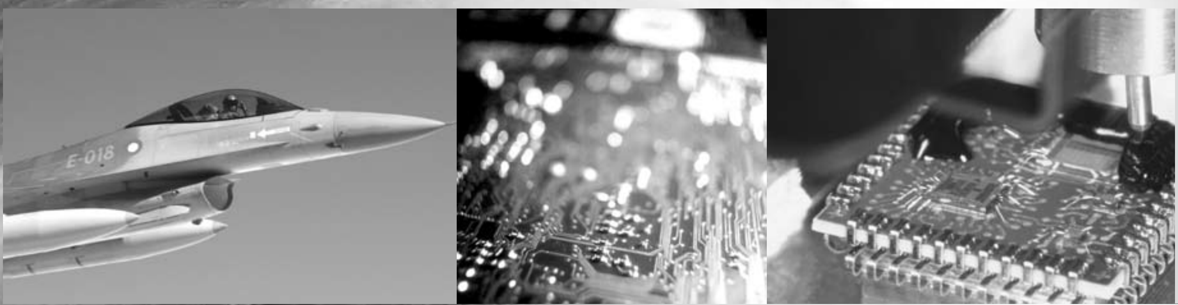
Kitron

Annual report 2007



CONTENTS

VISION AND VALUES

Our solutions lead to success for the customers of Kitron, which are often market leaders of their segments. Kitron contributes to make the customers keep market positions and to develop their business.

Kitron's values reliability, creativity, positivity and involvment are important instruments to achieve the vision.

STRATEGIC INTENT

Organic growth

Growth enables propulsion and dynamics facilitating continuously enhanced competitiveness by improvement and renewal of competency, processes and equipment. Kitron expects to be able to grow its revenue by about ten per cent annually in the next few years. Kitron seeks to expand its manufacturing capacity in countries with competitive cost level to serve the increasing demand from its customers.

Serving markets valuing Kitron's core competencies

Kitron's main markets are Norway and Sweden but most customers sell their products on the international markets. Kitron manufactures both electronics which are embedded in the customers' own product, and provides box build electronic products as well as high-level assembly of electromechanical products for its customers. Customers typically provide equipment or systems for professional or industrial use, and Kitron is a typical high mix low volume Electronic Manufactoring Services company.

Build organisational capacity for growth and adaption

The deliveries to customers are provided by Kitron's staff and manufacturing facilities supported by information systems. The organisation's competitive power is improved by leverage on the company's core values, by enhancing productivity, quality, adaptivity and attention to profit. Kitron invests in upgrades and replacement of the manufacturing facilities and optimal information systems to provide its staff the best tools to succeed.

KITRON IN BRIEF

Kitron is one of Scandinavia's leading companies within the development, industrialisation and production of tailored electronics manufactured for incorporation in customers' products, as well as finished products that contain electronic components. The company's ability to deliver and delivery quality, together with competitive prices, all contribute to customer success.

ABILITY TO DELIVER AND ACCURACY OF DELIVERY

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. Experience, qualifications, and high levels of flexibility charecterise Kitron.

A total staff of 1 406 are employed in Kitron's development and manufacturing business at five 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 – Electronic Manufacturing Services, (EMS) and Microelectronics, and the company focuses primarily on the Data/Telecom, Defense/Marine, Medical equipment and Industry market segments.

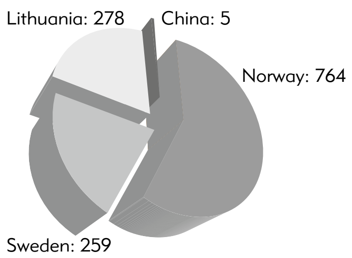
FLEXIBLE TURNKEY SUPPLIER

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 lifespan. Kitron endeavours to achieve as near seamless an integration as possible with customers and suppliers.

Kitron is working to further enhance its competitiveness by expanding its range of services in those parts of the value chain that demand high 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 Børs in the OB Match segment.

EMPLOYEES at 31 December 2007
GEOGRAPHIC DISTRIBUTION



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, most notably 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 acquired UAB Kitron in Lithuania in 2001 and UAB Kitron Elsis in Lithuania in 2007.

BUSINESS AREAS

Kitron is organised as a group with shared 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.

ELECTRONIC MANUFACTURING SERVICES (EMS)

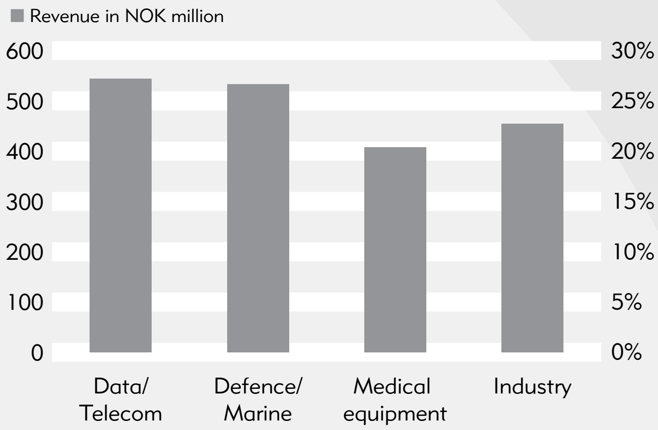
Kitron's services for contract electronics manufacturing account for about 85 per cent of the group's sales. The subsidiaries Kitron AB, Kitron AS and UAB Kitron are included in this business area.

The services include more than manufacturing. 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, box-build, 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.

Kitron Development which is part of the EMS businesses in Norway and Sweden, provides services related to development, design, prototyping, industrialisation, component technology and durability testing.

REVENUE PER SEGMENT IN 2007



MICROELECTRONICS

The Microelectronics business area, represented by Kitron Microelectronics AS and Kitron Microelectronics AB, accounts for about 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 defense 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 manufacturing 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 generally yields better profitability than EMS.

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

The business areas Electronic Manufacturing Services (EMS) and Microelectronics serve the market segments Data/Telecom, Defense/Marine, Medical equipment and Industry, where each of the segments represent about one quarter of the group's total revenue.

Board of directors' report 2007:
BEST RESULT EVER

The profit before tax in 2007 was NOK 63.4 million which is the best result since the group was established. Revenue grew 14.4 per cent to NOK 1 937.8 million. Electronic Manufacturing Services (EMS) is a competitive business sector and further profit improvement must be achieved by continuous productivity increase, extended degree of value based pricing, sourcing improvement and capital effciency. Kitron commenced programmes in all these areas in 2007.

BUSINESS

Kitron's business concept is to offer services within development, design, industrialisation and electronics manufacturing for industrial customers. The business sector is usually labelled EMS. The head office is located at Asker near Oslo, Norway. The company has operations in Norway, Sweden and Lithuania. All the units employ highly qualified staff and all manufacturing has been certified in accordance with international quality standards for the applicable manufacturing.

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 manufacturing 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. The business area may be considered a specialty within EMS.

MARKET SEGMENTS

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

Data/Telecom

Revenue in the Data/Telecom segment grew by 29.2 per cent to NOK 543.6 million in 2007 (NOK 420.8 million). This represented 28.1 per cent of the group's revenue (24.8 per cent). The segment grows strongly.

Defence/Marine

The Defence/Marine segment revenue also grew significantly in 2007 and the revenue increased to NOK 533.1 million which was 23.6 per cent more than the revenue in 2006 (NOK 431.2 million). The segment amounted to 27.5 per cent (25.5 per cent) of the group's total revenues. Business volume is expected to grow also in 2008, in particular in Norway.

