Kitron

ANNUAL REPORT 2006

HIGHLIGHTS IN 2006

CONTENTS

GOOD RESULTS

Kitron posted its best operating result since the group was founded in 2000. After falling for several years sales increased in 2006 and closed the year seven per cent up on 2005. The group is making progress in a period of positive development for the industry as a whole. This is expected to provide Kitron with a high degree of stability in the future.

ROBUST INCOMING ORDERS

Incoming orders rose by 18 per cent in 2006 and helped to achieve a year-end order backlog figure that was 23 per cent higher than at the end of the previous year, which was also Kitron's highest order backlog figure for six years.

SIMPLIFIED STRUCTURE

All manufacturing for Kitron's Norwegian EMS business is performed at one site – at Hisøy in Arendal. The structural changes implemented have enabled the company to utilise resources more efficiently and thus establish a lower cost base. Kitron is continually considering ways to make further operational improvements.

PRODUCTION LINE FOR PROTOTYPES

The company has established its own prototype production line at the Arendal site in order to provide the group with a better position from which to meet the market's increased demand for prototype production.

NEW ENVIRONMENTAL STANDARD INTRODUCED

The EU requirements relating to the reduction of hazardous waste came into effect in July. Kitron has made a series of adjustments to its manufacturing processes in order to satisfy the new environmental requirements relating to the manufacture of electronic products.

NEW PRESIDENT AND CEO

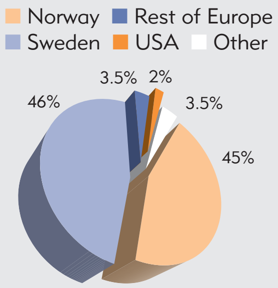
Jørgen Bredesen took over as President and CEO of Kitron in May. He has more than 20 years' international experience within telecommunications and IT, and a wide range of management experience gained in the fields of sales, marketing, development and production.

FINANCIAL CALENDAR 2007

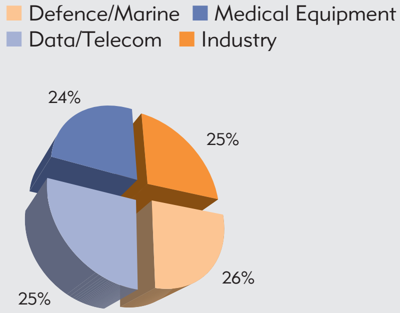
8 May	Q1 2007 interim report
8 May	2007 Annual general meeting
16 August	Q2 2007 interim report
26 October	Q3 2007 interim report
7 February 2008	Q4 2007 interim report and provisional annual result for 2007

KEY FIGURES

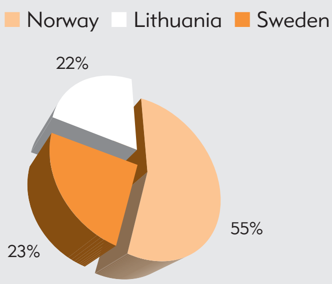
REVENUE
BY GEOGRAPHICAL AREA



REVENUE
BY MARKET SEGMENT

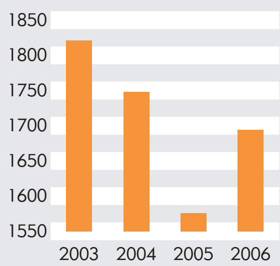


FULL TIME EQUIVALENTS
BY GEOGRAPHICAL AREA

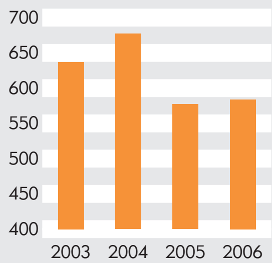


(Amounts in NOK million)	**2006**	2005	2004
ORDERS AND RESULTS			
Order intake	**1 872**	1 593	1 722
Order backlog at 31 December	**959**	781	764
Operating revenues	**1 693.6**	1 576.3	1 748.0
Gross margin	**40.0%**	40.0%	39.2%
EBITDA	**93.8**	4.3	(15.0)
Profit before tax	**45.4**	(58.2)	(71.8)
Dividend per share (NOK)	**0.24**	(0.39)	(0.57)
BALANCE			
Equity at 31 Desember	**185.7**	144.5	128.1
Equity ratio at 31 December	**19.4%**	22.1%	21.0%
Interest-bearing debt at 31 December	**324.3**	52.6	33.5
Aggregated capital at 31 December	**957.5**	652.5	610.8
SHARE			
Share price at 31 December (NOK)	**4.95**	2.92	2.79
Average number of shares	**172 961 625**	151 599 225	131 645 503
Number of shares at 31 December	**172 961 625**	172 961 625	134 634 325
EMPLOYEES			
Number of employees at 31 December	**1 300**	1 282	1 333
Number of full time equivalents at 31 December	**1 279**	1 200	1 250
Sickness absence	**5.1%**	5.9%	6.2%

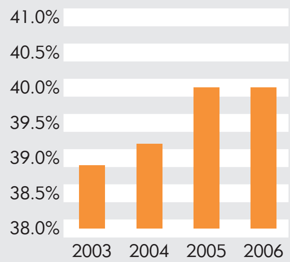
REVENUE
NOK million



OPERATING EXPENCES
NOK million



GROSS MARGIN



KITRON IN BRIEF

ABILITY TO DELIVER AND ACCURACY OF DELIVERY

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 that contain electronic components. The company's ability to deliver and delivery quality, together with competitive prices, all contribute to customer success.

Confidence in quality and the ability to deliver are important reasons why customers choose Kitron. Expertise and quality permeate services in the whole process from industrialisation and manufacture to assembly and final testing of finished products ready to be transported directly to the end customer. Our company is also characterised by many years of experience and high levels of flexibility.

A total staff of 1 300 are employed in Kitron's development and manufacturing business at six plants in Norway, Sweden and Lithuania. Close collaboration between the units in Kitron provides the company with a competitive advantage. The group has two business areas – Electronics Manufacturing Services, (EMS) and Microelectronics, and the company focuses primarily on the Defence/Marine, Industry, Data/Telecom and Medical equipment market segments.

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 useful life in the market. 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 expertise levels. The group is also constantly striving to optimise the sourcing function, product mix and logistics in order to reduce its cost base.

Kitron is listed on the Oslo Stock Exchange.

EMPLOYEES – GEOGRAPHIC DISTRIBUTION

	Norway	Sweden	Lithuania	Total
Employees at 31 December 2005	791	287	204	1 282
Changes	(86)	15	89	18
Employees at 31 December 2006	705	302	293	1 300

VISION AND BUSINESS CONCEPT

VISION
Kitron will be the leading provider of contract electronics manufacturing in Scandinavia and the natural choice for demanding customers.

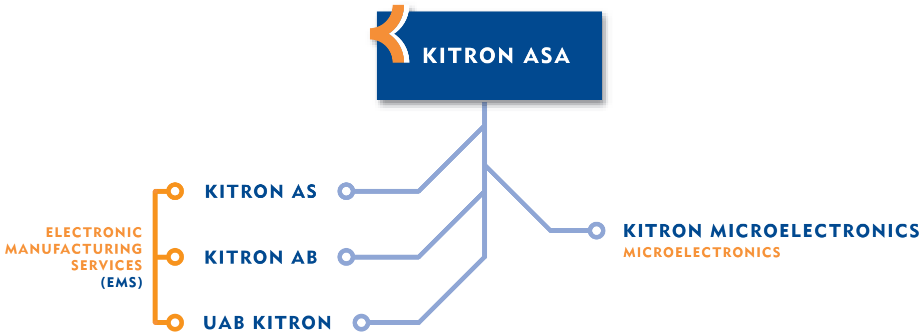
BUSINESS CONCEPT
Kitron will strengthen the competitiveness of its customers by offering services for products containing electronics across the whole value chain.

KITRON'S HISTORY

Kitron has its origin from the companies Stratonic and a department of Electric Bureau, both of which were established in the 1960's in Arendal.

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

Kitron was listed on the stock exchange in Oslo in 1997. In order to strengthen its market position and competence, Kitron has carried out several mergers and acquisitions, i.e. Sonec ASA and Kitron ASA merged 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 bought UAB Kitron in Lithuania in 2001.



BUSINESS AREAS

Kitron is organised as a group with a number of common functions and two business areas. 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. The company also focuses on quality assurance of supplier delivery performance, along with logistics solutions and quality.

The group also has a development unit that supplies services within the areas of industrialisation, component technology and durability testing. The services are integrated into the production units, primarily within the EMS business, but also increasingly within Microelectronics.

ELECTRONIC MANUFACTURING SERVICES (EMS)

Kitron's services for contract electronics manufacturing account for around 85 per cent of the group's sales. The subsidiaries Kitron AB, Kitron AS and UAB Kitron are included in this business area.

The services embrace more than production. Geographical proximity plays a crucial role in the customer's choice of supplier for most of these processes. Kitron has an advantage here in its geographical markets.

A growing proportion of customers are transferring responsibility for an increasing part of the value chain to Kitron. Integrated sourcing, high-level assembly (HLA) and final testing of finished products are among the roles performed by the group. For the customer this means increased flexibility, reduced costs and increased assurance of efficiency, price-competitiveness and accuracy of delivery.

MICROELECTRONICS

The Microelectronics business area, represented by Kitron Microelectronics AS and Kitron Microelectronics AB, accounts for 15 per cent of the Kitron group's sales.

Kitron Microelectronics develops and manufactures demanding and robust technology solutions within a number of application areas, ranging from lighting and vehicle on-board units to control systems for the defence forces and the car industry. The business is characterised by high demands for products' technical performance and the ability to withstand external stresses, along with production flexibility and rapid production adaptability.

Kitron Microelectronics offers development, industrialisation and production of electronic modules based on thick-film and high frequency microwave technologies. Microelectronics differs from conventional electronics in the connection techniques employed. The business represents an important focus area for Kitron. Microelectronics generates higher profitability levels than EMS production.

Kitron's experience, expertise and well established customer relations also provide the company with a competitive edge in this business area. Most of the growth in this market is taking place in the Data/Telecom and Industry segments.

MARKET SEGMENTS

DEFENCE/MARINE

Defence/Marine was Kitron's largest market segment in both 2006 and 2005. At NOK 431 million the segment contributed 25 per cent of total group sales. In 2005 sales for the segment amounted to NOK 450 million, which corresponds to 29 per cent of total group sales.

Kitron is a leading contract manufacturer for the defence industry and has a limited number of competitors in Scandinavia. Kitron has long-standing and strong relations with its customers in this segment.

Activity levels in the defence sector in 2006 were lower than in the previous year. Business in the marine sector increased during the year on the back of high activity levels within shipping and offshore oil business. The maritime sector represents a growth area for Kitron, particularly within monitoring and control systems for ships, and services to the offshore industry.

DATA/TELECOM

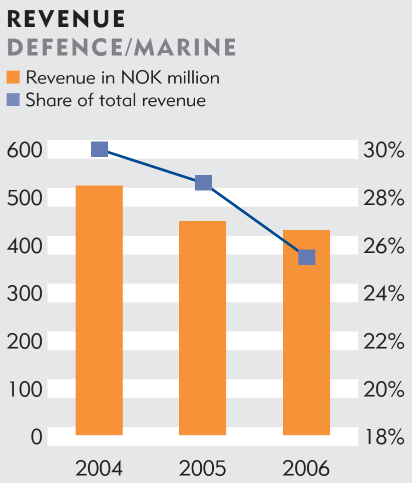
At NOK 421 million sales in the Data/Telecom segment contributed 25 per cent of total group sales in 2006. In 2005 sales totalled NOK 422 million, which represents 27 per cent of group sales. The loss of two major customers in 2006, who relocated their production facilities to Asia, was to a large extent offset by growth with other and new customers. The segment is experiencing rapid growth.

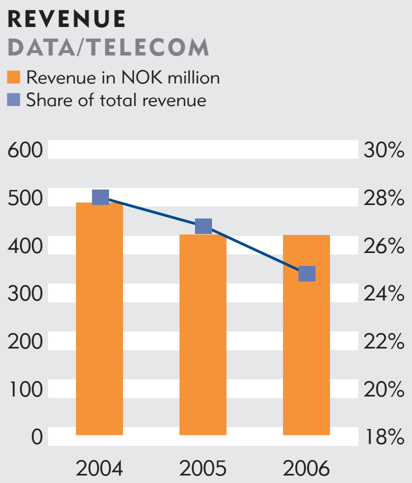
Customers value geographical proximity to suppliers, in particular with regard to industrialisation processes and development work. Kitron is well positioned in this segment.

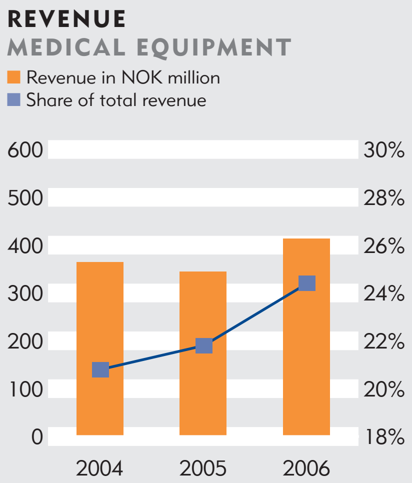
MEDICAL EQUIPMENT

Sales in the Medical Equipment segment increased by 20 per cent in 2006 to NOK 413 million and thus contributed 24 per cent of group sales. In 2005 sales in this segment totalled NOK 344 million, which corresponds to 22 per cent of Kitron's total sales. The market for medical equipment is growing, and Kitron has maintained its market share.

With a number of new contracts secured and deliveries completed during the year, Kitron has confirmed its ability to deliver high-level assembly assignments. The trend for customers to require contract manufacturers to assume full responsibility for supplying finished products is continuing. Kitron strengthened its position within HLA work in 2006.





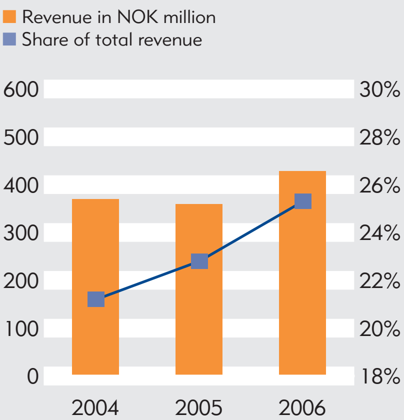


INDUSTRY

At NOK 428 million, sales in the Industry segment accounted for 25 per cent of Kitron's total sales in 2006. In 2005 sales amounted to NOK 359 million, which corresponds to 23 per cent of group sales. The segment is characterised by stability and continuity in customer relations. Kitron actively participates in product renewals and expanding production ranges.

Increased production in Lithuania and a better product mix has opened the way for increased sales within the market segment. Kitron believes it is well positioned to increase its market share in this segment.

REVENUE
INDUSTRY



Thanks to a major commitment from all the company's employees, Kitron can now look back on 2006 with an acceptable result. Several years of losses and restructuring are now behind us. We now intend to focus the possibilities for further improvements.

