.9
Others and eliminations	0.7	2.4	(3.5)	(3.0)	(4.8)
Total group	11.2	7.7	21.5	48.1	64.0

ORDER BACKLOG BUSINESS AREAS

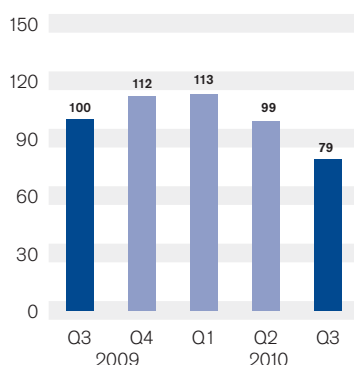
NOK million	Data/ Telecoms	Defence	Industry	Medical equipment	Offshore/ Marine	Total
Norway	59.1	178.3	86.9	182.2	79.1	585.5
Sweden	42.6	52.1	20.8	54.5	-	170.0
Lithuania	24.4	-	55.0	7.5	4.9	91.7
Germany	-	-	1.0	-	-	1.0
Total group	126.0	230.4	163.7	244.1	84.0	848.2

REVENUE GEOGRAPHIC DISTRIBUTION CUSTOMERS

NOK million	Q3 2010	Q3 2009	30.09.2010	30.09.2009	31.12.2009
Norway	186.0	195.2	662.2	810.0	1 038.3
Sweden	121.8	114.5	456.5	412.8	595.3
Rest of Europe	11.9	16.3	19.8	46.9	48.2
USA	32.1	9.2	50.2	36.0	47.0
Others	-	0.5	-	1.1	1.9
Total group	351.9	335.7	1 188.7	1 306.8	1 730.7

REVENUE Data/Telecoms

NOK million



Profit before tax and discontinued operations in the third quarter of 2010 was NOK 7.8 million, which is an increase of NOK 4.7 million compared to the same period last year.

The company's total payroll expenses in the third quarter were NOK 1.1 million lower than the corresponding period in 2009. The reduction is mainly due to a decreased number of employees compared to the same quarter last year. The relative payroll costs went from 24.8 per cent of revenue in third quarter 2009 to 23.3 per cent of revenue in the third quarter this year. Other operating costs increased to 7.8 per cent of revenue in the third quarter of 2010 (7.2 per cent).

During the quarter net financial items amounted to a cost of NOK 3.4 million. This was a decrease of NOK 1.3 million compared to the same period last year. The main reason for the deviation is lower interest costs and less currency effects in third quarter 2010.

Balance sheet

Kitron's gross balance as at 30 September 2010 amounted to NOK 1,009.2 million, against NOK 942.0 million at the same time in 2009. Equity was NOK 444.7 million (NOK 445.1 million), corresponding to an equity ratio of 44.1 per cent (47.3 per cent).

Inventory was NOK 335.9 million at 30 September 2010 (NOK 291.4 million). Inventory turns was 4.2 both in third quarter 2010 and in third quarter 2009.

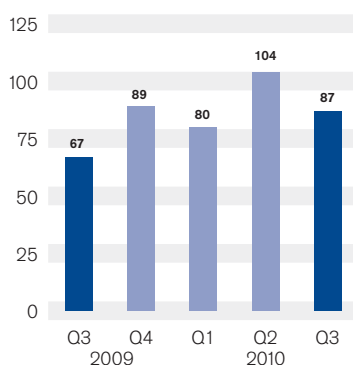
Trade debtors and other receivables amounted to NOK 347.3 million at the end of the third quarter of 2010. (NOK 308.1 million). Credit losses have been insignificant.

The group's reported interest-bearing debt amounted to NOK 248.5 million as of 30 September 2010 (NOK 201.8 million).

Cash flow from operational activities for the third quarter of 2010 was negative by NOK -39.8 million (NOK 11.0 million). This is due to working capital changes. Kitron's cash and bank credit at 30 September 2010 comprised the following:

REVENUE Defence

NOK million



NOK million

Cash and cash equivalents	40.2
Drawings on the overdraft facility	(51.6)
Restricted bank deposits	(18.5)
Total	29.9

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 90.6 million at the end of the third quarter (NOK 122.0 million). The overall credit line at 30 September 2010 was NOK 116.1 million (NOK 105.5 million).

Organisation

The Kitron workforce corresponded to 1,078 FTEs at 30 September 2010. This represents a decrease of 43 FTEs since the third quarter of 2009.