Medical equipment

Revenue in the Medical equipment segment was about unchanged at NOK 407.5 million in 2007 (NOK 413.3 million), corresponding to 21.0 per cent of the group's revenue (24.4 per cent). Order inflow improved in the fourth quarter of 2007, suggesting reasonable revenue growth in the market segment in 2008.

Industry

The Industry segment revenue grew 5.9 per cent to NOK 453.5 million (NOK 428.2 million). The segment amounted to 23.4 per cent of the group's revenue (25.3 per cent). The segment is highly competitive and price sensitive, but Kitron consider it is well positioned to increase its market share in this segment during the next few years.

IMPORTANT EVENTS IN 2007

High activity levels

All of Kitron's business units experienced generally high levels of activity throughout 2007. This situation is expected to continue in 2008 at a somewhat lower growth rate. Investments has been done to expand manufacturing capacity to serve the increase in order inflow.

Successful acquisition and integration

Kitron acquired in June 2007 a business unit with about 40 employees in Kaunas, Lithuania. The business, UAB Kitron Elsis, is now a part of UAB Kitron. The purpose of the acquisition was to expand the manufacturing capacity for Kitron's customers. Kitron has invested in additional machine capacity and increased the manning and the operation has been integrated in the group from 1 September 2007. Kitron Elsis reported a profit before tax in 2007.

Other adaptions

Capacity adjustment in Kitron Development Sweden which is part of Kitron AB, was completed during 2007. At the end of the year Kitron Development Sweden had a solid order backlog and the business reported an operating profit. The manufacturing activity in Kitron Flen AB in Sweden was discontinued during the second half of 2007. In cooperation with the customers involved the major part of the revenue was transferred to Kitron

Microelectronics AB in Jönköping, Sweden and Kitron AB in Karlskoga. Kitron expects increased revenue and sound profitability in the relocated business. The board of directors appreciates the efforts, loyalty and flexibility demonstrated by the involved employees during a demanding period.

New factory resolved

In order to offer additional manufacturing capacity to existing and new customers the board has resolved to establish a new factory in a rented facility in Kaunas, Lithuania. The size of the factory is planned in the region of 10 000 square metres and the revenue may amount to about NOK 500 million. Kitron conducts negotiations with property developers and finance institutions in this matter.

FINANCIAL STATEMENTS

The board believes that the annual accounts provide a true and fair view of Kitron ASA's and the group's net assets, financial position and result for the year. The group's annual accounts is presented according to International Financial Reporting Standards (IFRS)

Profit and loss

Operating revenue for 2007 amounted to NOK 1 937.8 million compared to NOK 1 693.6 million in 2006, which represents an increase of 14.4 per cent. The increase in revenue is mainly related to existing customers, but several new customers representing significant growth potential were added in the year. EMS grew slightly stronger than Microelectronics.

The order intake in 2007 amounted to NOK 1 893 million compared to NOK 1 872 million in 2006. Kitron counts firm orders and four months customer forecasts into the order backlog while frame agreements and similar are not included. At the end of 2007 the group's order backlog amounted to NOK 914 million, compared to NOK 959 million at the end of 2006. There is currently a better balance of order intake and manufacturing capacity. It is a prerequisite to have available manufacturing capacity in order to win new orders, particularly from new customers.

The gross margin for 2007 was 38.3 per cent, down from 40.0 per cent in 2006. Gross margins were generally stable per product category and the overall reduction was caused by less growth in the businesses with the higher gross margins. Kitron aims to maintain or improve the gross margin via a series of strategic initiatives in the group's sourcing function in both Kitron Sourcing AS and in the factories, as well as by implementing ongoing productivity improvements.

The number of man-years increased by 4.6 per cent from 1 279 at the end of 2006 to 1 338 at the end of 2007. The group's payroll expenses grew slightly more, from NOK 466.0 million in 2006 to NOK 496.2 million in 2007. It is particularly in Lithuania and in Kitron Microelectronics that manning has been increased to handle the increased activity levels, while the manning has been reduced in Kitron Development Sweden. Payroll expenses per NOK of revenue has been improved from NOK 0.275 in 2006 to NOK 0.256 in 2007.

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

The group's net financial cost increased from NOK 19.0 million in 2006 to NOK 21.0 million in 2007. Net interest cost was lower in 2007 than the preceding year, while other financial items increased. Currency gains and losses amounted to a net loss of NOK 0.4 million.

Kitron's profit before tax amounted to NOK 63.4 million in 2007 compared to 45.4 million in 2006. The group's tax expense in 2006 was NOK 3.8 million while the increase in deferred tax benefit in 2007 resulted in a net credit of tax costs amounting to NOK 1.0 million. The businesses in Norway and Sweden have significant tax loss carryforwards. Kitron has not recognised a deferred tax asset related to tax loss carryforwards.

The group's net profit for the year amounted to NOK 64.4 million (NOK 41.7 million). This corresponds to earnings per share of NOK 0.37 (NOK 0.24). Diluted earnings per share were the same as basic earnings per share.

Cash flow

The cash flow from operating activities was NOK 78.5 million in 2007 (NOK 9.6 million). In addition to positive result, the reduction of inventory has released liquidity which has partly been used to settle accounts payable.

The net cash flow from investing activities in 2007 amounted to NOK -57.2 million (NOK -45.4 million). The majority of the investments are upgrades and replacements of machinery and equipment and the acquisition of UAB Kitron Elsis.

The net cash flow from financing activities amounted to NOK 1.7 million (NOK –11.8 million). Kitron normally enter into financial lease agreements for investments which are suitable for leasing. The leasing obligation is recognised as debt. Because the volume of investments exceed the previous years, the new loans exceeded the repayments.

Balance sheet and liquidity

Total assets at 31 December 2007 amounted to NOK 1 000.1 (NOK 957.5 million). At the same time equity amounted to NOK 247.0 million (NOK

185.7 million) and the equity ratio was 24.7 per cent (19.1 per cent). Even if goodwill and deferred tax asset were derecognised, the equity ratio was 20.7 per cent.

Inventories were reduced by NOK 16.6 million during 2007 and amounted to NOK 266.3 million at the end of the year (NOK 282.9 million). Inventory turns increased from 6.0 to 7.3 even though the combination of strong growth, high capacity utilization and high inventory turns in an EMS business is a demanding task. Accounts receivables amounted to NOK 387.0 million at the end of 2007 (NOK 365,3 million). The nominal and effective days of sales outstanding are virtually the same.

At 31 December 2007 the group's interest-bearing debt was NOK 381.6 million (NOK 355.4 million). The debt is mainly related to factoring, bank overdraft and financial leasing.

Cash and cash equivalents amounted to NOK 119.9 million at the balance sheet date (NOK 98.3 million). NOK 19.8 million of this amount were restricted deposits (NOK 18.9 million). The group's liquidity situation is satisfactory.

Going concern

There have been no events to date in 2008 that affect the result for 2007 or valuation of the company's assets and liabilities at the balance sheet date. The board confirms that the conditions for the going concern assumption have been satisfied and that the financial statements for 2007 have been prepared on the basis of this assumption.

NET PROFIT (LOSS) OF THE PARENT COMPANY

Kitron ASA recorded a net profit of NOK 579 000 in 2007. The board proposes that the profit of the year will be allocated to other equity. No dividend is proposed for 2007.

FINANCIAL MARKET RISK

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

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

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

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

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

The board considers the group's liquidity satisfactory. However, a very small share of the external capital is long-term. This has not restricted the company's development or business opportunities in 2007.