A WORD FROM THE CEO:

EXCITING POSSIBILITIES

After nearly a year as Kitron's President and CEO, I am encouraged by all the expertise our employees possess, and I am continually impressed by the determination they show to implement the necessary measures.

We are growing, and all the evidence available suggests that the growth will continue within all our market segments in the coming years. This is underlined by high activity levels connected with new products among all our major customers. In Norway we are growing internationally together with our customers, and the combination with the offer from the business in Lithuania has delivered excellent results. The market in Sweden is three to four times as large as the Norwegian market. This offers major opportunities. We are therefore actively focusing on Sweden, and as I write we are recruiting a significant number of new employees within sales and marketing. Increased interest from Germany and the United Kingdom directly to our business in Lithuania confirms further opportunities for growth.

We are continuing the positive development within microelectronics, and new customers from the car industry show that Kitron's technology is competitive on the international stage.

FURTHER IMPROVEMENT

However, growth alone will not be enough to achieve our targets or our customers' requirements from us as a development partner and supplier. Profitability is arguably equally important and in this area we have implemented a series of measures that will generate results throughout 2007.

The establishment of our own sourcing organisation in China within the first six months of 2007 shows that we are taking sourcing seriously. At the end of the day, materials account for 60 percent of our total costs, and we are confident that we will be able to realize a major savings potential in this area.

An improved composition of products and customers in the factories, combined with measures that will result in higher efficiency levels, are other areas we will give a high priority.

QUALITY IN ALL AREAS

We have many skilful engineers and we see a demand for development services that can bring new products more quickly from our customers out on the market. By becoming more professional as a turnkey supplier and meeting or surpassing our customers' expectations, Kitron will more easily obtain acceptance for improved profitability.

The correct capacity in relation to demand in the market is important for Kitron, and we plan to meet this in the form of improved efficiency and better capacity utilisation in Norway and Sweden and increased capacity in Lithuania.

DEVELOPING EMPLOYEES

In other words, we see exciting growth opportunities and are making demands for improved profitability. This demands a focus on Kitron's most important asset – the employees – and we will now focus better on training and development of our people to be able to meet new and more stringent requirements from both existing and new customers.

The opportunities are many, and we are looking forward to an exciting 2007!

Jørgen Bredesen
President and CEO
Kitron ASA

«We are growing, and all the evidence available suggests that the growth will continue within all our market segments in the coming years.»

Board of director's report 2006

GROWTH AND PROFITABILITY

A number of targeted marketing and restructuring measures implemented over the course of the last few years bore fruit in 2006. Sales increased by seven per cent to NOK 1 693.6 million, while EBITDA rose by NOK 89.5 million, from NOK 4.3 million in 2005 to NOK 93.8 million in 2006.

Kitron's business concept is to offer services within development, design, industrialisation and electronics manufacturing for industrial players. The company's head office is located at Lysaker, outside Oslo, Norway. The company has operations in Norway, Sweden and Lithuania. All the units employ highly qualified staff and all production is certified in accordance with international quality standards.

The group's activities are split into two business areas:

Kitron Electronic Manufacturing Services (EMS) offers a wide spectrum of services relating to electronics 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.

Kitron Microelectronics offers development, industrialisation and production of electronic modules based on thick-film and high frequency microwave technologies. The market for this type of supply represents an important focus area for Kitron. Microelectronics differs from conventional electronics in the connection techniques employed.

MARKET SEGMENTS

Kitron's activities are characterised by complex manufacturing processes and a high level of specialised expertise. Kitron has chosen to focus on sales and marketing activities within the Defence/Marine, Data/Telecom, Medical equipment and Industry market segments. Following increases in sales shares in the Medical equipment and Industry segments in recent years, all four market segments now contribute an almost equal proportion of overall sales, which has resulted in less exposure and reduced market risk for the group as a whole.

Defence/Marine

Defence/Marine remained Kitron's largest segment in 2006. At NOK 431.1 million, segment sales for 2006 were slightly down on the corresponding prior-year figure of 450.3 million, and accounted for 25.5 per cent of group sales (28.6 per cent). Despite the reduction in activity levels in 2006 compared with previous years, business levels are expected to pick up again in 2007.

Data/Telecom

At NOK 420.8 million, sales in the Data/Telecom segment in 2006 were almost unchanged from 2005 (NOK 422.4 million), and contributed 24.8 per cent of group sales (26.8 per cent). The loss of two important customers in 2006, who relocated their production facilities to Asia, was largely offset by growth in business with other and new customers. The segment is experiencing rapid growth.

Medical equipment

Sales in the Medical equipment segment increased from NOK 344.4 million in 2005 to NOK 413.3 million in 2006, corresponding to 24.4 per cent of group sales (21.8 per cent).

Industry

Sales in the Industry segment totalled NOK 428.2 million in 2006 (NOK 359.3 million), corresponding to 25.3 per cent of group sales (22.8 per cent). Kitron believes it is well positioned to increase its market share in this segment.

IMPORTANT EVENTS IN 2006

High activity levels

All of Kitron's business areas experienced generally high levels of activity throughout 2006. This situation is expected to continue in 2007. The positive development in incoming orders and order backlog supports such an assumption.

Implementation of restructuring measures

Kitron implemented the restructuring measures that had been resolved for the Norwegian EMS business in autumn 2005 throughout the whole of 2006. Significant resources were invested in this work, in particular during the first half of 2006. Production activities in Kilsund and Hisøy were merged at Hisoey. In the first quarter of 2006 the manufacturing unit in Oslo was closed, and production was transferred to UAB Kitron in Lithuania and other factories in the group. The merger and closure affected a total of around 100 man-years.

The above measures were necessary to secure the group's future profitability, and have already delivered the planned results. At the end of the year, the units were operating on a stable and efficient basis. The board of directors expects that the units will make further improvements in the future as a result of ongoing initiatives designed to increase productivity and quality.

New President and CEO

Jan T. Jørgensen stepped down as President and CEO in the middle of May 2006. The board would like to thank Jørgensen for his contribution as President and CEO of Kitron during a period of major reorganisation.

Jørgen Bredesen assumed the office of President and CEO on 18 May 2006.

Bredesen has more than 20 years' experience within telecommunications and IT and has wide-ranging management experience in sales and marketing, development and production in international companies.

FINANCIAL STATEMENTS

The board believes that the annual financial statements provide a true and fair view of Kitron ASA's and the group's net assets, financial position and result for the year.

Result for the year

Operating revenue for 2006 amounted to NOK 1 693.6 million, compared with NOK 1 576.3 million in 2005, which represents an increase of 7.4 per cent. The increase in revenue is partly attributable to higher sales volumes with established customers in the Norwegian business and partly the result of sales to new customers, in particular in the Swedish business. 2006 was also characterised by a growing trend for both new and existing customers to demand deliveries over a larger part of the value chain.

Revenue for the EMS business in 2006 amounted to NOK 1 413.8 million, an increase of 0.3 per cent compared with 2005. Revenue was to some extent impacted by a temporary reduction in production capacity in the second quarter as a result of the reorganisation of the Norwegian business operations. Both the Norwegian and the Swedish EMS business experienced a strong increase in demand for production of prototypes in 2006, a development that offers exciting possibilities for future contracts, but also results in a slight reduction in ordinary production capacity.

Kitron Microelectronics' revenue rose by 48 per cent in 2006. The increase is attributable to a number of factors including favourable marketing conditions in 2006.

Kitron EMS accounted for 83.5 per cent of operating revenue in 2006 (89.5), while Kitron Microelectronics contributed 17.1 per cent (12.4) and other companies and intra-group transactions contributed -0.6 per cent (-1.9). At the end of 2006, the group's order backlog totalled NOK 959 million, compared with NOK 781 million at the end of 2005. Kitron's total incoming orders in 2006 amounted to NOK 1 872 million, compared with NOK 1 593 million in 2005. The strong order growth of 17.5 per cent in 2006 reflects the significant success of Kitron's marketing initiatives focusing on establishing customer loyalty with existing customers and acquiring new customers.

The gross margin for 2006 was 40.0 per cent, which equals the gross margin in 2005. Year-on-year gross margins were generally stable per 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 the subsidiary Kitron Sourcing and in the factories, as well as by implementing ongoing productivity improvements. The Microelectronics business area, which generates a higher gross margin than EMS, is contributing a growing share of Kitron's sales. However, service sales, which generate a 100 per cent gross margin, fell in 2006.

The number of man-years increased from 1 200 at the end of 2005 to 1 279 at the end of 2006. However, the group's payroll expenses decreased, falling from NOK 475.3 million in 2005 to NOK 466.0 million in 2006. Payroll expenses for 2005 include payroll-related restructuring costs. Staffing levels at UAB Kitron and Kitron Microelectronics increased during the year in line with increased activity levels, while the headcount fell in the Norwegian and Swedish EMS businesses. Higher activity levels in the second half of 2006 meant it was not necessary to reduce staffing levels in the Norwegian business to the extent notified at the time the restructuring measures were announced in autumn 2005.

The measures implemented in the Norwegian EMS business have delivered the desired results and generated cost reductions from the second half of 2006. Total costs excluding costs of goods sold and non-recurring costs, fell from NOK 615.9 million in 2005 to NOK 601.6 million in 2006. However, the reduction in costs was partly offset by higher activity levels within the group. Kitron posted an operating profit of NOK 64.4 million, compared with an operating loss of NOK 34.4 million in 2005.

Kitron performs contract-based development and industrialisation activities for its customers. Kitron bears part of the costs 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 phase. The company's own research and development work is limited and relates primarily to establishing and performing measures that increase productivity, expertise and quality. Kitron has recorded NOK 0.8 million in the profit and loss account of the Skattefunn tax deduction scheme in 2006. Two projects were completed during the year, while one project is continuing in 2007.

The group's net financial expense fell from NOK 23.9 million in 2005 to NOK 19.0 million in 2006. The improvement is attributable to lower interest-bearing debt and lower foreign exchange losses in 2006 than in 2005.

Kitron posted a profit before tax of NOK 45.4 million in 2006, compared with a loss before tax of NOK 58.2 million in 2005. The group's tax expense in 2006 was NOK 3.8 million, compared with a tax expense of NOK 0.7 million in 2005. The tax expense for 2006 relates to operations in Lithuania. The businesses in Norway and Sweden have significant tax loss carryforwards. Kitron made no adjustments to the deferred tax asset recognised in 2006.

The group recorded a profit for the year of NOK 41.7 million (loss of NOK 58.9 million). This corresponds to earnings per share figures of NOK 0.24 and NOK -0.39, respectively. Diluted earnings per share were the same as basic earnings per share.

Cash flow

The cash flow from operating activities was NOK 9.6 million in 2006 (NOK 9.4 million). The modest cash flow is primarily attributable to the increased working capital required to support higher activity levels. The difference between the cash flow from operating activities and the operating result is primarily attributable to an increase in inventories.

The net cash flow from investing activities in 2006 amounted to NOK -45.4 million (NOK -39.5 million). Investments mainly relate to renewals of machinery and equipment. Kitron normally uses finance leases for suitable investments.

The net cash flow from financing activities was NOK -11.8 million (NOK 92.0 million). Long-term debt totalling NOK 14.0 million was repaid during 2006. In 2005 Kitron made two issues that raised a net total of NOK 90.8 million in equity for the parent company. There were no issues in 2006.

BALANCE SHEET AND LIQUIDITY

Total assets at 31 December 2006 amounted to NOK 957.5 million (NOK 652.5 million), while equity totalled NOK 185.7 million (NOK 144.5 million) and the equity ratio was 19.1 per cent (22.1 per cent).

Inventories increased by NOK 40.4 million during 2006 and totalled NOK 282.9 million at the end of the year (NOK 242.5 million). The increase in inventories is attributable to higher production activities at the end of 2006 compared with twelve months previously. Accounts receivable were NOK 365.3 million at the balance sheet date (NOK 90.4 million). The market increase is primarily attributable to the fact that the group introduced a conventional factoring arrangement in 2006, under which accounts receivable are mortgaged and still recognised in the balance sheet. Under the previous arrangement accounts receivable were sold off from the balance sheet. Sales of accounts receivable totalled NOK 208.0 million at 31 December 2005. The new arrangement resulted in an increase in the group's total assets, and thus a reduction in the equity ratio. However, the change had no impact on the size of the group's equity. The new arrangement was cash flow-neutral and is expected to result in lower finance expenses.

At 31 December 2006, the group's interest-bearing debt was NOK 324.5 million (NOK 52.6 million).

Cash and cash equivalents amounted to NOK 98.3 million at the balance sheet date (NOK 113.2 million). NOK 18.9 million of this amount related to locked-in funds (NOK 28.5 million). The group's liquidity situation is satisfactory.

GOING CONCERN

There have been no events to date in 2007 that affect the result for 2006 or valuation of the company's net assets at the balance sheet date. The board confirms that the conditions required for the assumption of a going concern basis have been satisfied and that the financial statements have been prepared on the basis of this assumption.

FINANCIAL MARKET RISK

The group is exposed to financial risk in the course of its activities. The company's supervisory routines for risk management focus on unpredictable aspects of the financial markets and endeavours to minimise potential negative effects resulting from the company's financial transactions.

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 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 portion 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 extremely complicated and relatively expensive to implement effective long-term currency hedging of the company's revenue flows. Competitively, appreciation of Kitron's local currencies represents an advantage for competitors with a cost base in foreign currency. The effect of foreign exchange rates can be both amplified and diminished by different inflation rates.

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

Credit risks are hedged for the majority of the company's customers under the terms of the company's factoring agreement. The company is therefore only exposed to a credit risk in respect of customers where the credit risk is not hedged. Historically, Kitron's bad debt losses have been low.

Kitron's liabilities are primarily short-term and relate to the factoring-based financing of accounts receivable. This means that fluctuations in sales impact the company's liquidity. The group has overdraft facilities that cover expected liquidity fluctuations during the year.

Interest is charged on the group's interest-bearing liabilities at the market-based rate for NOK. Kitron has no interest rate instruments. The group holds no material interest-bearing assets.

The board regards the group's future liquidity as satisfactory. However, a very small share of the external capital is long-term. The board intends to expand the group's capital base and increase the share of long-term financing to secure growth opportunities and trading manoeuvrability in 2007.

HEALTH, SAFETY AND ENVIRONMENT

At 31 December 2006 the group employed a total of 1 300 staff (1 279 man-years). The figures include temporary employees and are not reduced for sickness absence. The board would like to thank all employees for the commitment, flexibility and quality-awareness they have shown in connection with ongoing manufacturing activities and the reorganisation measures that have been implemented. The expertise and productivity of employees represent a major asset and competitive advantage for Kitron.

There were no serious work-related accidents or injuries among employees in 2006. Sickness absence in Kitron fell from 5.9 per cent in 2005 to 5.1 per cent in 2006. To help create a better working environment and further reduce sickness absence, Kitron's Norwegian operations have entered into inclusive workplace agreements (IA) with the employees. This work will continue in the future. The board believes the company provides a good working environment and has not found it necessary to implement any special measures in this regard.