Full time equivalents	30.09.2010	30.09.2009
Norway	532	573
Sweden	188	216
Lithuania	325	325
Other	33	7
Total	1 078	1 121

Market

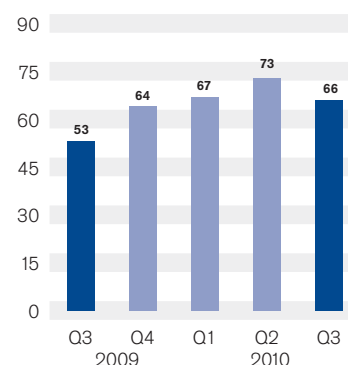
Kitron's services are most competitive within complex products. Kitron has chosen to focus its sales and marketing activities within the Data/Telecoms, Defence, Industry, Medical equipment and Offshore/Marine market segments.

Order intake in the quarter was NOK 334 million, which is 11.3 per cent lower than for the third quarter 2009. The order backlog was down by NOK 19,5 million in the quarter and ended at NOK 848 million, which is NOK 70 million (9.0 per cent) higher than the same period last year. Four quarter moving average order intake was down from NOK 437 million at the beginning of the third quarter to NOK 426 million at the end of the quarter.

Kitron's order backlog generally includes

REVENUE Industry

NOK million



four months customer forecast plus all firm orders.

The market conditions remain challenging, but there are positive signs in the market and the tender activity is relatively high. The tender activity has increased in the third quarter, especially in the German market, and several important prospects are expected to be concluded in the fourth quarter. A positive signal is that Kitron is starting to secure business with new customers also in new markets, e.g. Germany.

The energy related markets are showing a strong growth trend. Kitron has decided to focus on these markets and is pursuing several opportunities.

The strong interest in Kitron's capability within NPI (new product introduction) and testing is continuing. The close interaction between Kitron's experts and the R&D department of the customer is crucial for success. This is an important channel to new business as most clients maintain a strong R&D presence in Scandinavia even if the manufacturing is moved to lower cost countries.

Data/Telecoms

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

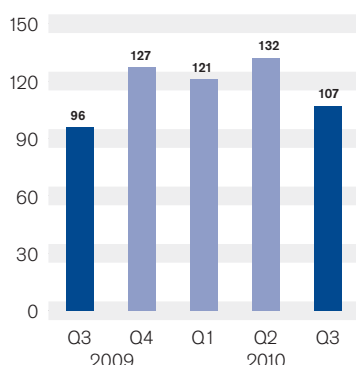
The order backlog decreased by 5.0 per cent and revenue decreased by 20.4 per cent compared to the third quarter in 2009. The lower revenue is due to the phase out of a business area for one specific customer. Adjusting for this, the trend in this segment has been positive.

The reported loss of a major Data/Telecoms client will have a negative effect on the development for this segment. The client will be phased out from end of Q1 2011 and the annual impact is estimated to NOK 100 million.

This said the general outlook for Data/Telecoms products is promising. The

REVENUE Medical equipment

NOK million



demand within the electrical metering business is strong. Kitron has during the last year secured contracts with several metering companies and the revenue volume is expected to be more than NOK 50 million in 2010 and with a strong growth in 2011 and beyond.

Defence

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

The order backlog decreased by 26.3 per cent and the revenue increased by 30 per cent compared to the third quarter in 2009. The decrease in order backlog is mainly due to a split of the segment from Defence/Marine to Defence and Offshore/Marine from 1 January 2010. In total the two segments increased by 0.6 per cent for Q3 last year to Q3 this year. The revenue growth is driven by a strong demand from the Kongsberg Group.

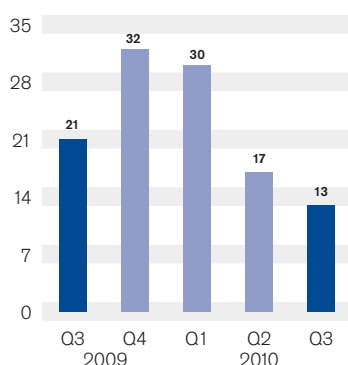
The longer term outlook for the Defence segment remains positive. Kitron is currently involved in defence programs with among others the Kongsberg Group and Lockheed Martin that could yield more than 1 billion NOK in revenue in the years to come. Under the Manufacturing License Agreement between Kitron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

Industry

Within the Industry segment Kitron operates and delivers a complete range of services within industrial applications like automation, energy, environmental, material

REVENUE Offshore/Marine

NOK million



warehousing and security. The Industry segment consists of three main product divisions: control systems, electronic control units (ECU) and automat.