HEALTH, SAFETY AND ENVIRONMENT

At the end of 2007 the group employed a total of 1 406 persons working 1 338 full-time equivalents. The figures include temporary employees and have not been reduced for sickness leave. The board would like to thank all employees for the commitment, flexibility and quality-awareness demonstrated in the manufacturing operations and also the reorganisations. The expertise and productivity of the employees represent a major asset and competitive advantage for Kitron.

There were no serious work-related accidents or injuries among employees in 2007. Sickness leave in Kitron increased slightly from 5.1 per cent in 2006 to 5.6 per cent in 2007. To help create a better working environment and reduce sickness leave, Kitron's Norwegian factories have entered into inclusive workplace agreements (IA) with the employees. This work related to the agreement will continue in the future. The board considers that the working environment is good and special measures in this regard have not been deemed necessary.

Kitron does not pollute the external

environment to any notable extent. Several of the group's production units are certified in accordance with the NS ISO 14000 series of environmental management standards.

EQUAL OPPORTUNITIES

Kitron's basic view is that people with different background, irrespective of ethnic background, gender, religion or age should have the same opportunities for work and career development at Kitron. The company's manufacturing factories have traditionally employed a higher proportion of women. Women contributed 49.3 per cent of total full time equivalents in Kitron in 2007, and accounted for 55.7 per cent of 985 full-time equivalent employees that worked directly in manufacturing, and 30.6 per cent of 353 full-time equivalent employees in indirect functions.

The average pay of women working directly in manufacturing in the Norwegian and Swedish companies was approximately 86 per cent of the average pay for men. A large share of the employees in these categories are union members, whose pay is set on the basis of collective wage agreements. The collective wage rates are linked to skills and service years. The collective wage rates can vary between the various subsidiaries, but not on the basis of gender.

Indirect functions include management employees, staff and other support functions. The employees in corporate and company management teams are predominantly male. No gender-based differences exist with regard to working hour regulations or the design of workplaces.

The composition of the board complies with the requirements in the Norwegian public limited companies act regarding gender balance.

CORPORATE GOVERNANCE

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

OUTLOOK

Kitron's main markets are Norway and Sweden, but most customers sell their products on the international markets. Kitron also has manufacturing operations in Lithuania. Machinery upgrade investments in all sites during 2007 and the addition of the Kitron Elsis facility in Kaunas, Lithuania in September 2007 have enabled capacity increases to meet the order volume. The negotiations with possible property developers for the resolved construction of a new facility in Kaunas have lasted longer than expected and have not yet been completed. New orders under agreements in the Defence/Marine segment provide for an expansion by another 1 700 square meters at an assembly site near Kaunas, Lithuania. The expansion will be operational in the second quarter 2008.

Kitron operates at virtually full capacity, and seeks to increase the capacity in order to improve productivity and to serve customers' requests. Machinery upgrade investments will continue at the same level as in 2007. At the beginning of 2008, Kitron expects a growth for the year in line with the strategic ambition of about 10 per cent annual growth.

The EMS industry has reported low profitability for several years, and this remains a feature of Kitron's results. The growth period which started in 2006 is expected to last several years. Experience shows that Kitron's manufacturing activity and revenue vary between quarters. This must be expected to occur also in 2008. The board expects Kitron to make a profit for 2008 as a whole. However, the board also emphasises that every assessment of future conditions necessarily involves an element of uncertainty. The unrest in the financial markets at the start of 2008 may indicate that the future market situation could become more challenging.

Oslo, 13 March 2008

Nerijus Dagilis
Chairman

Arne Solberg
Deputy chairman

Elena Antimova

Gun Lisbeth Gustafsson

Liv Johansen
Employee elected board member

Ståle Kroken
Employee elected board member

Titas Sereika

Geir Vedøy
Employee elected board member

Jørgen Bredesen
CEO

CONSOLIDATED PROFIT AND LOSS STATEMENT

(Amounts in NOK 1000)	Note	2007	2006	2005
Revenue				
Sales revenues	6	**1 937 780**	1 693 559	1 576 341
Operating costs				
Cost of materials		**1 195 561**	1 015 739	945 342
Payroll expenses	8, 9	**496 199**	466 043	475 273
Depreciation and impairments	10,11	**32 553**	29 387	38 675
Other operating expenses		**129 028**	117 942	151 410
Total operating costs		**1 853 341**	1 629 111	1 610 700
Operating profit/(loss)		**84 439**	64 448	(34 359)
Financial income and expenses				
Net financial items	21	**(20 990)**	(19 009)	(23 854)
Profit/(loss) before tax		**63 449**	45 439	(58 213)
Tax	16	**(985)**	3 763	726
Net profit/(loss)		**64 434**	41 676	(58 939)
Allocation				
Shareholders		**64 434**	41 676	(58 939)
Minority share				

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

(NOK per share)	2007	2006	2005
Earnings per share	**0.37**	0.24	(0.39)
Diluted earnings per share	**0.37**	0.24	(0.39)

CONSOLIDATED BALANCE SHEET
at 31 December

(Amounts in NOK 1000)	Note	2007	2006
ASSETS			
Fixed assets			
Goodwill	11	**25 514**	19 123
Tangible fixed assets	10	**144 345**	123 523
Investment in shares	18	**37**	41
Deferred tax assets	17	**25 000**	20 000
Other receivables	12	**1 900**	2 920
Total fixed assets		**196 795**	165 607
Current assets			
Inventory	7	**266 257**	282 891
Accounts receivable and other receivables	12, 19	**417 205**	410 768
Cash and cash equivalents	23	**119 866**	98 264
Total current assets		**803 328**	791 923
Total assets		**1 000 123**	957 530

(Amounts in NOK 1000)	Note	2007	2006
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		**(6 796)**	(3 660)
Retained earnings		**(375 227)**	(439 661)
Total equity		**246 997**	185 699
LIABILITIES			
Long-term liabilities			
Loans	14, 22	**34 246**	31 011
Pension commitments	9	**21 938**	23 007
Other provisions	15		7 160
Total long-term liabilities		**56 184**	61 178
Current liabilities			
Accounts payable and other current liabilities	13, 19	**344 464**	379 379
Tax payable	16	**4 059**	4 242
Loans	14, 22	**347 399**	324 399
Other provisions	15	**1 021**	2 633
Total current liabilities		**696 942**	710 653
Total liabilities		**753 126**	771 831
Total liabilities and equity		**1 000 123**	957 530