In 2006 Kitron implemented the necessary adjustments to satisfy the EU Directive on the Reduction of Hazardous Substances (RoHS) 2002/95/EC).

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

EQUAL OPPORTUNITIES

The group's basic view is that women and men should have the same opportunities for work and career development at Kitron. The company's factory-based manufacturing operations have traditionally employed a higher proportion of women. Women contributed 49.9 per cent of total man-years in Kitron in 2006, and accounted for 56.3 per cent of the group's 939 man-years that worked directly in manufacturing, and 32.2 per cent of the 340 man-years in other indirect functions.

The average pay of women working directly in manufacturing in Norwegian and Swedish companies was approximately 86 percent of the average pay for men. A high per centage of the employees in these categories are union members, whose pay is established in line with 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.

Other indirect functions include management employees, staff and other support functions. The clear majority of employees in corporate and company managements are currently male, though women are represented both in the corporate management team and in several of the local management teams.

No gender-based differences exist with regard to working hour regulations or the design of workplaces.

None of the six board members elected by the shareholders are women. One of the three employee representatives is a woman. This corresponds to a female representation of 11 per cent on the board.

CORPORATE GOVERNANCE

The Kitron board has adopted principles for corporate governance designed to safeguard the interests of the company's owners, employees and other stakeholders. These principles and associated regulations and routines are intended to create increased planning certainty and transparency, and thus reduce uncertainties connected with the business. The board endeavours to have guidelines that comply with Norwegian recommendations for corporate governance. The annual declaration of compliance is included in the annual report.

OUTLOOK

To allow Kitron to secure its share of future market growth, marketing work will increasingly be performed on a group-wide basis, and is thus expected to contribute to improved capacity utilisation. A very solid order book is also expected to contribute to positive developments in the future.

The full effect of the reorganisation measures of the Norwegian EMS operation was achieved from the second half of 2006. The reduced cost base will make a positive contribution to future profitability. In the opinion of the board, Kitron's Norwegian operations now have increased flexibility and a blend of resources and skills that is suited to the market in the future.

Kitron is implementing several minor capacity adjustments and organisational changes in Sweden in 2007. Industrialisation activities will be more closely linked with manufacturing environments in the factories and capacity in the development business is being reduced in line with demand for these services. At the same time, the Swedish sales and marketing apparatus is being reinforced. The combined effect of these measures will be a net reduction of 30 man-years during 2007. No significant additional costs will be incurred in 2007 in connection with the implementation of these changes.

The main markets will continue to be Norway and Sweden, and a continued commitment to Lithuania is important in this context in order to secure the company's competitiveness. Kitron will establish a sourcing unit in China in 2007 to reinforce the company's positioning.

Experience shows that activity levels and sales vary between quarters, and this trend is expected to continue in 2007. The board expects to make a profit for 2007 as a whole. However, the board also emphasises that assessments of future conditions always involve an element of uncertainty.

The EMS industry has shown low profitability levels for several years, and this has also been a feature of Kitron's results. The industry is now in a growth period that is expected to last several years. The above are expected to contribute to restructuring and consolidation within the sector. The group will participate in the changes that are happening in the sector as and when this is expedient for Kitron and its shareholders.

PARENT COMPANY'S LOSS FOR THE YEAR AND ALLOCATION

Kitron ASA recorded a net loss of NOK 4 480 177 in 2006. The board proposes that the loss of the year be covered by a transfer from the share premium account. No dividend is proposed for 2006. The company had no free equity at 31 December 2006.

Oslo, 22 March 2007

Carl Espen Wollebekk
Chairman

Arne Solberg
Deputy chairman

Kjell Erik Almskog
Board member

Nerijus Dagilis
Board member

Ian Hague
Board member

Titas Sereika
Board member

Preben Jensen
Employee representative

Liv Johansen
Employee representative

Leif Henriksen
Employee representative

Jørgen Bredesen
President and CEO

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Amounts in NOK 1000)	Note	**2006**	2005	2004
Revenue				
Sales revenues	6	**1 693 559**	1 576 341	1 748 047
Operating costs				
Cost of materials		**1 015 739**	945 342	1 062 104
Payroll expenses	8,9	**466 043**	475 273	528 185
Depreciation and impairments	10,11	**29 387**	38 675	38 227
Other operating expenses		**117 942**	151 410	172 802
Total operating costs		**1 629 111**	1 610 700	1 801 318
Operating profit/(loss)		**64 448**	(34 359)	(53 271)
Financial income and expenses				
Net financial items	21	**(19 009)**	(23 854)	(18 529)
Profit/(loss) before tax		**45 439**	(58 213)	(71 800)
Tax	16	**3 763**	726	2 007
Net profit/(loss)		**41 676**	(58 939)	(73 807)
Allocation				
Shareholders		**41 676**	(58 939)	(75 191)
Minority share				1 384

Earnings per share for that part of of the net profit/(loss) allocated to the company's shareholders

(NOK per share)			
Earnings per share	**0.24**	(0.39)	(0.57)
Diluted earnings per share	**0.24**	(0.39)	(0.57)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(Amounts in NOK 1000)	Note	2006	2005
ASSETS			
Fixed assets			
Goodwill	11	**19 123**	18 489
Tangible fixed assets	10	**123 523**	112 447
Investment in shares	18	**41**	190
Deferred tax assets	17	**20 000**	20 000
Other receivables	12	**2 920**	3 855
Total fixed assets		**165 607**	154 981
Current assets			
Inventory	7	**282 891**	242 542
Accounts receivable and other receivables	12	**410 768**	141 771
Cash and cash equivalents	23	**98 264**	113 229
Total current assets		**791 923**	497 542
Total assets		**957 530**	652 523

(Amounts in NOK 1000)	Note	2006	2005
LIABILITIES AND EQUITY			
EQUITY			
Equity allocated to shareholders			
Share capital and share premium reserve	28	**629 020**	629 020
Other equity unrecognised in the profit and loss		**(3 660)**	(3 204)
Retained earnings		**(439 661)**	(481 337)
Total equity		**185 699**	144 479
LIABILITIES			
Long-term liabilities			
Loans	14, 22	**31 011**	40 678
Pension commitments	9	**23 007**	21 543
Other provisions	15	**7 160**	15 104
Total long-term liabilities		**61 178**	77 325
Current liabilities			
Accounts payable and other current liabilities	13	**379 379**	350 577
Tax payable	16	**4 242**	370
Loans	14, 22	**324 399**	46 369
Other provisions	15	**2 633**	33 403
Total current liabilities		**710 653**	430 719
Total liabilities		**771 831**	508 044
Total liabilities and equity		**957 530**	652 523

Oslo, 22 March 2007

Carl Espen Wollebekk
Chairman

Arne Solberg
Deputy chairman

Kjell Erik Almskog
Board member

Nerijus Dagilis
Board member

Ian Hague
Board member

Titas Sereika
Board member

Preben Jensen
Employee representative

Liv Johansen
Employee representative

Leif Henriksen
Employee representative

Jørgen Bredesen
President and CEO

CHANGES IN CONSOLIDATED EQUITY

(Amounts in NOK 1000)	NOTE	Allocated to shareholders: Share capital and share premium reserve	Allocated to shareholders: Other equity unrecognised	Allocated to shareholders: Retained earnings	Minority interests	Total
Equity at 1 January 2005	31	533 423	(2 155)	(422 398)	12 558	**121 428**
Conversion differencies		-	(1 049)	-	-	**(1 049)**
Net loss		-	-	(58 939)	-	**(58 939)**
Equity provided through employee options		4 837	-	-	-	**4 837**
New shares issued		95 240	-	-	-	**95 240**
Issue costs		(4 480)	-	-	-	**(4 480**
Change in minority interest		-	-	-	(12 558)	**(12 558)**
Equity at 31 December 2005		629 020	(3 204)	(481 337)	-	**144 479**
Equity at 1 January 2006		629 020	(3 204)	(481 337)	-	**144 479**
Conversion differencies		-	3 863	-	-	-
Net profit		-	-	41 676	-	-
Repayment of shareholders contribution		-	(4 319)	-	-	-
Equity at 31 December 2006		629 020	(3 660)	(439 661)	-	**185 699**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1000)	Note	2006	2005
Cash flow from operational activities			
Cash flow from operations	29	**26 213**	24 580
Interest		**(14 521)**	(13 009)
Taxes		**(2 050)**	(2 204)
Net cash flow from operational activities		**9 642**	9 367
Cash flow from investment activities			
Aquisition of subsidiaries		**(4 954)**	(11 030)
Aquisition of tangible fixed assets	10	**(40 462)**	(28 465)
Net cash flow from investment activities		**(45 416)**	(39 495)
Cash flow from financing activities			
Proceeds from issuing ordinary shares		-	90 760
Proceeds from new loans		**2 185**	6 593
Reapayment of loans		**(14 012)**	(4 342)
Payment to minority interests		-	(1 030)
Net cash flow from financing activities		**(11 827)**	91 981
Change in cash and bank credit		**(47 601)**	61 853
Cash and bank credit at 1 January		**52 807**	(9 046)
Cash and bank credit at 31 December	23	**5 206**	52 807

NOTES TO THE CONSOLIDATED ACCOUNTS

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 and Lithuania. Kitron ASA has its head office at Lysaker outside Oslo in Norway and is listed on the Oslo Stock Exchange. The consolidated accounts were considered and approved by the company's board of directors on 22 March 2007.

NOTE 2 SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING PRINCIPLES

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

BASIC PRINCIPLES

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

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

Preparing the accounts 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.

Standards, interpretation and changes in existing standards which had not come into effect at 31 December 2006

Certain new standards, changes and interpretations of existing standards have been published and will be obligatory for the group in 2007 or later. Standards, changes and interpretations of existing standards which could have been relevant for the consolidated accounts in 2006 have been assessed but not adopted. These are:

- IFRS 7 Financial instruments; Disclosures, and a supplementary change in IAS 1, Presentation of Financial Statements – capital disclosures (in force 1 January 2007)
- IFRIC 8, Scope of IFRS 2 (in force for accounting periods starting 1 May 2006 or later)
- IFRIC 10 Interim Financial Reporting (in force for accounting periods starting 1 November 2006 or later)

CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated accounts 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 deconsolidated 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 accounts 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 account is translated at the average exchange rate
- Translation differences are recognised directly in equity and specified separately

TANGIBLE 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.

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.

Impairment of non-financial assets (other than goodwill)
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 impairment charge if recognised in the profit and loss account as the difference between the carrying amount and the recoverable amount. The recoverable amount is the utility value.

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.

FINANCIAL ASSETS

The group classifies financial assets in the following categories based on the reason for acquiring the asset: loans and receivables and investment in shares. The management reassess this classification of financial assets at each reporting date.

Investment in shares
Investment in shares is recognised at fair value. Since the group's investment in shares for 2005 and 2006 consists solely of holdings in small companies which are not traded in an effective market, these holdings are recognised at historical cost.

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 fixed 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 face value 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 accounts are credit-insured as part of the company's factoring arrangement. See also note 5 for description of new factoring scheme from fourth quarter 2006.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, deposits in ordinary bank accounts and undrawn overdraft facilities. 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 at their nominal amount when the loan is established. Instalments falling due within one year of the balance sheet date are classified as current liabilities. Instalments falling due more than one year after the balance sheet date are classified as long-term liabilities.

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 accounts. 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 account 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 period from the granting date to the exercise date. 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 and the date of settlement, 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.

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 Industryalisation. 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 account on a straight-line basis over the period of the lease.

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 relating to procurement, the company's standard contracts with its customers include currency clauses which allow the company to adjust its sales price when the actual exchange rate for raw material purchases 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.

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. This centralisation of the sourcing function allows Kitron to achieve improved material prices

CREDIT RISK

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 accouns receivable who are not insured. The company has routines to ensure that uninsured sales on credit are made only to creditworthy customers.

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

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). 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.

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.

IMPORTANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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. A 10 per cent reduction in future taxable income in the group would not have generated an additional impairment charge for goodwill.

NOTE 5 SIGNIFICANT EVENTS

New factoring arrangement

The company inplemented a new factoring scheme from 1 October 2006. The previous scheme involving sale of the Groups's trade debtors was replaced by a conventional factoring arrangement in which Kitron's trade debtors remain on the Group's balance sheet. This involves an increase in the Groups's balance and thus a reducton in the equity ratio. The change does not affect the size of the Group's equity.

NOTE 6 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 areas

The group's business is grouped in two main areas: electronic manufacturing services (EMS) and Kitron Microelectronics (KM). For a more detailed description of these individual business areas, see the presentation in the directors' report.

Breakdown by business area

	Electronic Manufacturing Services			Kitron Microelectronics			Other and eliminations		
(Amounts in NOK 1000)	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Revenues	**1 413 762**	1 410 048	1 597 163	**289 984**	195 464	190 896	**(10 187)**	(29 171)	(40 012)
Other operating costs	**1 346 536**	1 415 006	1 595 525	**260 623**	182 246	185 737	**(7 435)**	(25 227)	(18 171)
Depreciation and impairment	**20 932**	30 343	32 093	**5 469**	4 089	3 179	**2 986**	4 243	2 955
Operating profit/(loss)	**46 294**	(35 301)	(30 455)	**23 892**	9 129	1 981	**(5 738)**	(8 187)	(24 797)
Assets	**833 855**	569 004	622 105	**141 673**	89 693	82 480	**(17 998)**	(6 174)	(93 801)
Liabilities	**698 223**	464 337	470 321	**103 911**	74 382	66 397	**(30 303)**	(37 314)	(54 001)
Investment	**30 020**	17 783	16 987	**9 111**	12 156	2 352	**585**	745	4 151

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 1000)	2006	2005	2004
Data/Telecom	**420 778**	422 361	489 461
Defence/marine	**431 232**	450 315	524 094
Medical equipment	**413 327**	344 410	364 218
Industry	**428 222**	359 255	370 274
Total sales revenues	**1 693 559**	1 576 341	1 748 047

SECONDARY REPORTING FORMAT - GEOGRAPHICAL AREA

Geographical breakdown of sales revenues

(Amounts in NOK 1000)	2006	2005	2004
Norway	**760 270**	819 015	1 043 223
Sweden	**776 965**	624 157	553 405
Rest of Europe	**59 937**	56 702	55 502
USA	**35 125**	14 544	9 991
Other	**61 262**	61 923	85 926
Total	**1 693 559**	1 576 341	1 748 047

Geographical breakdown of assets and investments

	Norway			Sweden			Lithuania		
(Amounts in NOK 1000)	2006	2005	2004	2006	2005	2004	2006	2005	2004
Assets	**692 649**	440 910	396 484	**217 988**	156 956	151 091	**142 062**	69 330	65 486
Investments	**24 472**	27 283	12 065	**5 346**	1 650	2 915	**9 897**	1 751	8 510

NOTE 7 INVENTORY

(Amounts in NOK 1000)	2006	2005
Raw materials and purchased semi-manufactures	**188 674**	172 244
Work in progress	**80 937**	52 324
Finished goods	**13 280**	17 974
Total inventory	**282 891**	242 542

The total impairment charge recognised in the profit and loss account for the year is NOK 8.8 million (2005: NOK 11.7 million). Inventory at 31 December 2006 provides security for NOK 212.7 million (2005: NOK 195.3 million). See note 22.