The order backlog increased by 59 per cent while revenue increased by 25 per cent compared to the third quarter in 2009. The growth is explained by the recovery in the Swedish industrial sector.

The market situation within the Industry segment has improved and the signs of a recovery are clear. The order intake is gradually picking up again and we see an increasing number of RFI/RFQs in the market.

Medical equipment

The Medical equipment segment consists of three main product groups: ultrasound and cardiology systems, respiratory – medical devices and Lab/IVD (In-Vitro Diagnostics).

The order backlog increased by 6.2 per cent and revenue increased by 12.0 per cent compared to the third quarter in 2009. The trend in Medical is driven by ramp up of production for existing clients.

The Medical equipment segment is less cyclical than other market segments. Kitron focuses on additional growth in this segment and expects a long-term positive development with customers in Norway, Sweden and Germany. This trend is supported by strong market fundamentals for the products and services Kitron offers to the market. Kitron is working on several interesting new prospects within this segment.

Offshore/Marine

Kitron divides the Offshore/Marine segment into three main areas; sub sea production systems, oil and gas exploration equipment and navigation, positioning, automation and control systems for the marine sector.

The revenue decreased by 39 per cent compared to the third quarter in 2009. The drop is related to lower volume with one specific customer.

The trend in the Offshore/Marine segment is closely correlated with the development of the oil price. In the last year there has been a sharp drop in demand from the offshore segment but lately the development has stabilised on a lower level. Kitron expects a stable trend within this segment for the fourth quarter of 2010. It is expected that the Offshore/Marine segment will recover in 2011.

Outlook

Kitron's markets are mainly Norway and Sweden, but most customers of Kitron sell their products on international markets. As the recovery in the global economy continues Kitron expects to see an increased demand from its customers. The shortage in the component market will contribute to a strong demand pressure going forward. The backlog position at the end of the third quarter indicates that the fourth quarter will show a growth compared to the same period in 2009.

Kitron is working on several operational improvement programs that should yield a positive contribution in the fourth quarter of 2010. The focus on manufacturing efficiency is continuing and global sourcing initiatives remain a priority area. The strong focus on balance sheet management and cash flow will continue in the fourth quarter of 2010.

Investments that improve Kitron's competitiveness are being prioritised. Training of employees and competency enhancing initiatives are still given high attention.

Given the positive market outlook and the operational improvement initiatives being undertaken it is expected that the profitability will improve in the fourth quarter.

Board of directors, Kitron ASA
Asker, 9 November 2010

Condensed profit and loss statement

NOK 1 000	Q3 2010	Q3 2009	30.09.2010	30.09.2009	31.12.2009
Revenue	351 917	335 737	1 188 705	1 306 835	1 730 690
Cost of materials	222 879	212 250	758 993	813 979	1 077 374
Payroll expenses	82 091	83 149	299 988	333 176	445 754
Other operational expenses	27 621	24 324	84 591	85 620	110 569
Operating profit before depreciation and impairments (EBITDA)	19 326	16 014	45 133	74 060	96 993
Depreciation and impairments	8 164	8 324	23 623	25 914	33 031
Operating profit (EBIT)	11 162	7 690	21 510	48 146	63 962
Net financial items	(3 364)	(4 685)	(8 997)	(17 499)	(20 547)
Profit before tax	7 798	3 005	12 513	30 647	43 415
Tax	2 728	(289)	694	4 601	1 543
Net profit (loss) from continuing operations	5 070	3 294	11 819	26 046	41 872
Profit (loss) from discontinued operations	136	(3 955)	(9 375)	(30 810)	(33 705)
Profit (loss) for the period	5 206	(661)	2 444	(4 764)	8 167
Earnings per share (basic and diluted)	0.03	(0.00)	0.01	(0.03)	0.05

Condensed balance sheet

NOK 1 000	30.09.2010	30.09.2009	31.12.2009
ASSETS			
Goodwill	26 786	24 362	24 332
Other intangible assets	29 327	128	14 845
Tangible fixed assets	129 784	141 559	131 411
Available for sale financial assets	1	9	9
Deferred tax assets	96 633	100 183	98 981
Other receivables	3 229	3 891	4 884
Total fixed assets	285 760	270 132	274 462
Inventory	335 928	291 347	256 287
Accounts receivable and other receivables	347 264	308 049	337 859
Cash and cash equivalents	40 213	64 450	105 238
Total current assets	723 405	663 846	699 384
Assets of disposal group classified as held for sale	-	8 051	8 316
Total assets	1 009 165	942 029	982 162
LIABILITIES AND EQUITY			
Equity	444 715	445 084	450 406
Total equity	444 715	445 084	450 406
Loans	18 086	18 169	12 802
Pension commitments	11 199	21 569	21 326
Total long-term liabilities	29 285	39 738	34 128
Accounts payable and other current liabilities	304 702	269 828	271 633
Loans	230 462	183 610	220 159
Total current liabilities	535 164	453 438	491 792
Liabilities of disposal group classified as held for sale	-	3 769	5 836
Total liabilities and equity	1 009 165	942 029	982 162