Oslo, 13 March 2008

Nerijus Dagilis
Chairman

Arne Solberg
Deputy chairman

Elena Anfimova

Gun Lisbeth Gustafsson

Liv Johansen
Employee elected board member

Ståle Kroken
Employee elected board member

Titas Sereika

Geir Vedøy
Employee elected board member

Jørgen Bredesen
CEO

CHANGES IN CONSOLIDATED EQUITY

(Amounts in NOK 1000)	Allocated to shareholders: Share capital and share premium reserve	Other equity unrecognised	Retained earnings	Minority interests	**Total**
Equity at 1 January 2006	629 020	(3 204)	(481 337)	-	**144 479**
Conversion differencies	-	3 863	-	-	**3 863**
Net profit	-	-	41 676	-	**41 676**
Repayment of shareholders contribution	-	(4 319)	-	-	**(4 319)**
Equity at 31 December 2006	629 020	(3 660)	(439 661)	-	**185 699**
Equity at 1 January 2007	629 020	(3 660)	(439 661)	-	**185 699**
				-	
Conversion differencies	-	(3 136)	-	-	**(3 136)**
Net profit	-	-	64 434	-	**64 434**
Equity at 31 December 2007	629 020	(6 796)	(375 227)	-	**246 997**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1000)	Note	**2007**	2006
Cash flow from operational activities			
Cash flow from operations	29	**92 063**	26 213
Interest received		**4 011**	641
Interest paid		**(15 646)**	(14 521)
Taxes		**(1 966)**	(2 050)
Net cash flow from operational activities		**78 462**	9 642
Cash flow from investment activities			
Aquisition of subsidiaries	5	**(8 056)**	(4 954)
Aquisition of tangible fixed assets	10	**(49 122)**	(40 462)
Net cash flow from investment activities		**(57 178)**	(45 416)
Cash flow from financing activities			
Proceeds from issuing ordinary shares			
Proceeds from new loans		**8 284**	2 185
Repayment of loans		**(6 610)**	(14 012)
Payment to minority interests			
Net cash flow from financing activities		**1 674**	(11 827)
Change in cash and bank credit		**22 958**	(47 601)
Cash and bank credit at 1 January		**5 206**	52 807
Cash and bank credit at 31 December	23	**28 164**	5 206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Kitron ASA and its subsidiaries (the group) comprise one of Scandinavia's leading enterprises in the development, industrialisation and manufacturing of electronics for the data/telecom, defence/marine, medical equipment and industry segments. The group has operations in Norway, Sweden 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 13 March 2008.

NOTE 2 SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING PRINCIPLES

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

BASIC PRINCIPLES

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

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

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

Standards, amendments and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures'. The standard does not have any impact on the classification and valuation of the group's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not the fall within the scope of IFRS 2. This standard does not have any impact on the group's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial asset carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the group's financial statements.

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

The following standards, amendments and interpretations of existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods, but the group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The group will apply IAS 23 (Amendment) from 1 January 2009, but is currently not applicable to the group as there are now no qualifying assets.
- IFRS 8 'Operating segments' (effective from 1 January 2009). The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009. The expected impacts is being assessed, but it appears likely that the number of reportable segments, as well as the manner the segments are reported, will not materially change. Management does not anticipate that this will result in any material impairment to the goodwill balance.

CONSOLIDATION PRINCIPLES

Subsidiaries

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

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

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

Transactions and minority interests

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

Associated companies
The group has no joint ventures or associated companies.

SEGMENT REPORTING

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

TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currencies

The accounts of the individual units are compiled in the principal currency used in the economic area in which the unit operates (the functional currency). The consolidated accounts are presented in NOK, which is both the functional and the presentation currency for the parent company.

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

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

- The balance sheet is translated at the closing exchange rate on the balance sheet date
- The profit and loss statement is translated at the average exchange rate
- Translation differences are recognised directly in equity and specified separately

FIXED ASSETS

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

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

Land is not depreciated.

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

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

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

Assets considered to have an indefinite useful life and which are not depreciated are tested annually for possible impairment. Fixed assets subject to depreciation are tested for impairment when conditions arise which indicate a fall in value. An 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 (cashgenerating units). At each reporting date, an assessment is made of the opportunity for reversing earlier impairment charges on fixed assets.

GOODWILL

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

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

FINANCIAL ASSETS

The group classifies 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 2006 and 2007 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 receivables are credit-insured as part of the company's factoring arrangement.

CASH AND CASH EQUIVALENTS

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

SHARE CAPITAL

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

LOANS

Loans are recognised 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 financial statements. If, however, deferred tax arises when initially recognising a liability or asset in a transaction which is not the integration of a business and which at the transaction date has no effect on the profit and loss statement or on tax, it is not recognised. Deferred tax is determined using tax rates and laws which have been substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

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

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

PENSION COMMITMENTS, BONUS SCHEMES AND OTHER COMPENSATION FOR EMPLOYEES

Pension commitments

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

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

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

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

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

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

Share-based compensation

The fair value of share options granted is assessed at the granting date and expensed over the 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 with any changes in fair value recognised in profit or loss for the period.

Bonus schemes

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

Severance pay

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

PROVISIONS

The group makes provisions when a legal or constructive obligation exists as a result of past events, it is more likely than not that an transfer of financial resources will be required to settle the obligation, and the amount of the obligation can be estimated with a sufficient degree of reliability. Provisions relate primarily to restructuring costs. Obligations falling due more than 12 months after the balance sheet date is discounted to present value.

GOVERNMENT GRANTS

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

REVENUE RECOGNITION

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

Sales of goods

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

Sales of services

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

Interest income

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

LEASING

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

DIVIDEND PAYMENTS

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

NOTE 3 FINANCIAL RISK

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

MARKET RISK

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

At 31 December, if the currency had weakened/strengthened by 1.0 per cent against the US dollar with all variables held constant, post –tax profit for the year would have been NOK 0.3 million (2006: NOK 0.6 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits, trade receivables and debt.

At 31 December, if the currency had weakened/strengthened by 1.0 per cent against the EURO with all variables held constant, post –tax profit for the year would have been NOK 0.1 million (2006: NOK 0.2 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EURO denominated bank deposits, trade receivables and debt.

Price risk: The company is exposed to price risk both because raw materials follow international market prices for electronic and mechanical components and because the company's goods and services are subject to price pressures. Routines have been established for procurement by the company's own sourcing organisation, which negotiates group contracts. The sourcing function allows Kitron to achieve improved material prices

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 accounts receivable which 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

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

Interest on the group's interest-bearing debt is charged at the relevant market rate prevailing at any given time (three months interbank offered rate – Nibor , Stibor, Libor or Vilibor as the case may be – plus the agreed interest margin). There will not occur any gain/loss on the balance sheet amounts in case interest rates are increased or lowered. At 31 December 2007, if interest rate on NOK borrowings had been 1.0 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 1.5 million (2006: NOK 1.4 million) lower/higher, mainly as a result of higher/lower interst expense on floating rate borrowings. At 31 December 2007, if interest rate on borrowings in foreign currency had been 1.0 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 1.2 million (2006: NOK 1.2 million) lower/higher. External financing for the group's operational companies takes place in the functional currency. No interest rate instruments have been established in the group. The company does not have significant interest-bearing assets, so that its income and cash flow from operational activities are not significantly exposed to changes in the market interest rate.

NOTE 4 IMPORTANT ACCOUNTING ESTIMATES AND DISCRETIONARY ASSESSMENTS

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

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

Estimated value of goodwill

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

Deferred tax assets

The group performs annual tests for impairment of deferred tax assets. Part of the basis for recognising deferred tax assets is based on applying the loss carried forward against future taxable income in the group. This requires the use of estimates for calculating future taxable income. A 10 per cent reduction in future taxable income in the group would not have generated an additional impairment charge for deferred tax assets.

NOTE 5 BUSINESS COMBINATIONS

(Amounts in NOK 1000)

On 1 September 2007, the group acquired 100 per cent of the share capital of EDC Elsis UAB, an EMS company operating in Lithuania. The company has changed name to UAB Kitron Elsis. UAB Kitron Elsis contributed revenues of NOK 5.8 million and net profit of NOK 0.7 million for the period from 1 September to 31 December 2007. If the acquisition had occured on 1 January 2007, the business would have contributed with revenue on NOK 11.5 million and net profit of NOK 0.2 million, using the group's accounting policies.

Details of net assets and goodwill are as follows:

Purchase consideration	
- Cash paid	7 827
- Direct cost relating to the acquisition	765
Total purchase consideration	8 592
Fair value of net assets acquired	(2 201)
Goodwill (note11)	6 391

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the group's acquisition of EDC Elsis UAB.