NOTE 8 PAYROLL COSTS

(Amounts in NOK 1000)	2006	2005
Pay	**347 852**	358 693
Payroll tax	**70 055**	71 316
Net pension costs defined benefit plans (note 9)	**1 464**	9 336
Pension costs defined contribution plans	**16 972**	8 849
Options	-	4 837
Other remuneration	**29 700**	22 242
Total	**466 043**	475 273
Average number of employees	**1 291**	1 307

NOTE 9 PENSIONS AND RELATED OBLIGATIONS

Employees in Kitron's Norwegian companies are covered by pension plans which give the right to future benefits. Until 31 December 2005, all employees in Kitron's Norwegian companies were covered by funded defined benefit plans (with life insurance companies). At 31 December 2005, the funded plans were discontinued and replaced with a contribution-based pension scheme. The Norwegian plans embrace 705 employees.

Employees in certain Norwegian companies are also covered by unfunded defined benefit plans(AFP early retirement scheme). Employees in Kitron's Swedish companies are covered by contribution-based pension plans. The carrying amount of the pension obligation includes lifelong benefits to former CEO.

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

(Amounts in NOK 1000)	2006	2005
Carrying amount of the obligation		
Pension benefits	**23 007**	21 543
Costs recognised in the profit and loss account (incl. in note 8)		
Pension benefits	**1 464**	9 336

PENSION BENEFITS

Carrying amount of the obligation is determined as follows:

(Amounts in NOK 1000)	2006	2005
Present value of accrued commitments in funded defined benefit plans	-	-
Fair value of pension fund assets	-	-
Unrecognised variances from estimates	-	-
Accrued payroll tax	-	-
Net commitments in funded defined benefit plans	-	-
Present value of accrued commitments in unfunded defined benfit plans	**(29 617)**	(22 002)
Unrecognised variances from estimates	**7 167**	2 625
Accrued payroll tax	**(557)**	(2 166)
Net commitments in unfunded defined benefit plans	**(23 007)**	(21 543)
Net pension commitment in the balance sheet	**(23 007)**	(21 543)

Net pension costs comprise

(Amounts in NOK 1000)	2006	2005
Present value of pension earnings for the year	**755**	1 149
Interest cost	**680**	667
Expected return on pension fund assets	-	-
Recognised changes in/variances from estimates	**29**	(1 064)
Payroll taxes	-	252
Costs assosiated with terminated funded insured benefits*	-	8 332
Total, included in payroll costs (note 8)	**1 464**	9 336

* Costs associated with terminated funded insured benefits comprise recognised commitments, premium paid for the year, premium for technical insurance underfunding and administrative reserve.

Change in carrying amount of pension commitments

(Amounts in NOK 1000)	2006	2005
Opening balance, see note 31	**21 543**	38 171
Cost recognised in the profit and loss account for the year	**1 464**	9 336
Pension premium paid	-	(25 964)
Closing balance	**23 007**	21 543

The following assumptions have been applied in calculating pension commitments:

(Amounts in NOK 1000)	2006	2005
Discount rate	**4.25%**	4.3%
Expected return on pension funds	**5.5%**	5.3%
Annual pay adjustment	**4.0%**	2.9%
Annual pension adjustment	**3.5%**	2.4%

Assumptions on mortality rates are based on published statistics in Norway (K63).

NOTE 10 TANGIBLE FIXED ASSETS AND DEPRECIATION

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	Total
At 1 January 2005			
Acquisition cost	490 656	63 385	**554 041**
Accumulated depreciation/impairment	411 466	22 014	**433 480**
Accounting carrying amount	79 190	41 371	**120 561**
Fiscal 2005			
Opening balance	79 190	41 371	**120 561**
Conversion differencies	(761)	(565)	**(1 326)**
Additions	28 721	1 963	**30 684**
Disposals	(894)	-	**(894)**
Depreciation	(27 913)	(2 865)	**(30 778)**
Impairment		(5 800)	**(5 800)**
Closing balance	78 343	34 104	**112 447**
At 31 December 2005			
Acquisition cost	517 722	64 783	**582 505**
Accumulated depreciation/impairment	(439 379)	(30 679)	**(470 058)**
Accounting carrying amount	78 343	34 104	**112 447**
Fiscal 2006			
Opening balance	78 343	34 104	**112 447**
Conversion differencies	928	540	**1 467**
Additions	38 390	4 035	**42 426**
Disposals	(3 430)	-	**(3 430)**
Depreciation	(23 207)	(6 180)	**(29 387)**
Closing balance	91 024	32 499	**123 523**
At 31 December 2006			
Acquisition cost	553 610	69 358	**622 968**
Accumulated depreciation/impairment	(462 586)	(36 859)	**(499 445)**
Accounting carrying amount	91 024	32 499	**123 523**

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 24

Machinery, equipment, buildings and land were provided at 31 December as security for NOK 71,4 million and NOK 32,5 million (2005: NOK 62,7 million and NOK 34,1 million), see note 22.

NOTE 11 GOODWILL

(Amounts in NOK 1000)	Goodwill
At 1 January 2005	
Acquisition cost	22 321
Accumulated impairment charge	1 735
Accounting carrying amount	20 586
Fiscal 2005	
Opening balance	20 586
Impairment	2 097
Closing balance	18 489
At 31 December 2005	
Acquisition cost	22 321
Accumulated impairment charge	3 832
Accounting carrying amount	18 489
Fiscal 2006	
Opening balance	18 489
Additions	634
Closing balance	19 123
At 31 December 2006	
Acquisition cost	22 955
Accumulated impairment charge	3 832
Accounting carrying amount	19 123

The company's cash-generating units are identified for the electronic manufacturing services (EMS) and by Kitron Microelectronics (KM) business areas, and by country.

Allocation of carrying amount of goodwill by business area and by country:

	2006		2005	
(Amounts in NOK 1000)	**EMS**	**KM**	EMS	KM
Norway	**702**	**1 195**	702	1 195
Sweden	**3 555**	-	2 921	-
Lithuania	**13 671**	-	13 671	-
Total	**17 928**	**1 195**	17 294	1 195

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

The cash flow assumption is based on financial budgets approved by the company's management. These calculations is based on growth assumptions which correspond with industry expectations of growth in the EMS market in the coming years (11.6 per cent annually). The calculations are based on cash flows for the next five years and a discount rate of 15 per cent.

Impairment charges in 2005 resulted from one of the company's customers moving its production to Asia.

NOTE 12 ACCOUNT RECEIVABLE AND OTHER RECEIVABLES

(Amounts in NOK 1000)	2006	2005
Accounts receivable	339 831	68 741
Provision for bad debts	(4 873)	(6 000)
Accounts receivable – net	334 958	62 741
Receivable from related parties (note 19)	30 308	27 676
Earned, non-invoiced income	2 125	20 421
Pre-paid costs	5 338	16 570
Other receivables	40 959	18 218
Total	413 688	145 626
Deducted long-term items	2 920	3 855
Current items	410 768	141 771

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 1000)	2006	2005
Accounts receivable - net	334 958	62 741
Receivable from related parties (note 19)	30 308	27 676
Earned, non-invoiced income	2 125	20 421
Pre-paid costs	5 338	16 570
Other receivables	40 792	17 919
Total	413 521	145 327

The discount rate for calculating fair value of long-term items is 5.5 per cent (2005: 4.5 per cent) For current receivables, the carrying amount is virtually identical with the fair value.

Credit risk:
No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 Desember 2006 provided security for NOK 413.7 million (2005: 145.6 million), see note 22.

NOTE 13 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

(Amounts in NOK 1000)	2006	2005
Accounts payable	262 070	230 317
Public duties	34 993	25 751
Payable to related parties (note 19)	3 761	1 371
Costs incurred	78 555	93 138
Total	379 379	350 577

NOTE 14 LOANS

(Amounts in NOK 1000)	2006	2005
Long-term loans		
Bank loans	-	11 852
Other loans	31 011	28 826
Total	31 011	40 678
Current loans		
Bank overdraft	74 145	31 931
Bank loans	5 460	5 173
Other loans	244 794	9 265
Total	324 399	46 369
Total loans	355 410	87 047

Other loans primarily involve leasing liabilities (see note 24) and factoring debt.

Periods to maturity of long-term loans:

(Amounts in NOK 1000)	2006	2005
Between one and two years	**5 772**	12 715
Between two and five years	**12 617**	15 684
More than five years	**12 621**	12 279
Total	**31 011**	40 678

Effective interest rate at the balance sheet date:

	2006		2005	
	NOK	**Andre**	NOK	Andre
Bank overdraft	**5.50%**	**3.0-6.75%**	4.25%	4.0-11%
Bank loans	**-**	**7.75%**	4.3%	5.4-6.5%
Other loans	**5.0–5.2%**	**4.5–6.6%**	4.0%	6.2%

Carrying amount and fair value of long-term loans::

	Carrying amount		Fair value	
(Amounts in NOK 1000)	**2006**	2005	**2006**	2005
Long-term bank loans	-	11 852	-	10 733
Other loans	31 011	28 826	24 207	25 147
Total	31 011	40 678	24 207	35 880

Fair value is based on discounted cash flow with a discount rate of 5.5 per cent (2005: 4.5 per cent)
The carrying amount of current loans is virtually identical with fair value.

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

(Amounts in NOK 1000)	2006	2005
NOK	**191 452**	41 620
SEK	**67 118**	19 281
LTL	**55 025**	10 909
EURO	**28 543**	15 237
USD	**13 271**	-
Total	**355 410**	87 047

The company's financing agreements include covenants relating to such factors as the company's equity and earnings. Due to restructuring costs and acquisition of minority in UAB Kitron the company did not comply with these covenants at 31 December 2005. However, through a dialogue with the banks in the subsequent period waivers were issued. The conditions for the loans were renegotiated and the company was in compliance with covenants at the date when the accounts were presented.
The company complies with the covenants at 31 December 2006.
Loans include NOK 355,4 million (2005: 87,0 million) in secured commitments (bank loans and other secured loans). See note 22.

NOTE 15 PROVISIONS

(Amounts in NOK 1000)	Resstructuring
At 1 January 2006	48 507
Recognised in consolidated profit and loss account	
Provisions for the year	-
Reversal of unused provisions from earlier periods	-
Used during the year	(38 714)
At 31 December 2006	9 793

Classification in the balance sheet

(Amounts in NOK 1000)	2006	2005
Long-term liabilities	**7 160**	15 104
Current liabilities	**2 633**	33 403
Total	**9 793**	48 507

Total provisions at 31 December 2006 came to NOK 9.8 million.

Outstanding provisions relate to restructuring measures in earlier periods The amount used during the year is in line with plans and accords with the restructuring provisions made in earlier periods.

NOTE 16 TAX

(Amounts in NOK 1000)	2006	2005
Tax payable	**3 763**	726
Deferred tax (note 17)	-	-
Total	**3 763**	726

Tax on the group's pre-tax 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 1000)	2006	2005
Ordinary profit/(loss) before tax	**45 439**	(58 213)
Tax calculated at the various national rates	**10 557**	(16 540)
Issue costs, unrecognised	-	(1 254)
Non-tax-deductible expenses	**179**	819
Tax loss unrecognised as tax assets	**(6 973)**	17 701
Tax cost	**3 763**	726

The average tax return rate was 28 per cent (2005: 28 per cent).

NOTE 17 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. The following amounts have been netted:

Deferred tax assets

(Amounts in NOK 1000)	2006	2005
Deferred tax asset which reverses in more than 12 months	**20 000**	20 000
Deferred tax asset which reverses in less than 12 months	-	-
Total	**20 000**	20 000

Deferred tax

(Amounts in NOK 1000)	2006	2005
Deferred tax which reverses in more than 12 months	-	-
Deferred tax which reverses in less than 12 months	-	-
Total	-	-

Change in carrying amount of deferred tax asset:

(Amounts in NOK 1000)	2006	2005
Opening balance	**20 000**	20 000
Conversion differencies	-	-
Profit and loss account	-	-
Tax recognised against equity	-	-
Closing balance	**20 000**	20 000

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

Deferred tax

(Amounts in NOK 1000)	Gain and loss account	Financial leasing	**Total**
At 1 January 2005	1 391	-	**1 391**
Profit/(loss) for the period	(278)	106	**(172)**
Conversion differencies	-	-	-
At 31 December 2005	1 113	106	**1 219**
Profit/(loss) for the period	(117)	(106)	**(223)**
Conversion differencies	-	-	-
At 31 December 2006	996	-	**996**

Deferred tax assets

(Amounts in NOK 1000)	Provision and current assets	Fixed assets and goodwill	Loss carried forward	Pension	Total
At 1 January 2005	9 189	3 373	116 689	10 688	**139 939**
Profit/(loss) for the period	(5 021)	(856)	(6 285)	(4 656)	**(16 818)**
Conversion differencies	(28)	(5)	-	-	**(33)**
At 31 December 2005	4 140	2 512	110 404	6 032	**123 088**
Profit/(loss) for the period	(1 344)	4 779	(16 453)	(2 759)	**(15 777)**
Conversion differencies	-	-	8	-	**8**
At 31 December 2006	2 796	7 291	93 959	3 273	**107 319**

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. The group has an unrecognised deferred tax asset of NOK 87.3 million (2005: NOK 103.1 million). There are no restrictions on the right to carry the tax loss forward.

NOTE 18 INVESTMENT IN OTHER COMPANIES

Investment in shares

Group	Business office	Shareholding	Voting share	Acquisition cost	Book value
Company's name					
Let's Train AS	Oslo	20%	20%	150	1
IUC AB	Jönköping	3%	3%	4	4
Elektronikcentrum i Karlskoga AB	Karlskoga	10%	10%	10	10
Telespor AS	Bærum	5%	5%	26	26
Total				190	41

NOTE 19 RELATED PARTIES

i) Sale of goods and services

(Amounts in NOK 1 000)	2006	2005
Sales of goods[1]	**139 983**	188 863

ii) Purchase of goods and services

(Amounts in NOK 1 000)	2006	2005
Purchase of goods[1]	**1 869**	3 729

iii) Remuneration of senior executives

(Amounts in NOK 1 000)	2006	2005
Pay and other short-term benefits[2]	**11 430**	7 381
Option costs	-	4 124
Severance pay	**4 400**	-
Total	**15 830**	11 505

iv) Balance sheet items at 31 December resulting from purchase/sale of goods and services

(Amounts in NOK 1 000)	2006	2005
Receivable from related parties		
Shareholders [1]	**30 308**	27 676
Total	**30 308**	27 676
Payables to related parties:		
Shareholders[1]	**41**	1 371
Senior executives[3]	**3 720**	-
Total	**3 761**	1 371

(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 20 for a more extensive description of remuneration of senior executives.