Condensed cash flow statement

NOK 1 000	Q3 2010	Q3 2009	30.09.2010	30.09.2009	31.12.2009
Net cash flow from operational activities	(39 764)	10 983	(85 153)	31 518	93 779
Net cash flow from investment activities	(13 509)	(4 413)	(35 692)	(12 302)	(24 041)
Net cash flow from financing activities	8 844	110	4 163	(14 518)	(14 792)
Change in cash and bank credit	(44 428)	6 680	(116 681)	4 698	54 946
Cash and bank credit opening balance	14 502	29 826	86 755	31 808	31 808
Cash and bank credit closing balance	(29 926)	36 506	(29 926)	36 506	86 754

Statement of comprehensive income

NOK 1 000	Q3 2010	Q3 2009	30.09.2010	30.09.2009	31.12.2009
Net profit	5 206	(661)	2 444	(4 764)	8 167
Currency translation differences and other changes	744	(7 830)	(8 135)	(30 550)	(38 160)
Total comprehensive income for the period	5 951	(8 491)	(5 690)	(35 314)	(29 993)
Profit attributable to shareholders	5 951	(8 491)	(5 690)	(35 314)	(29 993)

Changes in equity

NOK 1 000	30.09.2010	30.09.2009	31.12.2009
Equity opening balance	450 406	480 398	480 398
Comprehensive income for the period	(5 690)	(35 314)	(29 993)
Equity closing balance	444 715	445 084	450 406

Notes to the financial statements (unaudited)

Note 1 – General information and principles

The condensed consolidated financial statements for the third quarter of 2010 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Kitron has applied the same accounting policies as in the consolidated financial statements for 2009.

The interim financial statements do not include all the information required for a full financial report and should therefore be read in conjunction with the consolidated financial statements for 2009, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU. The consolidated financial statements for 2009 are available upon request from the company and at www.kitron.com

Note 2 – Estimates

The preparation of the interim financial statements requires the use of evaluations, estimates

and assumptions that affect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the same for the interim financial statements as for the consolidated statements for 2009.

Note 3 – Financial risk management

Kitron's business exposes the company to financial risks. The purpose of the company's procedures for risk management is to minimise possibly negative effects caused by the company's financial arrangements. There has been no change of impact or material incidents in 2010.

Note 4 – Discontinued operations

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

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

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

Comparative figures have been restated.

Financial information and cash flow relating to discontinued operations for the period to the date of disposal is set out below.

Income statement information from discontinued operations

NOK 1 000	Q3 2010	Q3 2009	30.09.2010	30.09.2009	31.12.2009
Revenue	-	4 672	5 936	46 209	52 106
Expenses	-	(7 722)	(10 943)	(59 788)	(68 430)
Profit (loss) before income tax	-	(3 050)	(5 007)	(13 579)	(16 324)
Tax	-	-	-	-	-
Profit (loss) after income tax	-	(3 050)	(5 007)	(13 579)	(16 324)
Post tax loss on disposal of discontinued operations	136	(905)	(4 368)	(17 231)	(17 381)
Profit (loss) from discontinued operations	136	(3 955)	(9 375)	(30 810)	(33 705)

Cash flow statement information from discontinued operations

NOK 1 000	30.09.2010	30.09.2009	31.12.2009
Net cash flow from operating activities	(409)	(20)	(390)
Net cash flow from investment activities	-	(38)	(124)
Net cash flow from financing activities	-	-	-
Change in cash and bank credit	(409)	(58)	(514)
Cash and bank credit opening balance	409	923	923
Cash and bank credit closing balance	-	865	409



Kitron ASA

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Norway

Your ambition. Our passion.

Kitron is a medium-size Electronic Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden and Lithuania, and has about 1 100 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

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

Kitron also provides various related services such as cable harness manufacturing and components analysis, and resilience testing, and also source any other part of the customer's product. Customers typically serve international markets and provide equipment or systems for professional or industrial use.