The assets and liabilities as of 1 September 2007 arising from the acquisition are as follows:	Fair value	Acquiree's carrying amount
Cash and cash equivalents	536	536
Tangible fixed assets	4 457	4 457
Inventory	1 941	1 941
Accounts receivable and other receivables	1 672	1 672
Accounts payables and other current liabilities	(4 379)	(4 379)
Loans (long term)	(2 026)	(2 026)
Net assets acquired	2 201	2 201
Purchase consideration settled in cash		8 592
Cash and cash equivalents in the subsidiary acquired		(536)
Cash outflow on acquisition		8 056

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 Manufactering Services			Kitron Microelectronics			Other and eliminations		
(Amounts in NOK 1000)	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Revenues	**1 616 044**	1 413 762	1 410 048	**326 506**	289 984	195 464	**(4 770)**	(10 187)	(29 171)
Other operating costs	**1 519 696**	1 346 536	1 415 006	**303 520**	260 623	182 246	**(2 428)**	(7 435)	(25 227)
Depreciation and impairment	**23 752**	20 932	30 343	**6 526**	5 469	4 089	**2 275**	2 986	4 243
Operating profit/(loss)	**72 596**	46 294	(35 301)	**16 460**	23 892	9 129	**(4 617)**	(5 738)	(8 187)
Assets	**828 288**	833 855	569 004	**168 609**	141 673	89 693	**3 226**	(17 998)	(6 174)
Liabilities	**645 119**	698 223	464 337	**123 734**	103 911	74 382	**(15 727)**	(30 303)	(37 314)
Investment	**39 506**	30 020	17 783	**8 577**	9 111	12 156	**5 024**	585	745

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)	2007	2006	2005
Data/Telecom	**543 608**	420 778	422 361
Defence/marine	**533 085**	431 232	450 315
Medical equipment	**407 548**	413 327	344 410
Industry	**453 539**	428 222	359 255
Total sales revenues	**1 937 780**	1 693 559	1 576 341

SECONDARY REPORTING FORMAT - GEOGRAPHICAL AREA
Geographical breakdown of assets and investments

(Amounts in NOK 1000)	2007	2006	2005
Norway	**944 697**	760 270	819 015
Sweden	**824 344**	776 965	624 157
Rest of Europe	**89 390**	59 937	56 702
USA	**20 573**	35 125	14 544
Other	**58 776**	61 262	61 923
Total	**1 937 780**	1 693 559	1 576 341

Geographical breakdown of assets and investments

(Amounts in NOK 1000)	Norway			Sweden			Lithuania			China		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Assets	**607 786**	692 649	440 910	**216 280**	217 988	156 956	**175 742**	142 062	69 330	**315**	-	-
Investments	**32 878**	24 472	27 283	**3 223**	5 346	1 650	**16 916**	9 897	1 751	**90**	-	-

NOTE 7 INVENTORY

(Amounts in NOK 1000)	2007	2006
Raw materials and purchased semi-manufactures	**175 080**	188 674
Work in progress	**75 202**	80 937
Finished goods	**15 975**	13 280
Total inventory	**266 257**	282 891

The total impairment charge recognised in the profit and loss account for the year is NOK 3.4 million (2006: NOK 8.8 million). Inventory at 31 December 2007 provides security for NOK 236.1 million (2006: NOK 212.7 million). See note 22.

NOTE 8 PAYROLL COSTS

(Amounts in NOK 1000)	2007	2006	2005
Pay	**377 793**	347 852	358 693
Payroll tax	**72 828**	70 055	71 316
Net pension costs defined benefit plans (note 9)	**2 755**	1 464	9 336
Pension costs defined contribution plans	**14 138**	16 972	8 849
Options			4 837
Other remuneration	**28 685**	29 700	22 242
Total	**496 199**	466 043	475 273
Average number of man-years	**1 324**	1 221	1 191
Average number of employees	**1 373**	1 291	1 284

NOTE 9 PENSIONS AND SIMILAR OBLIGATIONS

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

All pension plans are unfunded

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

(Amounts in NOK 1000)	2007	2006
Carrying amount of the obligation		
Pension benefits	**21 938**	23 007
Costs recognised in the profit and loss account (incl. in note 8)		
Pension benefits	**2 755**	1 464

PENSION BENEFITS

Carrying amount of the obligation is determined as follows:

(Amounts in NOK 1000)	2007	2006
Present value of accrued commitments in unfunded defined benfit plans	**(30 604)**	(30 174)
Unrecognised actuarial gains and losses	**8 666**	7 167
Net commitments in unfunded defined benefit plans	**(21 938)**	(23 007)
Hereof payroll tax on the pension obligations	**3 782**	3 729
Net pension commitment in the balance sheet	**(21 938)**	(23 007)

Net pension costs comprise

(Amounts in NOK 1000)	2007	2006
Present value of pension earnings for the year	**1 300**	755
Interest cost	**1 178**	680
Expected return on pension fund assets	**-**	-
Recognised changes in/variances from estimates	**277**	29
Total, included in payroll costs (note 8)	**2 755**	1 464

Change in carrying amount of pension commitments

(Amounts in NOK 1000)	2007	2006
Opening balance	**23 007**	24 904
Cost recognised in the profit and loss account for the year	**2 755**	1 464
Pension premium paid	**(3 824)**	(3 361)
Closing balance	**21 938**	23 007

The following assumptions have been applied in calculating pension commitments:

	2007	2006
Discount rate	**4.75%**	4.3%
Expected return on pension funds	**5.5%**	5.5%
Annual pay adjustment	**4.5%**	4.0%
Annual pension adjustment	**4.0%**	3.5%
Assumptions on mortality rates are based on published statistics in Norway.	**K2005**	K63

	2007	2006
Number of employees in defined benefit plans	**688**	705

NOTE 10 TANGIBLE FIXED ASSETS AND DEPRECIATION

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	**Total**
At 1 January 2006			
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	539	**1 466**
Additions	38 390	4 035	**42 426**
Disposals	(3 430)		**(3 430)**
Depreciation	(23 207)	(6 180)	**(29 387)**
Closing balance	91 024	32 498	**123 523**
At 31 December 2006			
Acquisition cost	553 610	69 357	**622 967**
Accumulated depreciation/impairment	(462 586)	(36 859)	**(499 445)**
Accounting carrying amount	91 024	32 498	**123 523**
Fiscal 2007			
Opening balance	91 024	32 498	**123 523**
Conversion differencies	(1 241)	(560)	**(1 801)**
Additions	55 424	374	**55 798**
Disposals		(621)	**(621)**
Depreciation	(28 926)	(3 628)	**(32 553)**
Closing balance	116 281	28 064	**144 345**
At 31 December 2007			
Acquisition cost	607 792	68 550	**676 342**
Accumulated depreciation/impairment	(491 512)	(40 485)	**(531 998)**
Accounting carrying amount	116 281	28 064	**144 345**

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

Machinery and equipment, buildings and land were provided at 31 December as security for NOK 94.4 million and NOK 28.1 million (2006: NOK 71.4 million and NOK 32.5 million), see note 22.

NOTE 11 GOODWILL

(Amounts in NOK 1000)	Note	Goodwill
At 1 January 2006		
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
Fiscal 2007		
Opening balance		19 123
Additions	5	6 391
Closing balance		25 514
At 31 December 2007		
Acquisition cost		29 346
Accumulated impairment charge		3 832
Accounting carrying amount		25 514

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:

	2007		2006	
(Amounts in NOK 1000)	**EMS**	**KM**	**EMS**	**KM**
Norway	**702**	**1 195**	702	1 195
Sweden	**3 555**	-	3 555	-
Lithuania	**20 062**	-	13 671	-
Total	**24 319**	**1 195**	17 928	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 (10 per cent annually). The calculations are based on cash flows for the next five years and a discount rate of 15 per cent.