(3) The amount at 31 December 2006 comprises accrued bonuses to corporate management team and remaining severance pay to the previous chief executive.

NOTE 20 REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND AUDITOR

(Amounts in NOK 1000)	**2006**	2005
Directors' fees	**924**	860
- chairman	**200**	200
- directors	**724**	660
Auditor's fees		
- legally-required audit	**1 390**	1 794
- other non-auditing services	**941**	1 229

Pay and other remuneration of senior executives in 2006:
(Amounts in NOK 1000)

Name	Functinon	Period	Fee	Pay	Bonus	Other short-term remu-neration	Sever-ance pay	Total pay and remu-neration	Pension contribu-tion
Jan T. Jørgensen	CEO	01.01.2006 - 15.05.2006		1 032	200	158	4 400	5 790	140
Jørgen Bredesen	CEO	18.05.2006 - 31.12.2006		1 466		99		1 565	97
Morten Jurs	CFO	01.01.2006 - 31.10.2006		1 311	585	113		2 009	30
Erling Svela	CFO	01.11.2006 - 31.12.2006		190		26		216	6
Jonas Eklind	Vice president	01.01.2006 - 31.10.2006		1 373	61	64		1 497	333
Vidar Hole	Vice president	01.01.2006 - 31.01.2006		139	71	11		221	3
Jan Liholt	Vice president	01.01.2006 - 31.12.2006		1 020	50	92		1 162	36
Almante Medziausiene	Vice president	01.01.2006 - 31.12.2006		430				430	
Jan Sigvartsen	Vice president	01.01.2006 - 31.12.2006		1 483	100	120		1 703	36
Leif Tore Smedås	Vice president	01.01.2006 - 31.12.2006		874	170	116		1 160	36
Gard Eliassen	Vice president	11.12.2006 - 31.12.2006		68		9		77	3
Total				9 386	1 237	808	4 400	15 830	720
Christian Bjelland	Chairman	01.01.2005 - 16.08.2005	58					58	
Nerijus Dagilis	Chairman/director	01.01.2006 - 31.12.2006	142					142	
Carl Espen Wollebekk	Chairman	11.05.2006 - 31.12.2006						0	
Arne Solberg	Deputy chairman	01.01.2006 - 31.12.2006	90					90	
Annette Malm Justad	Director	16.08.2005 - 26.09.2005	10					10	
Per-Erik Mohlin	Director	01.01.2006 - 11.05.2006	170					170	
Titas Sereika	Director	01.01.2006 - 31.12.2006	64					64	
Kjell E. Almskog	Director	01.01.2006 - 31.12.2006	160					160	
Ian Hague	Director	11.05.2006 - 31.12.2006						0	
Liv Johansen	Director (employee representative)	01.01.2006 - 31.12.2006	90					90	
Preben Jensen	Director (employee representative)	01.01.2006 - 31.12.2006	90					90	
Leif Henriksen	Director (employee representative)	01.01.2006 - 31.12.2006	20					20	
Magnus B. Lindseth	Observer	01.01.2006 - 11.05.2006	10					10	
Trygve Størseth	Observer (employee representative)	01.01.2006 - 31.12.2006	20					20	
Total			924					924	

The table above comprises salaries and remunerations reported for tax purposes in 2006. Pension contribution include paid contribution to the company's pension scheme. For employee representatives only fee is declared.
President and CEO Jan T. Jørgensen resigned 15 May 2006 in agreement with the Board of Directors. Remunerations in 2006 also embrace severance pay according to the agreement.
CFO Morten Jurs left the company 31 October 2006. Vice president Vidar Hole left the company 31 January 2006.
Vice president in Kitron AB Jonas Eklind resigned in agreement with the company 31 October 2006.
There are made provisions for management bonuses at 31 December 2006. The bonuses will be paid when the annual accounts for 2006 are 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 this declaration is limited to the President and CEO and the vice presidents. The President and CEO is covered by the same schemes as the vice presidents unless otherwise stated.

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 President and 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 bebnefits in kind than company cars. Certain tools, which are needed to perform executive duties, are reported for tax purposes and are included in the amoiunts in the table above.
Kitron will honour 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 Presiden and CEO. The President and CEO determines the remuneration and other terms of employmment 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 President and CEO is NOK 150 thousand. The contribution is coordinated with the contribution to the general scheme. The President and CEO's age of retirement is 65 years.
The President and CEO may under certain circumstances have a 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 2.0 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 President and 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 are allocated over a period of three years. For the President and CEO the full grant is made in 2007. Any payments under the scheme will be made in February 2008, 2009 and 2010 and are conditional on the recipient remaining employed by Kitron in a participating position. If the scheme is fully utilized, all recipients together will receive a gain of NOK 583 thousand for each NOK 0.50 increase in the share price during the course of a year. Any gain for the President and 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 interim financial statements. If this value is reduced from one quarter to the next, a cost reversal will take place.
The scheme is not dilutive, and it leads to clearly aligned interests of management and shareholders.
The board does not now want to prepare new share-based incentive programmes for the group management or other employees for 2008. Any such programmes will be presented for consideration at the general meeting 2008.

NOTE 21 FINANCIAL ITEMS

(Amounts in NOK 1000)	**2006**	2005
Interest expenses	**14 521**	13 009
Other financial expenses	**7 175**	7 439
Interest income	**641**	1 568
Currency loss	**2 475**	6 886
Currency gain	**(4 521)**	(1 912)
Net currency loss	**(2 046)**	4 974
Net financial costs	**19 009**	23 854

NOTE 22 MORTGAGES

(Amounts in NOK 1000)	2006	2005
Debt secured by mortgages	**355 410**	87 047

Carrying amount of assets provided as security:

(Amounts in NOK 1000)	2006	2005
Buildings and land	**32 497**	34 105
Machinery and equipment	**71 442**	62 667
Receivables	**413 688**	145 626
Inventory	**212 678**	195 329
Total	**730 305**	437 727

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 31.6 million at 31 December 2006 (2005: NOK 29.7 million).

Up to NOK 115 million in letting rights to buildings has been provided by the group as security. 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 23 CASH AND CASH EQUIVALENTS

(Amounts in NOK 1000)	2006	2005
Cash and cash equivalents	**98 264**	113 229

Cash and cash equivalents in the cash flow statement comprise:

(Amounts in NOK 1000)	2006	2005
Cash and cash equivalents	**98 264**	113 229
Overdraft drawn down	**(74 145)**	(31 931)
Locked-in bank deposits	**(18 913)**	(28 491)
Total	**5 206**	52 807

(Amounts in NOK 1000)	2006	2005
Bank overdraft facilities 31 December	**123 600**	85 150
Net drawn on overdraft facilities 31 December	**74 145**	31 931
Locked-in bank deposits 31 December		
Security for tax withholding	**1 902**	1 366
Security for factoring receivables	**10 029**	20 329
Security for rent guarantee	**6 982**	6 796
Total	**18 913**	28 491

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

NOTE 24 LEASING AGREEMENTS

LEASING AGREEMENTS RECONGISED IN THE BALANCE SHEET

Fixed assets:

(Amounts in NOK 1000)	Carrying amount 31 Dec 2006	Depreciation for the year	Remaining lease	Nominal rent	Present value of future rent
Buildings and land	16 725	2 025	12 år	22 988	15 369
Machinery and equipment	21 702	3 694	1-4 år	23 220	20 096

Buildings and land includes factory premises in Lithuania

Specification of estimated rent falling due within:

(Amounts in NOK 1000)		Nominal rent	Present value of future rent
	1 year	6 298	6 275
	2-5 years	12 950	10 739
	> 5 years	26 959	18 451

With some of the leases for machinery and equipment, the company has the right to buy the leased object at the termination of the lease period. The buy-out price stands at one-three months rent. No such purchase option is included in the lease for buildings and land in Lithuania.

UNRECOGNISED LEASE AGREEMENTS

Fixed assets:

(Amounts in NOK 1000)	Rent in 2006	Remaining lease
Buildings and land	23 884	1-10 år
Machinery and equipment	8 418	1-4 år

Buildings and land includes factory premises in Norway and Sweden..

Specification of estimated rent falling due within:

(Amounts in NOK 1000)		Nominal rent	Present value of future rent
	1 year	20 576	19 896
	2-5 years	57 945	49 402
	> 5 years	77 191	48 205

With some of the 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 25 SHARES AND SUBSCRIPTION RIGHTS SENIOR EMPLOYEES

There are at 31 December 2006 no outstanding subscription rights.

The overview below shows the number of shares held by directrors and member of the corporate management team at 31 December 2006

Board	Number of shares
Carl Espen Wollebekk, chairman	-
Arne Solberg, deputy chairman [1]	-
Nerijus Dagilis, director [2]	-
Titas Sereika, director [3]	-
Ian Hague, director [4]	-
Kjell Almskog, director	-
Liv Ester Johansen, director	-
Preben Jensen, director	-
Leif Henriksen, director	-
Trygve Størseth, observer	-

Corporate management	Number of shares
Jørgen Bredesen, CEO	50 000
Erling Svela, CFO	-
Jan Sigvartsen, vice president [5]	110 000
Leif Tore Smedås, vice president	52 787
Jan Liholt, vice president	87 660
Gard Eliassen, vice president	-
Almante Medziausiene, vice president	-

1 Arne Solberg is CFO in Kongsberg Gruppen ASA, which owns 33 439 153 shares (19.33 per cent) in Kitron ASA
2 Nerijus Dagilis is chairman of UAB Hermis Capital, which owns 69 134 583 shares (39.97 per cent) in Kitron ASA
3 Titas Sereika is a director in UAB Hermis Capital, which owns 69 134 583 shares (39.97 per cent) in Kitron ASA
4 Ian Hague is a board member of Amber Trust II, which holds 23 672 000 shares (13.69 per cent) in Kitron ASA. Amber Trust is a joint venture in which Mr. Hague is among the ultimate owners. Mr. Hague has less than 1 per cent beneficial ownership in the shares held by Amber Trust II.
5 Jan Sigvartsen is chairman and 50 per cent owner of the shares in Karajan AS. Karajan AS owns 110 000 shares (0.06 per cent) in Kitron ASA

NOTE 26 SHARES AND SHAREHOLDER INFORMATION

The company's share capital at 31 December 2006 comprised 172 961 625 shares with a nominal value of NOK 1 each. Each share carries one vote.
There were 3 395 shareholders at 31 December 2006.

The 20 largest shareholders in Kitron ASA at 31 December 2006:

Shareholder	Number	Percentage
Clearstream Banking S.A.	51 856 000	29.98%
Kongsberg Gruppen ASA	33 439 153	19.33%
ING Luxembourg SA	23 822 000	13.77%
SEB Vilniaus Bankas	17 977 656	10.39%
MP Pensjon	10 406 211	6.02%
Stiftelsen Statoils Pensjonskasse	1 873 855	1.08%
A/S Bemacs	1 700 606	0.98%
AS Hansabank clients	1 664 530	0.96%
Parentz AS	1 600 650	0.93%
Verdipapirfondet NORDEA SMB	1 167 984	0.68%
Statoil Forsikring AS	1 088 670	0.63%
Petter Torgersen	636 000	0.37%
Bjørn Håheim	507 637	0.29%
Morgan Stanley & Co. Intl. Ltd	400 000	0.23%
Malvin Skjønhaug	395 685	0.23%
A/S Skjærdalen Eiendom	386 326	0.22%
Vestvik Preservering A/S	300 000	0.17%
Leif Johansen	266 000	0.15%
Stein-Arne Mikalsen Stangeland	253 824	0.15%
Nordea Bank Denmark AS	221 768	0.13%
Total 20 largest shareholders	149 964 555	86.70%
Total other shareholders	22 997 070	13.30%
Total outstanding shares	172 961 625	100.00%

NOTE 27 EARNINGS PER SHARE

Earnings per share is calculated by dividing the group's net result for the year with a time-wighted average of the number of outstanding ordinary shares in Kitron ASA
Since the company made a loss in 2005, the diluted earnings per share will correspond to earnings per share.

	2006	2005
Net profit/(loss) (NOK 1 000)	**41 676**	(58 939)
Earnings per share (NOK)	**0.24**	(0.39)
Diluted earnings per share (NOK)	**0.24**	(0.39)
Time-weighted number of shares	**172 961 625**	151 599 225
Time-weighted number of shares including options	**174 616 420**	159 236 725

NOTE 28 SHARE CAPITAL AND SHARE PREMIUM RESERVE

(Amounts in NOK 1000)	Number of shares	Ordinary shares	Share premium reserve	Total
At 1 January 2005	134 635	134 635	398 788	533 423
Share option scheme for employees	-	-	-	-
- received from employees	-	-	4 837	4 837
New shares issued	38 327	38 327	52 433	90 760
At 31 December 2005	172 962	172 962	456 058	629 020
Share option scheme for employees	-	-	-	-
- received from employees	-	-	-	-
New shares issued	-	-	-	-
At 31 December 2006	172 962	172 962	456 058	629 020

The general meeting has authorised the board to issue up to 10 million shares for use with the option programme for employees..

Share options
Previously a scheme has been established for granting options to senior executives and key persons. There are at 31 December 2006 no outstanding subscription rights. See also note 25.

Change in the number of outstanding share options and related weighted average strike price:

	2006		2005	
	Average strike price per share	**Number of options**	Average strike price per share	Number of options
At 1 January	**5.40**	**4 000 000**	6.00	8 850 000
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	**5.40**	**4 000 000**	-	-
Expired	-	-	6.49	4 850 000
At 31 December		-	5.40	4 000 000

The fair value of the options awarded in 2004, calculated using the Black-Scholes option pricing model, was NOK 3.6 million. The most important input data were the share price at the granting date, the strike price shown above, the standard deviation on the expected share yield of 73 per cent, an expected dividend of 0, the terms of the options shown above, and an annual risk-free interest rate of 3.73 per cent. Volatility measeured by the standard deviation for expected share yield is based on a statistical analysis of daily share prices over the past three years.
No shares were issued in connection with the option programmes during the period.

NOTE 29 CASH FLOW FROM OPERATIONS

(Amounts in NOK 1000)	**2006**	2005
Ordinary profit/(loss) before tax	45 439	(58 213)
Depreciation	29 387	30 779
Impairment charges	-	7 897
Change in inventory	(40 349)	3 852
Change in accounts receivable	(274 849)	40 402
Change in accounts payable	30 423	4 802
Change in pension funds/obligations	1 464	(16 628)
Change in other accrual items	210 599	(2 829)
Change in locked-in bank deposits	9 578	1 509
Interest expense	14 521	13 009
Cash flow from operations	26 213	24 580

NOTE 30 GOVERNMENT GRANTS

The total government grants recognised in the profit and loss account for the year is NOK 0.8 million. (2005: NOK 0.7 million). The grants are recognised as cost reductions in the profit and loss account.

NOTE 31 CORRECTION FOR PRIOR PERIOD ERRORS

In the annual accounts for 2006 life-long pension benefit to former CEO is incorporated. This obligation has not been incorporated in previous annual accounts.

The annual accounts for 2006 are affected by a decrease of equity at 1 Januar 2005 of NOK 6 639 000. The company's pension commitments are increased with the same amount at the same date. The profit and loss account for 2005 is not affected.

PROFIT AND LOSS ACCOUNT KITRON ASA

(Amounts in NOK 1000)	Note	2006	2005
Revenues			
Sales revenues	2	**27 797**	27 492
Total revenues		**27 797**	27 492
Operating costs			
Payroll expenses	3, 4, 14	**18 906**	11 632
Depreciation and impairments	5, 6	**5 109**	5 345
Other operating expenses		**12 460**	14 999
Total operating costs		**36 475**	31 976
Operating loss		**(8 678)**	(4 484)
Financial income and expenses			
Intra-group interest income		**1 410**	128
Other interest income		**1 531**	339
Other financial income	20	**6 209**	230
Other interest expenses		**3 648**	560
Other financial expenses	20	**1 304**	1 254
Net financial items		**4 198**	(1 117)
Loss before tax		**(4 480)**	(5 601)
Tax	8	**-**	-
Net loss		**(4 480)**	(5 601)

BALANCE SHEET AT 31 DECEMBER KITRON ASA

(Amounts in NOK 1000)	Note	2006	2005
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Goodwill		**2 546**	4 646
Deferred tax assets	8, 21	**18 996**	18 996
Total intangible fixed assets		**21 541**	23 642
Tangible fixed assets			
Machinery, equipment etc	5, 17	**2 196**	4 620
Financial fixed assets			
Investment in subsidiaries	9, 17	**378 257**	371 938
Intra-group loans	7, 15	**15 801**	14 970
Investment in shares	10	**26**	26
Other long-term receivables		**1 200**	1 800
Total financial fixed assets		**395 283**	388 734
Total fixed assets		**419 021**	416 996
CURRENT ASSETS			
Receivables			
Accounts rceceivables	7, 17	**27 500**	18 757
Other receivables	7, 17	**33 291**	26 678
Total recevables		**60 791**	45 435
Bank deposits, cash in hand, etc	18	**12 779**	80 916
Total current assets		**73 570**	126 351
Total assets		**492 591**	543 347

(Amounts in NOK 1000)	Note	2006	2005
LIABILITIES AND EQUITY			
EQUITY			
Paid-in equity			
Share capital (172 961 625 shares at NOK 1))	11, 13	**172 962**	172 962
Share premium reserve	11, 21	**242 827**	247 307
Total paid-in equity		**415 789**	420 269
Total equity		**415 789**	420 269
LIABILITIES			
Provisions			
Pension commitments	1, 4	**7 318**	7 592
Other long-term liabilities			
Liabilities to financial institutions	16	**-**	2 027
Current liabilities			
Liabilities to financial institutions	17, 18	**60 150**	18 276
Accounts payable		**4 628**	3 982
Public duties payable		**1 589**	954
Other current liabilities	7	**3 117**	90 247
Total current liabilities		**69 484**	113 458
Total liabilities		**76 802**	123 077
Total liablities and equity		**492 591**	543 347

Oslo, 22 March 2007

Carl Espen Wollebekk
Chairman

Arne Solberg
Deputy chairman

Kjell Erik Almskog
Board member

Nerijus Dagilis
Board member

Ian Hague
Board member

Titas Sereika
Board member

Preben Jensen
Employee representative

Liv Johansen
Employee representative

Leif Henriksen
Employee representative

Jørgen Bredesen
President and CEO

CASH FLOW STATEMENT KITRON ASA

(Amounts in NOK 1000)	2006	2005
Cash flow from operational activities		
Ordinary loss before tax	**(4 480)**	(5 601)
Periodens betalte skatt	-	-
Ordinary depreciation	**5 109**	5 345
Change in accounts receivable	**(15 590)**	10 313
Change in accounts payable	-	247
Change in pension funds/obligations	**(274)**	(1 145)
Change in other accrual items	**636**	(14 699)
Net cash flow from operational activities	**(14 599)**	(5 540)
Cash flow from investment activities		
Acquisition of tangible fixed assets	**295**	(747)
Acquisition of shares in other companies	-	-
Acquisition of subsidiaries	**(6 319)**	(71 165)
Rapayment of lendings	**600**	22 950
Loan disbursement	**(832)**	-
Net cash flow from investment activities	**(6 256)**	(48 962)
Cash flow from financing activities		
New long-term loans	-	-
Repayment of long-term loans	**(2 027)**	(5 657)
Repayment of short-term loans	**(87 129)**	38 926
Net change in overdraft facilities	**41 874**	(9 753)
Equity paid in	-	90 760
Net cash flow from financing activities	**(47 282)**	114 276
Net change in cash and cash equivalents	**(68 137)**	59 774
Cash and cash equivalents at 1 January	**80 916**	21 142
Cash and cash equivalents at 31 December	**12 779**	80 916

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

The annual accounts 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.

INCOME RECOGNITION

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

CLASSIFYING AND RECOGNISING 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 and expected lifetime of more than three years and a cost price which exceeds NOK 15 000. Maintenance costs for tangible 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.

The company terminated its collective funded defined benefit pension plan at 31 December 2005, and established a defined contribution plan.

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 eetablished 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 2006.

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 1000)	**2006**	2005
Norway	**17 601**	18 896
Sweden	**7 213**	6 387
Lithuania	**2 983**	2 209
Total	**27 797**	27 492

NOTE 3 PAYROLL COSTS

(Amounts in NOK 1000)	**2006**	2005
Pay	**14 889**	5 930
Payroll taxes	**2 479**	3 173
Pension costs	**243**	1 391
Other remuneration	**1 295**	1 138
Total	**18 906**	11 632
Average number of employees	**11**	10

NOTE 4 PENSION COSTS, FUNDS AND COMMITMENTS

Employees in Kitron ASA are covered by pension plans which give right to defined future benefits. Until 31 December 2005, all employees in Kitron were covered by funded defined benefit plans (with life insurance companies). At 31 December 2005, the funded plans were discontinued and replaced with a contribution based pension scheme. The plan embraces 24 employees

Employees in Kitron ASA are also covered by unfunded defined benefit plans (AFP early retirement scheme).

Unfunded benefits

Net pension commitments can be specified as follows:

(Amounts in NOK 1000)	**2006**	2005
Present value of accrued pension commitments	**7 050**	7 459
- value of pension fund assets	-	-
+/- unamortised variances from estimates	**268**	250
+/- accrued payroll taxes	-	117
Net pension commitments/(funds)	**7 318**	7 592

Pension costs for the year comprise:

(Amounts in NOK 1000)	**2006**	2005
+ Present value of pension earnings for the year	**467**	339
+ Interest expense on accrued pension commitments	**40**	23
– Expected return on pension fund assets	-	-
+ amortisation of variances from estimates	**(8)**	-
+ payroll taxes	-	51
Net pension cost for unfunded plans	**499**	412
Termination recognised in the profit and loss account*		1 688
Net pension costs included in note 3	**499**	2 100

* Termination recognised in the profit and loss account refers to recognition of pension commitments, premium for technical insurance underfunding, administration reserve and payroll taxes at termination, as well as premium payments related to the terminated scheme.

The following assumptions have been applied in calculating pension commitments:

	2006	2005
Discount rate	**4.25%**	4.3%
Expected return on pension funds	**5.5%**	5.3%
Annual pay adjustment	**4.0%**	2.9%
Inflation	**3.5%**	2.9%
Pension adjustments	**3.5%**	2.4%
Payroll taxes	**14.1%**	14.1%
Expected utilisation rate (AFP)	**30.0%**	30.0%

NOTE 5 TANGIBLE FIXED ASSETS AND DEPRECIATION

(Amounts in NOK 1000)	Machinery and equipment
Acquisition cost at 1 January	18 910
Additions during the year	585
Acquisition cost at 31 December	19 495
Accumulated depreciation 1 January	14 290
Depreciation during the year	3 009
Accumulated depreciation at 31 December	17 299
Book value 31 December	2 196
Useful lifetime	3 to 5 years
Depreciation plan	Linear

Annual lease of fixed assets unrecognised in the balance sheet

Fixed asset (Amounts in NOK 1000)	Length of lease	Annual rent
Premises	2007	410
Operating equipment	2010	118
Vehicles	2009	302

The company has an option to buy leased printers

NOTE 6 INTANGIBLE FIXED ASSETS

(Amounts in NOK 1000)	Goodwill
Acquisition cost at 1 January	15 146
Additions during the year	-
Acquisition cost at 31 December	15 146
Accumulated amortisation at 31 December	12 600
Book value 31 December	2 546
Ordinary amortisation for the year	2 100
Useful lifetime	5 years

Goodwill is amortised over its expected useful lifetime

NOTE 7 INTRA-GROUP ACCOUNTS

(Amounts in NOK 1000)	**2006**	2005
Current receivables	**57 508**	44 371
Current liabilities	**202**	88 847
Intra-group loans	**15 802**	14 970

NOTE 8 TAXES

(Amounts in NOK 1000)	**2006**	2005
Tax payable	-	-
Change in deferred tax	-	-
Total tax cost	-	-
Calculation of tax base for the year:		
Loss before tax	**(4 480)**	(5 601)
Permanent differencies *)	**60**	(1 995)
Change in temporary differencies	**2 620**	(2 924)
Tax base for the year	**(1 800)**	(10 520)
Overview of temporary differencies		
Receivables	**(39)**	(55)
Fixed assets	**(5 016)**	(2 658)
Pensions	**(7 318)**	(7 591)
Gain and loss account	**2 202**	2 753
Total	**(10 171)**	(7 551)
Loss carried forward	**(161 071)**	(159 271)
Total	**(171 242)**	(166 822)
28 % deferred tax	**(47 948)**	(46 710)
Deferred tax unrecorded in the balance sheet	**(28 952)**	(27 714)
Deferred tax asset	**18 996**	18 996
Explanation of why tax cost for the year does not equal 28% of pre-tax result		
28% of loss before tax	**(1 254)**	(1 568)
Permanent differencies (28%)	**17**	(559)
Effect of deferred tax asset unrecorded in balance sheet	**1 238**	2 127
Calculated tax cost	**-**	-
Effektive tax rate **)	**0.0%**	0.0%

* Include non-tax deductible costs such as entertainment and issue expenses.
** Tax cost in relation to pre-tax result.

NOTE 9 INVESTMENT IN SUBSIDIARIES

Company (Amounts in NOK 1000)	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron AS	Arendal	100%	100%	77 317	29 419	232 337
Kitron Microelectronics AS	Røros	100%	100%	19 252	6 618	15 848
Kitron Sourcing AS	Oslo	100%	100%	8 740	(493)	11 400
Kitron AB	Karlskoga, Sweden	100%	100%	9 736	(8 145)	44 696
Kitron Microelectronics AB	Jönköping, Sweden	100%	100%	18 509	14 952	13 463
Kitron Flen AB	Flen, Sweden	100%	100%	1 088	(4 843)	31 332
UAB Kitron	Kaunas, Lithuania	100%	100%	48 983	12 897	29 180
Total investment in subsidiaries						378 256

The Kitron AS subsidiary owns shares in the following subsidiary:

Company	Business office	Share-holding	Voting share	Book value
Kilsund Teknologi AS	Arendal	100%	100%	1 141

NOTE 10 INVESTMENT IN OTHER COMPANIES

Company name	Business office	Share-holding	Voting share	Cost price	Book value
Telespor AS	Bærum	5%	5%	26	26

NOTE 11 EQUITY

(Amounts in NOK 1000)	Share capital	Share premium fund	Total equity
At 31 December 2005 (see note 21)	172 962	247 307	420 269
Net loss	-	(4 480)	(4 480)
At 31 December 2006	172 962	242 827	415 789

NOTE 12 SHARES AND SUBSCRIPTION RIGHTS SENIOR EMPLOYEES

There are at 31 December 2006 no outstanding subscription rights.

The overview below shows the number of shares held by directrors and member of the corporate management team at 31 December 2006

Board	Number of shares
Carl Espen Wollebekk, chairman	-
Arne Solberg, deputy chairman [1]	-
Nerijus Dagilis, director [2]	-
Titas Sereika, director [3]	-
Ian Hague, director [4]	-
Kjell Almskog, director	-
Liv Ester Johansen, director	-
Preben Jensen, director	-
Leif Henriksen, director	-
Trygve Størseth, observer	-

Corporate management	Number of shares
Jørgen Bredesen, president and CEO	50 000
Erling Svela, CFO	-
Jan Sigvartsen, vice president [5]	110 000
Leif Tore Smedås, vice president	52 787
Jan Liholt, vice president	87 660
Gard Eliassen, vice president	-
Almante Medziausiene, vice president	-

[1] Arne Solberg is CFO in Kongsberg Gruppen ASA, which owns 33 439 153 shares (19.33 per cent) in Kitron ASA
[2] Nerijus Dagilis is chairman of UAB Hermis Capital, which owns 69 134 583 shares (39.97 per cent) in Kitron ASA
[3] Titas Sereika is a director in UAB Hermis Capital, which owns 69 134 583 shares (39.97 per cent) in Kitron ASA
[4] Ian Hague is a board member of Amber Trust II, which holds 23 672 000 shares (13.69 per cent) in Kitron ASA. Amber Trust is a joint venture in which Mr. Hague is among the ultimate owners. Mr. Hague has less than 1 per cent beneficial ownership in the shares held by Amber Trust II.
[5] Jan Sigvartsen is chairman and 50 per cent owner of the shares in Karajan AS. Karajan AS owns 110 000 shares (0.06 per cent) in Kitron ASA

NOTE 13 SHARES AND SHAREHOLDERS INFORMATION

The company's share capital at 31 December 2006 comprised 172 961 625 shares with a nominal value of NOK 1 each. Each share carries one vote.
There were 3 395 shareholders at 31 December 2006.