NOTE 12 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

(Amounts in NOK 1000)	**2007**	2006
Accounts receivable	**325 226**	339 831
Provision for bad debts	**(4 400)**	(4 873)
Accounts receivable - net	**320 826**	334 958
Receivable from related parties (note 19)	**66 127**	30 308
Earned non-invoiced income	**1 853**	2 125
Prepaid costs	**7 097**	5 338
Other rceivables	**23 202**	40 959
Total	**419 105**	413 688
Deducted long-term items	**1 900**	2 920
Current items	**417 205**	410 768

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)	2007	2006
Accounts receivable - net	320 826	334 958
Receivable from related parties (note 19)	66 127	30 308
Earned non-invoiced income	1 853	2 125
Prepaid costs	7 097	5 338
Other rceivables	23 086	40 792
Total	418 990	413 521

The discount rate for calculating fair value of long-term items is 6.5 per cent (2006: 5.5 per cent) For current receivables, the carrying amount is virtually identical with the fair value.

As of 31 December 2007 trade receivables of NOK 320.8 million were fully performing (2006: NOK 335.0 million).

As of 31 December 2007 trade receivables of 47.9 million (2006: NOK 42.0 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	2006
Up to 3 months	44 259	36 779
3 to 6 months	3 619	5 257
Total	47 878	42 036

As of 31 December 2007 trade receivables of NOK 4.9 million were impaired and provided for (2006: NOK 4.9 million). The amount of the provision was NOK 4.4 million as of 31 December 2007 (2006: NOK 4.9 million)
The ageing analysis of these trade receivables is as follows:

	2007	2006
Up to 3 months	1 385	-
3 to 6 months	275	250
Over 6 months	3 238	4 608
Total	4 898	4 858

The carrying amount of the group's trade and other receivables are denominated in the following currencies:

	2007	2006
Euro	162 070	143 672
USD	20 665	6 942
LTL	26 542	346
SEK	98 889	80 445
NOK	110 939	182 283
Total	419 105	413 688

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

	2007	2006
Provision at 1 January	4 873	6 000
Provision for receivables impairment	1 192	292
Receivables written off during the year as uncollectable	(1 665)	(1 075)
Unused amounts reversed	-	(344)
Provision at 31 December	4 400	4 873

The creation and release of provision for impaired receivables have been included in other operating expenses in the profit and loss statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The group does not hold any collateral as security.

The total impairment charge recognised in the profit and loss account for the year is NOK 1.2 million (2006: NOK 0.3 million).

No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 Desember 2007 provided security for NOK 419.1 million (2006: 413.7 million), see note 22.

NOTE 13 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

(Amounts in NOK 1000)	2007	2006
Accounts payable	**225 596**	262 070
Public duties	**33 665**	34 993
Payable to related parties (note 19)	**2 857**	3 761
Costs incurred	**82 346**	78 555
Total	**344 464**	379 379

NOTE 14 LOANS

(Amounts in NOK 1000)	2007	2006
Long-term loans		
Bank loans		
Other loans	**34 246**	31 011
Total	**34 246**	31 011
Current loans		
Bank overdraft	**71 947**	74 145
Bank loans		5 460
Other loans	**275 452**	244 794
Total	**347 399**	324 399
Total loans	**381 645**	355 410

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

Periods to maturity of long-term loans:

(Amounts in NOK 1000)	2007	2006
Between one and two years	**15 314**	5 772
Between two and five years	**10 332**	12 617
More than five years	**8 600**	12 621
Total	**34 246**	31 011

Effective interest rate at the balance sheet date:

	2007		2006	
	NOK	**Other**	NOK	Other
Bank overdraft	**7.25%**	**3.0–7.75%**	5.5%	3.0–6.75%
Bank loans				7.75%
Other loans	**6.7–7.0%**	**5.0%**	5.0–5.2%	4.5–6.6%

Carrying amount and fair value of long-term loans:

	Carrying amount		Fair value	
(Amounts in NOK 1000)	**2007**	2006	**2007**	2006
Long-term bank loans		-		-
Other loans	**34 246**	31 011	**27 437**	24 207
Total	**34 246**	31 011	**27 437**	24 207

Fair value is based on discounted cash flow with a discount rate of 6.5 per cent (2006: 5.5 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)	**2007**	2006
NOK	**211 117**	191 452
SEK	**77 187**	67 118
LTL	**58 491**	55 025
EURO	**26 968**	28 543
USD	**7 882**	13 271
Total	**381 645**	355 410

The company's financing agreements include covenants relating to such factors as the company's equity and earnings. The company complies with the covenants at 31 December 2007.
Loans include NOK 381.6 million (2006: 355.4 million) in secured commitments (bank loans and other secured loans). See note 22.

NOTE 15 PROVISIONS

(Amounts in NOK 1000)	Restructuring
At 1 January 2007	9 793
Recognised in consolidated profit and loss account	
Provisions for the year	
Reversal of unused provisions from earlier periods	
Used during the year	(8 772)
At 31 December 2007	1 021

Classification in the balance sheet

(Amounts in NOK 1000)	**2007**	2006
Long-term liabilities		7 160
Current liabilities	**1 021**	2 633
Total	**1 021**	9 793

Total provisions at 31 December 2007 came to NOK 1.0 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)	**2007**	2006	2005
Tax payable	**4 015**	3 763	726
Deferred tax (note 17)	**(5 000)**		
Total	**(985)**	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)	**2007**	2006	2005
Ordinary profit/(loss) before tax	**63 449**	45 439	(58 213)
Tax calculated at the various national rates	**15 552**	10 557	(16 540)
Issue costs, unrecognised	-	-	(1 254)
Non-tax-deductible expenses	**1 264**	179	819
Change in deferred tax asset	**(5 000)**	-	-
Tax loss unrecognised as tax assets	**(12 801)**	(6 973)	17 701
Tax cost	**(985)**	3 763	726
The average tax return rate	28%	28%	28%

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:

(Amounts in NOK 1000)	**2007**	2006
Deferred tax assets		
Deferred tax asset which reverses in more than 12 months	**25 000**	20 000
Deferred tax asset which reverses in less than 12 months	-	-
Total	**25 000**	20 000
Deferred tax		
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:		
Opening balance	**20 000**	20 000
Conversion differencies	-	-
Profit and loss account	**5 000**	-
Tax recognised against equity	-	-
Closing balance	**25 000**	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 2006	1 113	106	**1 219**
Profit/(loss) for the period	(117)	(106)	**(223)**
Conversion differencies	-	-	**-**
At 31 December 2006	996	-	**996**
Profit/(loss) for the period	(65)	160	**95**
Conversion differencies	-	-	**-**
At 31 December 2007	931	160	**1 091**

Deferred tax assets

(Amounts in NOK 1000)	Provision and current assets	Fixed assets and goodwill	Loss carried forward	Pension	**Total**
At 1 January 2006	4 140	2 512	120 797	6 032	**133 481**
Profit/(loss) for the period	(1 344)	4 779	169	(2 759)	**945**
Conversion differencies	-	-	8	-	**8**
At 31 December 2006	2 796	7 291	120 794	3 273	**135 678**
Profit/(loss) for the period	1 524	7 562	(8 161)	2 850	**3 775**
Conversion differencies	-	-	(2 586)	-	**(2 586)**
At 31 December 2007	4 320	14 853	110 047	6 123	**136 867**

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 110.8 million (2006: NOK 114.7 million). There are no restrictions on the right to carry the tax loss forward.