The 20 largest shareholders in Kitron ASA at 31 December 2006:

Shareholder	Number	Percentage
Clearstream Banking S.A.	51 856 000	29.98%
Kongsberg Gruppen ASA	33 439 153	19.33%
ING Luxembourg SA	23 822 000	13.77%
SEB Vilniaus Bankas	17 977 656	10.39%
MP Pensjon	10 406 211	6.02%
Stiftelsen Statoils Pensjonskasse	1 873 855	1.08%
A/S Bemacs	1 700 606	0.98%
AS Hansabank clients	1 664 530	0.96%
Parentz AS	1 600 650	0.93%
Verdipapirfondet NORDEA SMB	1 167 984	0.68%
Statoil Forsikring AS	1 088 670	0.63%
Petter Torgersen	636 000	0.37%
Bjørn Håheim	507 637	0.29%
Morgan Stanley & Co. Intl. Ltd	400 000	0.23%
Malvin Skjønhaug	395 685	0.23%
A/S Skjærdalen Eiendom	386 326	0.22%
Vestvik Preservering A/S	300 000	0.17%
Leif Johansen	266 000	0.15%
Stein-Arne Mikalsen Stangeland	253 824	0.15%
Nordea Bank Denmark AS	221 768	0.13%
Total 20 largest shareholders	149 964 555	86.70%
Total other shareholders	22 997 070	13.30%
Total outstanding shares	172 961 625	100.00%

NOTE 14 REMUNERATION OF SENIOR EXECUTIVES, DIRECTORS AND AUDITOR

(Amounts in NOK 1000)	**2006**	2005
Directors' fees	**924**	860
– chairman	**200**	200
– directors	**724**	660
Auditor's fee	-	-
– legally required audit	**208**	473
– other non-auditing services	**538**	793

Pay and other remuneration of senior executives in 2006:
(Amounts in NOK 1000)

Name	Functinon	Period	Fee	Pay	Bonus	Other short-term remu-neration	Sever-ance pay	Total pay and remu-neration	Pension contribu-tion
Jan T. Jørgensen	CEO	01.01.2006 - 15.05.2006		1 032	200	158	4 400	5 790	140
Jørgen Bredesen	CEO	18.05.2006 - 31.12.2006		1 466		99		1 565	97
Morten Jurs	CFO	01.01.2006 - 31.10.2006		1 311	585	113		2 009	30
Erling Svela	CFO	01.11.2006 - 31.12.2006		190		26		216	6
Jonas Eklind	Vice president	01.01.2006 - 31.10.2006		1 373	61	64		1 497	333
Vidar Hole	Vice president	01.01.2006 - 31.01.2006		139	71	11		221	3
Jan Liholt	Vice president	01.01.2006 - 31.12.2006		1 020	50	92		1 162	36
Almante Medziausiene	Vice president	01.01.2006 - 31.12.2006		430				430	
Jan Sigvartsen	Vice president	01.01.2006 - 31.12.2006		1 483	100	120		1 703	36
Leif Tore Smedås	Vice president	01.01.2006 - 31.12.2006		874	170	116		1 160	36
Gard Eliassen	Vice president	11.12.2006 - 31.12.2006		68		9		77	3
Total				9 386	1 237	808	4 400	15 830	720
Christian Bjelland	Chairman	01.01.2005 - 16.08.2005	58					58	
Nerijus Dagilis	Chairman/director	01.01.2006 - 31.12.2006	142					142	
Carl Espen Wollebekk	Chairman	11.05.2006 - 31.12.2006						0	
Arne Solberg	Deputy chairman	01.01.2006 - 31.12.2006	90					90	
Annette Malm Justad	Director	16.08.2005 - 26.09.2005	10					10	
Per-Erik Mohlin	Director	01.01.2006 - 11.05.2006	170					170	
Titas Sereika	Director	01.01.2006 - 31.12.2006	64					64	
Kjell E. Almskog	Director	01.01.2006 - 31.12.2006	160					160	
Ian Hague	Director	11.05.2006 - 31.12.2006						0	
Liv Johansen	Director (employee representative)	01.01.2006 - 31.12.2006	90					90	
Preben Jensen	Director (employee representative)	01.01.2006 - 31.12.2006	90					90	
Leif Henriksen	Director (employee representative)	01.01.2006 - 31.12.2006	20					20	
Magnus B. Lindseth	Observer	01.01.2006 - 11.05.2006	10					10	
Trygve Størseth	Observer (employee representative)	01.01.2006 - 31.12.2006	20					20	
Total			924					924	

The table above comprises salaries and remunerations reported for tax purposes in 2006. Pension contribution include paid contribution to the company's pension scheme. For employee representatives only fee is declared.
President and CEO Jan T. Jørgensen resigned 15 May 2006 in agreement with the Board of Directors. Remunerations in 2006 also embrace severance pay according to the agreement.
CFO Morten Jurs left the company 31 October 2006. Vice president Vidar Hole left the company 31 January 2006.
Vice president in Kitron AB Jonas Eklind resigned in agreement with the company 31 October 2006.
There are made provisions for management bonuses at 31 December 2006. The bonuses will be paid when the annual accounts for 2006 are 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 this declaration is limited to the President and CEO and the vice presidents. The President and CEO is covered by the same schemes as the vice presidents unless otherwise stated.

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 President and 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 bebnefits in kind than company cars. Certain tools, which are needed to perform executive duties, are reported for tax purposes and are included in the amoiunts in the table above.
Kitron will honour 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 Presiden and CEO. The President and CEO determines the remuneration and other terms of employmment 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 President and CEO is NOK 150 thousand. The contribution is coordinated with the contribution to the general scheme. The President and CEO's age of retirement is 65 years.

The President and CEO may under certain circumstances have a 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 2.0 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 President and 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 are allocated over a period of three years. For the President and CEO the full grant is made in 2007. Any payments under the scheme will be made in February 2008, 2009 and 2010 and are conditional on the recipient remaining employed by Kitron in a participating position.
If the scheme is fully utilized, all recipients together will receive a gain of NOK 583 thousand for each NOK 0.50 increase in the share price during the course of a year. Any gain for the President and 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 interim financial statements. If this value is reduced from one quarter to the next, a cost reversal will take place.
The scheme is not dilutive, and it leads to clearly aligned interests of management and shareholders.
The board does not now want to prepare new share-based incentive programmes for the group management or other employees for 2008. Any such programmes will be presented for consideration at the general meeting 2008.

NOTE 15 RECEIVABLES

NOK 15 802 of the NOK 15 802 in intra-group loans at 31 December 2006 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	**2006**	2005
Kitron AS	-	4 500
Kitron Microelectronics AS	**6 220**	-
Kitron AB	**9 582**	10 470
Total	**15 802**	14 970

Iin addition the company has a receivable of NOK 5 612 000 regarding group contribution from Kitron Microelectronics AS. This is classified as other receivable.

NOTE 16 INFORMATION ON LONG-TERM LIABILITIES TO FINANCIAL INSTITUTIONS

The company has no long-term debt at 31 December 2006.
The group's bank financing includes covenants relating to such factors as the company's equity and earnings. Due to restructuring costs and acquisition of minority in UAB Kitron the company did not comply with these covenants at 31 December 2005. However, through a dialogue with the banks in the subsequent period waivers were issued. The conditions for the loans were renegotiated and and the company was in compliance with covenants at the date when the accounts were presented.
The company complies with the covenants at 31 December 2006.

NOTE 17 MORTGAGES

(Amounts in NOK 1000)	2006	2005
Debt secured by mortgages:	**60 150**	23 000

Carriying amount of assets provided as security:

(Amounts in NOK 1000)	2006	2005
Machinery and equipment	**2 196**	4 620
Investment in subsidiaries	**378 257**	371 938
Receivables	**70 309**	60 405
Total	**450 762**	411 954

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 certain of its Norwegian subsidiaries. The annual accounts for Kitron ASA present net deposits/drawings for all the group companies included in the scheme. This means that the net deposits/drawings by subsidiaries are recognised as a balance with Kitron ASA.

The company has a cash deposit of NOK 10 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 chairman 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 1000)	2006	2005
Financial income		
Other financial income	**5 887**	71
Currency gain	**322**	159
Total financial income	**6 209**	230

Financial expenses	2006	2005
Other financial expenses	**1 090**	1 155
Currency loss	**214**	99
Total financial expenses	**1 304**	1 254

NOTE 21 CORRECTION FOR PRIOR PERIOD ERRORS

In the annual accounts for 2006 life-long pension benefit to former CEO is incorporated. This obligation has not been incorporated in previous annual accounts.

The annual accounts for 2006 are affected by a decrease of share premium fund at 1 January 2005 of NOK 4 780 000, an increase of deferred tax asset of NOK 1 859 000 and an increase of the company's pension commitments of NOK 6 639 000 at the same date. The profit and loss account for 2005 is not affected.

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To the Annual Shareholders' Meeting of Kitron ASA

Auditor's report for 2006

We have audited the annual financial statements of Kitron ASA as of December 31, 2006, showing a loss of tNOK 4 480 for the parent company and a profit of tNOK 41 676 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 coverage of the loss. 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 statement 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 31,2006 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, 2006, 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 coverage of the loss are consistent with the financial statements and comply with the law and regulations.

Oslo, March 22, 2007
PricewaterhouseCoopers AS

Håvard S. Abrahamsen
State Authorised Public Accountant (Norway)

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

These principles clarify the division of roles between shareholders, board members and executive management, and help safeguard the interests of shareholders, employees and other stakeholders such as customers and suppliers. The primary motivation is the desire to create increased predictability and transparency, and thereby reduce uncertainties associated with the business.

CORPORATE GOVERNANCE

It is Kitron's intent to practice corporate governance in accordance with laws and regulations and recommendations by Oslo Børs under the "comply or explain" concept. The requirements are expanding and undergoing change. The instant review is based on the Norwegian code of practice for corporate governance dated 28 November 2006 ("the Code").

The board of Kitron has prepared and implemented ethical guidelines which reflect Kitron's basic corporate values.

BUSINESS

The company's business is stated as follows in its articles of association:

"Manufacturing activities, purchase and sale of shares and companies, development and sale of products in an international market, consultancy activities and all activities associated therewith."

The board will put forward a proposal for a change in the articles of association for consideration by the 2007 annual general meeting whereby the business will be stated more clearly.

Kitron's objectives and principal strategies are presented elsewhere in this annual report. It is the board's opinion that these objectives and strategies are within the scope of the present and the proposed statement of Kitron's business in the articles of association.

EQUITY AND DIVIDENDS

The company's total capital at 31 December 2006 amounted to NOK 629.0 million. Total equity at the same date was NOK 185.7 million, corresponding to an equity ratio of 19.4 per cent. Considering the nature and scope of Kitron's business, the board considers that the company has adequate equity, albeit less than desired. By profitable operations, the equity will increase.

Existing mandates are presented in the shareholder information section of this annual report. Future proposals by the board for mandates to increase the company's share capital and to purchase own shares will be drawn up according to the recommendations in the Code.

Provided that the company's equity and liquidity positions after any dividend payment remain adequate, Kitron ASA will pay a dividend corresponding to 30-50 per cent of net profit.

SHARES, EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The shares are freely negotiable. No form of restriction on negotiability is included in the articles of association. All Kitron shares have equal voting rights and there is only one class of share. No shares were issued and no transactions in own shares were carried out in 2006.

Kitron has established guidelines and control procedures through insider rules. Kitron's ethical guidelines instruct members of the board and the executive management to notify the board if they have any material direct or indirect interest in any transaction entered into by the company.

All transactions with close associates are disclosed in the notes to the financial statements. Kitron has a long-term continuing business relationship with Kongsberg Gruppen ASA, which is also a significant shareholder in Kitron. The business is 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. Notice of the meeting, the agenda and detailed and comprehensive supporting information on the resolutions to be considered, including the nomination committee's justified recommendations, are issued and distributed at least two weeks before a general meeting takes place. For administrative purposes, the shareholders must give notice of their intention to attend the meeting two working days before the meeting at the latest.

The general meeting deals with such matters as required by Norwegian law, including adoption of the annual financial statements and the directors' report. It also elects directors and the external auditor. The board keeps the general meeting informed about existing remuneration and incentive programmes. Shareholders who cannot attend the meeting in person can vote by proxy and voting instructions can be given on each matter on the agenda.

The general meetings are opened by the chairman of the board. Normally the board proposes that the chairman of the board shall also chair the general meetings. The board will propose an independent chairman for the general meeting if any of the matters to be considered calls for it.

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

NOMINATION COMMITTEE

The company has a nomination committee elected by the general meeting in 2006. The present committee has the following members, of which one is a board member:

Darius Janulevicius, chairman (until the 2008 AGM)
Kustaa Aima (until the 2008 AGM)
Arne Solberg (until the 2008 AGM)

The board will put forward a proposal for a change in the articles of association for consideration by the 2007 annual general meeting whereby the nomination committee will be laid down in the articles of association. Furthermore, the board will put forward a proposed mandate for the nomination committee for consideration by the 2007 annual general meeting, the future composition of the committee and its procedures shall be in accordance with the recommendations in the Code.

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The nomination committee, on which the largest shareholders are represented, proposes candidates for election to the board. Board members are elected for two-year terms.

According to the Code the chairman of the board should be elected by the general meeting. The chairman of the board of Kitron is elected by the board itself. Kitron considers this to be practical. Should the general meeting so wish, it can elect the chairman of the board separately.

The present board has the following shareholder-elected members:

Carl Espen Wollebekk, chairman (until the 2008 AGM)
Arne Solberg, deputy chairman (until the 2008 AGM)
Kjell E. Almskog (until the 2007 AGM)
Nerijus Dagilis (until the 2007 AGM)
Ian Hague (until the 2008 AGM)
Titas Sereika (until the 2007 AGM)

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. Three of the six shareholder-elected board members represent shareholders UAB Hermis Capital and Kongsberg Gruppen ASA, the company's principal shareholders. All the shareholder-elected directors are independent of the company management. Further information on the members of the board is presented in the annual report.

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 established an annual meeting plan for its work which includes meetings with a special focus on strategy and budgeting.

The board has not considered it necessary to perform a formal evaluation of its performance and expertise.

Kitron's board will serve as a constructive and qualified sparring partner for the management. One of its key duties is to define appropriate strategies for the company. It is important in this context that the board, in cooperation with the management, ensures that the necessary strategies are continuously developed and followed up, and that they are implemented. Kitron has defined performance parameters for the strategies adopted which enable the company to measure performance against specific success factors.

The board receives relevant financial reports on a monthly basis. The underlying data for these reports are prepared by each reporting unit. The information is checked, consolidated and processed by the group's corporate financial staff to produce the reports submitted to the board. Reporting also covers relevant operational matters. The group does not have a separate internal audit function. Controls on the accounts are exercised through various forms of division of labour, guidelines and approval routines. The corporate financial staff is responsible for establishing guidelines and principles. The group's financial transactions are handled by the corporate finance staff. Responsibility for the commercial content of significant procurement contracts rests with the corporate sourcing organisation.

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

To date, it has not been considered necessary to establish board committees due to the size of the board. If deemed necessary board committees may be established as appropriate.

RISK MANAGEMENT AND INTERNAL CONTROL

Kitron's business consists of operating contract manufacturing and development services for product owning companies who are outsourcing such services. There are no unusual or conspicuous risks beyond those which any light industry operation are exposed to.

Contract manufacturing of electronics 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 will be predictable and successful in their respective markets and secondly to make a just profit margin on our business. Kitron's customer portfolio consists of reputable companies operating in various segments. Several of our customers are world leaders in their respective fields. We believe the customer portfolio is robust and well balanced. The top 20 customers account for about 80 per cent of Kitron's revenue. Our value proposition to our customers contains flexibility, competence, quality, closeness and full value chain capability. While recognizing the continuous demand for improvement and cost efficiency, we consider these competitive advantages defendable and are confident that we shall maintain a viable, leading and adaptive business.

Kitron is organized in distinct manufacturing sites, each fully accountable for its own revenue stream and capital employment. The structure facilitates closeness between management and 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 parenting and coordination of the sites.

Kitron's current 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 internationally priced. Kitron's revenues are largely NOK and SEK, and also 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. In competitive terms, 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 shareholder's interests, the equity ratio should be in the range between 25 per cent and 40 per cent. Kitron's equity ratio was 19 per cent at the end of 2006. 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 instruments for hedging or leverage, or for funding. The company has enterd 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 our customers. In 2006, Kitron installed equipment and implemented procedures to comply with the EU directive for so-called 'lead-free electronics' for all products where the directive applies.

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

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration to is the board members shall reflect 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. No such special assignments have been carried out during 2006.

Information about each director's remuneration, including shares and subscription rights, is provided in the notes to the financial statements.

REMUNERATION OF SENIOR EXECUTIVES

Guidelines to the CEO for remuneration to senior executives have been resolved by the board. The guidelines are reported in a note to the financial statements.

The salary and other remuneration of the President and CEO shall be decided by a convened meeting by the board.

At present Kitron has no outstanding share option schemes or other arrangements to award shares to employees. Future share option schemes or arrangements to award shares shall be approved in advance by the general meeting. Proposals on share options schemes will be drawn up according to the recommendations in the Code.

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 includes performance-related cash bonus and cash bonus related to share price development. Details are provided in the notes to the financial statements.

INFORMATION AND COMMUNICATION

Kitron wants to maintain good communication with its shareholders and other stakeholders. This duty to inform 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 access to the same information.

All information distributed to the shareholders is published on Kitron's web site (www.kitron.com) at the same time as it sent to the shareholders. Furthermore, all stock exchange announcements are posted on Kitron's web site following publication in the Oslo Stock Exchange's company disclosure system (www.newsweb.no, ticker: KIT). Publicly presentations are held quarterly in connection with the interim reports. Kitron presents a financial calendar every year with dates for important events. The financial calendar is published in the Oslo Stock Exchange's company disclosure system and on Kitron's web site. Kitron's guidelines for reporting of financial and other information are presented in further details in the shareholder information the section in the annual report.

At the date of this report, the company has not yet established contingency plans for information management. Neither has Kitron established separate guidelines for the company's contact with shareholders, other than through the general meeting. Any dialog with shareholders outside the general meeting will take into account the requirement for equal treatment of shareholders and the insider information regulations.

TAKEOVERS

In the event of a take-over 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 issued a written confirmation that PWC continues to satisfy the requirements for independence. As part of the 2006 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. Kitron's accounting principles were discussed, as well as material estimated accounting figures and material accounting matters on which there has been a discussion between PwC and Kitron's management. A review of Kitron's internal control procedures was discussed in a meeting with the board.

If required by the board or by the auditor, they will hold meetings where neither the CEO nor any other members of the executive management are present. It was not considered necessary to arrange such a meeting during 2006 or until the date of this statement.

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 the company for the accounting year 2006. The fee paid for audit work and fees paid for other specific assignments are specified in the notes to the financial statements.

ARTICLES OF ASSOCIATION FOR KITRON ASA

(Latest update 21 November 2005)

§ 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 Bærum.

§ 3

The business of the company is manufacturing, purchase and sale of shares and companies, development and sale of products in an international market, consulting activities, and any activity related hereto.

§ 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 it 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

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.

SHAREHOLDER INFORMATION

SHARE CAPITAL

Kitron ASA has only one share class. Each share carries one vote at the company's general meeting. The shares are freely negotiable.

Kitron ASA's registered share capital at 31 December 2006 was NOK 172 961 625, divided between 172 961 625 shares with a nominal value of NOK 1.00 each. The time-weighted average number of shares used as a basis for calculating key figures was 172 961 625. The company had no outstanding options or subscription rights in 2006.

STOCK MARKET LISTING

The company's shares are listed on the Oslo Stock Exchange (ticker code: KIT).

Until 1 March 2006, Kitron had an agreement with DnB NOR Markets on a liquidity guarantee for the company's shares. Under the terms of the agreement, DnB NOR Markets set binding purchase and sales prices for the shares. Kitron also had a market-making agreement with Fondsfinans ASA. This has also now been terminated.

During 2006, the share price rose from NOK 2.92 to NOK 4.95, which corresponds to an increase of 69.5 percent. At the end of 2006, the company's market capitalisation was NOK 856.2 million. A total of 95.0 million shares were traded during the year, corresponding to a turnover rate of 0.55.

SHAREHOLDER STRUCTURE

At the end of 2006, Kitron had 3 395 shareholders, compared with 3 087 shareholders at the end of 2005. At the same time, the overall foreign shareholding was 56.4 percent. The Hermis Capital private equity fund is the company's largest shareholder and owned 39.97 percent of shares in Kitron ASA at the balance sheet date. Kongsberg Gruppen ASA is the second largest shareholder, and owned 19.3 percent of shares in Kitron ASA as at 31 December 2006. Kongsberg Gruppen is also one of the company's largest customers. The 20 largest shareholders collectively owned 86.7 percent of the company's shares at the end of the year.

AUTHORITIES

Increasing the share capital

The ordinary general meeting of 29 April 2005 authorised the board to increase the company's share capital by up to NOK 10 million by means of subscription to new shares through one or several private placements in favour of the group's key employees. The authority applies until 29 April 2007. The authority can be used for acquisitions pursuant to section 5-15 of the Norwegian Stock Exchange Act and section 4-17 of the Norwegian Act on Security Trading. The authority had not been exercised at 31 December 2006.

An extraordinary meeting on 18 November 2005 authorised the board to increase the company's share capital by up to NOK 16 million. Shareholders' pre-emptive rights can be excluded. The board was authorised to set the subscription price. The authority applies until 18 November 2007. In its meeting of 21 November 2005, Kitron's board resolved to implement a private placement of 15.6 million shares at a subscription price of NOK 2.90 per share. No other use has been made of this authority.

Own shares

The board is not authorised to undertake transactions in the company's own shares.

DIVIDEND POLICY

Kitron ASA will pay a dividend corresponding to between 30 and 50 percent of net profit for the year, provided the company's share capital and liquidity situation are acceptable.

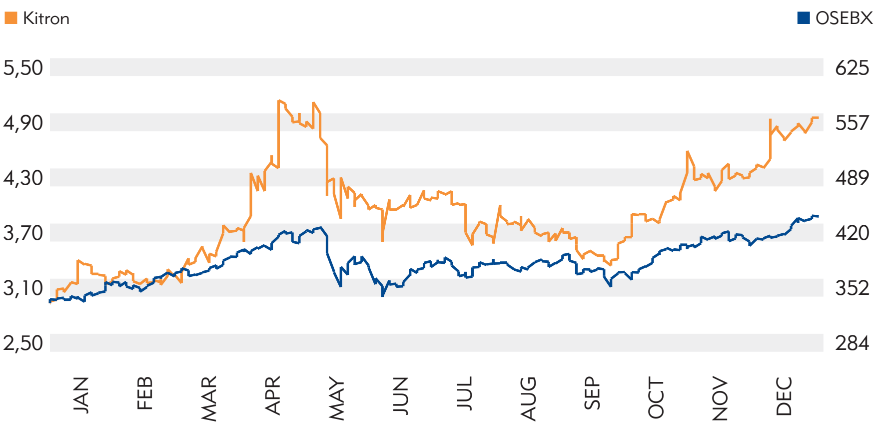
INFORMATION AND INVESTOR RELATIONS

Kitron wishes to maintain open communications with its shareholders and other stakeholders. The company's communication activities must help to ensure that Kitron's shareholders and other stakeholders are able to make a continuous assessment of the company and its prospects. Shareholders and other stakeholders in the financial market are kept informed by announcements to the Oslo Stock Exchange 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.

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

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

SHARE PRICE KITRON vs OSLO STOCK EXCHANGE – 2006



BOARD AND MANAGEMENT

BOARD

CARL ESPEN WOLLEBEKK

Chairman

Elected for the period 2006-2008

Mr. Carl Espen Wollebekk (born 1961) is an investor and businessman. He is also a board member of Ementor ASA and SuperOffice ASA. He was previously CFO of Tandberg Data ASA. Prior to that, he was CFO of Ementor ASA. He has a business degree from Copenhagen Business School and a Master of Business and Administration (MBA) degree from Schiller University in London. Mr. Carl Espen Wollebekk is a Norwegian citizen.

ARNE SOLBERG

Deputy chairman

Elected for the period 2006-2008

Mr. Arne Solberg (born 1953) is CFO in Kongsberg Gruppen ASA. Prior to this, he has held several administrative positions within finance and management at Elektrisk Bureau AS. He has a Bachelor of Commerce degree from the Norwegian School of Management, BI. At the end of 2006 Kongsberg Gruppen ASA controlled 33 439 153 shares in Kitron ASA. Mr. Arne Solberg is a Norwegian citizen.

NERIJUS DAGILIS

Board member

Elected for the period 2005-2007

Mr. Nerijus Dagilis (born 1974) is a board member and co-founder of UAB Hermis Capital. Earlier, he was a partner in the same firm. Mr. Nerijus Dagilis has a Master of Business and Administration (MBA) degree from the Central European University. At the end of 2006, UAB Hermis Capital controlled 69 134 583 shares in Kitron ASA. Mr. Nerijus Dagilis is a Lithuanian citizen.

TITAS SEREIKA

Board member

Elected for the period 2005-2007

Mr. Titas Sereika (born 1974) is board member and co-founder of UAB Hermis Capital. Earlier, he was a partner in the same firm. Mr. Titas Sereika has a bachelor of law degree from M. Romer Law University, and postgraduate studies in international business from Vilnius University, International Business School. At the end of 2006 UAB Hermis Capital controlled 69 134 583 shares in Kitron ASA. Mr. Titas Sereika is a Lithuanian citizen.

KJELL E. ALMSKOG

Board member

Elected for the period 2006-2008

Mr. Kjell E. Almskog (born 1941) is a business consultant. He is also board member of Kverneland ASA and Orkla ASA. He was earlier CEO in Kværner ASA. Prior to this he was deputy CEO in ABB. Mr. Almskog has a Master of Business and Administration (MBA) degree from the University of Kansas, USA. He has also studied the Advanced Management Program at Harvard University. Mr. Kjell E. Almskog is a Norwegian citizen.

IAN HAGUE

Board member

Elected for the period 2006-2008

Mr. Ian Hague (born 1961) is principal at Firebird Management. Prior to this he has been a fund manager, and worked at the UN secretariat. Mr. Ian Hague has a Master of Science (MSc) degree in international studies from Monterey Institute. Firebird Management is a partner in a joint venture, which controls 23 672 000 shares in Kitron ASA. Mr. Ian Hague is an American citizen.

LIV E. JOHANSEN

Board member elected by the employees

Elected for the period 2005-2007

Mrs. Liv E. Johansen (born 1953) is a production worker in Kitron AS. Before this, she was a test operator, also with Kitron AS. Mrs. Johansen has a Craft certificate in electronics manufacturing. Mrs. Liv E. Johansen is a Norwegian citizen.

PREBEN JENSEN

Board member elected by the employees

Elected for the period 2005-2007

Mr. Preben Jensen (born 1969) is business area managerin Kitron AS. Before this, he was account manager, also with Kitron AS. Mr. Jensen is an electrical engineer from the University College in Agder. Mr. Preben Jensen is a Norwegian citizen.

LEIF HENRIKSEN

Board member elected by the employees

Elected for the period 2005-2007

Mr. Leif Henriksen (born 1953) is IT manager at Kitron AS, Development. Prior to this, he was a self-employed consultant. Mr. Leif Henriksen is a graduate from the Norwegian School of Management; BI. Mr. Leif Henriksen is a Norwegian citizen.

TRYGVE STØRSETH

Observer elected by the employees

Elected for the period 2005-2007

Mr. Trygve Størseth (born 1949) is a quality assurance manager at Kitron Microelectronics AS. Mr. Trygve Størseth is a radar engineer educated from the Norwegian Air Force. Mr. Trygve Sørseth is a Norwegian citizen.

MANAGEMENT

JØRGEN BREDESEN

CEO

Mr. Jørgen Bredesen (born 1956) is CEO of the Kitron Group. Prior to this he was CEO of Birdstep Technology ASA. Mr. Jørgen Bredesen has more than 20 years of international senior management experience from Motorola, Philips, Tandberg Television and Birdstep Technology. At the end of 2006 Mr. Jørgen Bredesen held 50,000 shares in Kitron ASA. Mr. Jørgen Bredesen is a Norwegian citizen.

ERLING SVELA

CFO

Mr. Erling Svela (born 1958) is CFO of the Kitron Group. Before this he was CFO of Opticom ASA, and earlier he was Vice President & Group Controller in Elkem ASA. Mr. Svela has a Master of Business and Administration (MBA) degree from Henley Management College, and a Master of Science (MSc) from the Agricultural University of Norway. Mr. Erling Svela is a Norwegian citizen.

JAN SIGVARTSEN

President Kitron AS

Mr. Jan Sigvartsen (born 1960) is president of Kitron AS. Before this he was Managing Direcor in Impact Europe as, and earlier he was CEO in Heliogruppen as. He has a Master of Business and Economics (MBE) degree from the Norwegian School of Management; BI. At the end of 2006 Mr. Jan Sigvartsen controlled 110,000 shares in Kitron ASA. Mr. Jan Sigvartsen is a Norwegian citizen.

JAN LIHOLT

Business Development Director

Mr. Jan Liholt (born 1960) is Business DevelopmentDirector for the Kitron Group. Prior to this he has been President of Kitron Sourcing AS, Managing Director of Kitron AB and General Manager of Nera Electronics. He has a Bachelor of Science (BSc) degree. At the end of 2006 Mr. Jan Liholt held 87,660 shares in Kitron ASA. Mr. Jan Liholt is a Norwegian citizen.

LEIF T. SMEDÅS

President Kitron Microelectronics

Mr. Leif T. Smedås (born 1958) is President of Kitron Microelectronics. He has a Bachelor of Science (BSc) in Electronics. At the end of 2006 Mr. Smedås held 52,788 shares in Kitron ASA. Mr. Leif T. Smedås is a Norwegian citizen.

ALMANTE MEDIZIAUSIENE

President UAB Kitron

Mrs. Almante Mediziausiene (born 1961) is President of UAB Kitron. Prior to this she was Deputy Managing Director of UAB Kitron, and earlier she was Managing Director of UAB Audiocom. Mrs. Almante Mediziausiene has a Doctorate in Technical Science and has served as Associate Professor at Kaunas University of Technology. Mrs. Almante Mediziausiene is a Lithuanian citizen.

GARD ELIASSEN

President Kitron Sourcing AS

Mr. Gard Eliassen (born 1960) is President of Kitron Sourcing AS. Before this he was Sourcing Manager of GE Vingmed ASMr. Gard Eliassen is a Norwegian citizen.

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