NOTE 18 INVESTMENTS

Investment in subsidiaries

(Amounts in NOK 1000)	Business office	Shareholding	Voting share	Equity past year	Result past year	Book value
Company						
Kitron AS	Arendal	100%	100%	124 684	47 367	232 337
Kitron Microelectronics AS	Røros	100%	100%	13 473	4 724	15 848
Kitron Sourcing AS	Oslo	100%	100%	11 265	2 395	11 400
Kitron AB	Karlskoga, Sweden	100%	100%	5 395	(3 912)	44 696
Kitron Microelectronics AB	Jönköping, Sweden	100%	100%	18 057	7 834	13 463
Kitron Flen AB	Flen, Sweden	100%	100%	121	(4 843)	31 332
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	(135)	(731)	603
UAB Kitron Elsis	Kaunas, Lithuania	100%	100%	2 900	692	8 592
UAB Kitron	Kaunas, Lithuania	100%	100%	57 159	12 797	29 180
Total investment in subsidiaries						387 451

The Kitron AS subsidiary owns shares in the following subsidiary:

	Business office	Shareholding	Voting share	Book value
Company				
Kilsund Teknologi AS	Arendal	100%	100%	1 141

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
Elektronikcentrum i Karlskoga AB	Karlskoga	10%	10%	10	10
Telespor AS	Bærum	5%	5%	26	26
Total				186	37

NOTE 19 RELATED PARTIES

(Amounts in NOK 1000)	**2007**	2006	2005
i) Sale of goods and services			
Sale of goods [1]	**204 723**	139 983	188 863
ii) Purchase of goods and services			
Purchase of goods [1]	**6 921**	1 869	3 729
iii) Remuneration of senior executives			
Pay and other short-term benefits [2]	**14 186**	11 430	7 381
Option costs			4 124
Severance pay	**1 100**	4 400	
Total	**15 286**	15 830	11 505
iv) Balance items at 31 December resulting from purchase/sale of goods and services			
Receivable from related parties			
Shareholders [1]	**66 127**	30 308	27 676
Total	**66 127**	30 308	27 676
Payable to related parties:			
Shareholders [1]	**2 217**	41	1 371
Senior executives [3]	**395**	3 720	
Total	**2 612**	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 2007 comprises accrued bonuses to corporate management team. Loans to CEO of NOK 244 850 is charged with interest at 31 December 2007.

NOTE 20 REMUNERATION OF SENIOR EXECUTIVES, DIRECTORS AND AUDITOR

(Amounts in NOK 1000)	**2007**	2006	2005
Directors' fees	**1 430**	924	860
- chair	**360**	200	200
- directors	**1 070**	724	660
Auditor's fee			
- statutory audit	**1 657**	1 390	1 794
- other services	**949**	941	1 229

Pay and other remuneration of senior executives in 2007:
(Amounts in NOK 1000)

Name	Function	Period	Fee	Pay	Bonus	Other short-term remu-neration	Total pay and remu-neration	Pension contribu-tion
Jørgen Bredesen	CEO	01.01.2007-31.12.2007		2 498	1256	177	3 931	151
Erling Svela	Vice president and CFO	01.01.2007-31.12.2007		1 185	95	159	1 439	38
Bengt Enbom	Vice president	13.08.2007-31.12.2007		302			302	113
Jan Liholt	Vice president	01.01.2007-31.12.2007		1 020	426	104	1 550	38
Gard Eliassen	Vice president	01.01.2007-31.12.2007		1 137		116	1 253	41
Jan Sigvartsen	Vice president	01.01.2007-31.12.2007		1 664	652	89	2 405	38
Johannes Lind	Vice president	01.02.2007-31.12.2007		986			986	203
Almante Medziausiene	Vice president	01.01.2007-31.12.2007		464	258		722	
Leif Tore Smedås	Vice president	01.01.2007-31.12.2007		1 152	433	14	1 599	39
Total				10 408	3 120	659	14 186	661
Carl Espen Wollebekk/ Formentor AS	Chairman of the board	11.05.2006-07.05.2007	460				460	
Nerijus Dagilis	Board member	11.05.2006-07.05.2007	170				170	
Titas Sereika	Board member	11.05.2006-07.05.2007	170				170	
Arne Solberg	Deputy chairman	11.05.2006-07.05.2007	90				90	
Liv Esther Johansen	Employee representative	11.05.2006-07.05.2007	90				90	
Preben Jensen	Employee representative	11.05.2006-07.05.2007	90				90	
Leif Henriksen	Employee representative	11.05.2006-07.05.2007	90				90	
Trygve Størseth	Employee representative	11.05.2006-07.05.2007	90				90	
Ian Hague	Board member	11.05.2006-07.05.2007	120				120	
Kjell E. Almskog	Board member	11.05.2006-07.05.2007	160				160	
Total			1 530				1 530	

The table above comprises salaries and remunerations reported for tax purposes in 2007. Pension contribution include paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

Provisions for management bonuses at 31 December 2007 have been made. The bonuses will be paid after the annual financial statements for 2007 have been approved by the Board of Directors.

DECLARATION OF REMUNERATION TO SENIOR EXECUTIVES

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

The following review presents the executive remuneration policy as resolved by the board in Kitron ASA on 22 March 2007 including changes resolved on 13 March 2008. The mandatory executive remuneration policy was resolved by Kitron ASA's annual general meeting on 8 May 2007. Changes, if any, may be resolved by the annual general meeting on 29 April 2008.
The executive remuneration policy for Kitron ASA applies to all units in the group.

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

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

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

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

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

Mandatory executive remuneration policy

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

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

Grants will be allocated in equal tranches over the three years 2008-2010. For the CEO the full grant is made in 2007. Payments, if any, under the scheme will be made in February 2008, 2009 and 2010 and will be conditional on the recipient remaining employed by Kitron in a participating position. Bonus units which are released upon termination of employment of one employee, may be granted to another, possibly a new hired, employee.

The first tranche of the grant with a base price equal to the average of closing share prices 9-15 February 2007 had no price increase and consequently did not result in any payment. The second tranche of the grant has a base price equal to the average of closing share prices 11-15 February 2008, equal to NOK 3.12 per share. Base price for the third tranche of the grant will be set in February 2009.

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

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

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

The board does not now want to prepare new share-based incentive programmes for the group management or other employees for 2009. Any such programmes will be presented for consideration at the general meeting 2009.

NOTE 21 FINANCIAL ITEMS

(Amounts in NOK 1000)	**2007**	2006	2005
Interest expenses	**15 646**	14 521	13 009
Other financial expenses	**9 003**	7 175	7 439
Interest income	**4 011**	641	1 568
Currency loss	**4 985**	2 475	6 886
Currency gain	**(4 633)**	(4 521)	(1 912)
Net currency loss	**352**	(2 046)	4 974
Net financial costs	**20 990**	19 009	23 854

NOTE 22 MORTGAGES

(Amounts in NOK 1000)	**2007**	2006
Debt secured by mortgages	**381 644**	355 410

Carrying amount of assets provided as security:

(Amounts in NOK 1000)	**2007**	2006
Buildings and land	**28 064**	32 497
Machinery and equipment	**94 411**	71 442
Receivables	**419 105**	413 688
Inventory	**236 099**	212 678
Total	**777 679**	730 305

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 44.7 million at 31 December 2007 (2006: NOK 31.6 million).
Conditions in the form of vendor's fixed charge are moreover related to deliveries from Kitron's suppliers of goods.
The group's receivables recognised in the balance sheet are provided as security (factoring mortgage) for obligations to DnB NOR Finans.
The group's bankers had provided guarantees at 31 December for leasing obligations and tax due but not paid. These totalled NOK 7.5 million and NOK 14.4 million respectively for the group.

NOTE 23 CASH AND CASH EQUIVALENTS

(Amounts in NOK 1000)	**2007**	2006
Cash and cash eqiuvalents	**119 866**	98 264

Cash and cash equivalents in the cash flow statement comprise:

(Amounts in NOK 1000)	**2007**	2006
Cash and cash equivalents	**119 866**	98 264
Overdraft drawn down	**(71 947)**	(74 145)
Locked-in bank deposits	**(19 755)**	(18 913)
Total	**28 164**	5 206

(Amounts in NOK 1000)	**2007**	2006
Bank overdraft facilities 31 December	**126 600**	123 600
Net drawn on overdraft facilities 31 December	**71 145**	74 145
Locked-in bank deposits 31 December		
Security for tax withholding	**2 181**	1 902
Security for factoring receivables	**10 382**	10 029
Security for rent guarantee	**7 192**	6 982
Total	**19 755**	18 913

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

NOTE 24 LEASING AGREEMENTS

LEASING AGREEMENTS RECOGNISED IN THE BALANCE SHEET

Fixed assets

(Amounts in NOK 1000)	Carrying amount 31 December 2007	Depreciation for the year	Remaining lease	Nominal rent	Present value of future rent
Buildings and land	14 241	1 924	11 years	19 261	13 504
Machinery and equipment	38 396	7 534	1–5 years	35 911	32 836

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	11 402	9 964
	2–5 years	33 331	27 774
	> 5 years	10 439	8 602

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 2007	Remaining lease
Buildings and land	26 845	1–8 years
Machinery and equipment	6 196	1–5 years

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	15 631	13 898
2–5 years	45 397	39 146
> 5 years	29 562	19 534

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 2007 no outstanding subscription rights.

The overview below shows the number of shares held by directors and member of the corporate management team at 31 December 2007:

Board	Number of shares
Nerijus Dagilis, chairman [1]	
Arne Solberg, deputy chairman [2]	-
Titas Sereika, board member [3]	-
Elena Anfimova, board member [4]	-
Lisbeth Gustafsson, board member	-
Liv Ester Johansen, employees representative	-
Ståle Kroken, employees representative	214
Geir Vedøy, employees representative	-

Corporate management	Number of shares
Jørgen Bredesen, CEO	150 000
Erling Svela, vice president and CFO	-
Jan Sigvartsen, vice president	-
Leif Tore Smedås, vice president	52 788
Jan Liholt, vice president	87 660
Gard Eliassen, vice president	-
Almante Medziausiene, vice president	-
Bengt Enbom, vice president	-
Johannes Lind, vice president	-

1 Nerijus Dagilis is a director of UAB Hermis Capital, which owns 69 164 583 shares (39.99 per cent) in Kitron ASA
2 Arne Solberg is CFO in Kongsberg Gruppen ASA, which owns 33 439 153 shares (19.33 per cent) in Kitron ASA
3 Titas Sereika is a director in UAB Hermis Capital, which owns 69 164 583 shares (39.99 per cent) in Kitron ASA
4 Elena Anfimova is Assistant Portfolio Manager at Firebird Management LLC, a New York based hedge fund. Firebird Management LLC is a partner in Amber Trust II which holds 23 672 000 shares (13.69 per cent) in Kitron ASA.

NOTE 26 SHARES AND SHAREHOLDER INFORMATION

The company's share capital at 31 December 2007 comprised 172 961 625 shares with a nominal value of NOK 1 each. Each share carries one vote. There were 3 065 shareholders at 31 December 2007.

The 20 largest shareholders in Kitron ASA at 31 December 2007:

Shareholder	Number	Percentage
AB DnB NORD Bankas	51 840 000	29.97%
Kongsberg Gruppen ASA	33 439 153	19.33%
ING Luxembourg SA General Account	23 822 000	13.77%
SEB Vilniaus Bankas A/C Clients Account	19 148 939	11.07%
MP Pensjon	10 406 211	6.02%
AS Hansabank clients	3 090 530	1.79%
Swedbank S/A MP Investment BA	2 034 000	1.18%
A/S Bemacs	1 720 606	0.99%
SES AS	1 668 650	0.96%
Verdipapirfondet NORDEA SMB	1 267 984	0.73%
Petter Torgersen	636 000	0.37%
Bjørn Håheim	523 637	0.30%
Malvin Sigbjørn Skjønhaug	395 685	0.23%
Helge Hareland	390 000	0.23%
A/S Skjærdalen Eiendom	386 326	0.22%
Vestvik Preservering A/S	300 000	0.17%
Stein-Arne Mikalsen Stangeland	253 824	0.15%
Amagerbanken S/A Clients	233 350	0.13%
Karsten Hagen	226 000	0.13%
Geir Petter Seljeseth	220 000	0.13%
Total 20 largest shareholders	152 002 895	87.88%
Total other shareholders	20 958 730	12.12%
Total outstanding shares	172 961 625	100.00%

MANDATES

Increasing the share capital

The ordinary general meeting of 8 May 2007 authorised the board to execute one or more share capital increases by issuing a number of shares maximised to 10 per cent of Kitron's registered share capital at 8 May 2007. The total amount by which the share capital may be increased is NOK 17 296 162.50. The authority applies until the ordinary general meeting in 2008, but no longer than to 30 June 2008. The authority can be used for acquisitions of and mergers with other companies or businesses or to raise funds. The authority had not been exercised at 31 December 2007.

OWN SHARES

The ordinary general meeting on 8 May 2007 authorised the board to acquire own shares, for the purpose of ownership or charge, for a total nominal value of up to NOK 17 296 162.50, which is equal to 10 per cent of Kitron's registered share capital at 8 May 2007. Under the authorisation the board shall pay minimum NOK 1.00 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the amount does not exceed NOK 25.00 per share. The authority is valid until the ordinary general meeting in 2008 but no longer than until 30 June 2008. The authority had not been exercised at 31 December 2007.

NOTE 27 EARNINGS PER SHARE

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

	2007	2006	2005
Net profit/(loss) (NOK 1 000)	**64 434**	41 676	(58 939)
Earnings per share (NOK)	**0.37**	0.24	(0.39)
Diluted earnings per share (NOK)	**0.37**	0.24	(0.39)
Time-weighted number of shares	**172 961 625**	172 961 625	151 599 225
Time-weighted number of shares including options	**172 961 625**	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 2006	172 962	172 962	456 058	629 020
Change 2006				
At 31 December 2006	172 962	172 962	456 058	629 020
Change 2007				
At 31 December 2007	172 962	172 962	456 058	629 020

The general meeting 2005 authorised the board to issue up to 10 million shares for use with an option programme for employees. No shares were issued under the programme in 2006 or 2007. The options expired 29 April 2007.

NOTE 29 CASH FLOW FROM OPERATIONS

(Amounts in NOK 1000)	**2007**	2006
Ordinary profit/(loss) before tax	**63 449**	45 439
Depreciation	**32 553**	29 387
Impairment charges		
Change in inventory	**18 316**	(40 349)
Change in accounts receivable	**(19 348)**	(274 849)
Change in accounts payable	**(34 664)**	30 423
Change in pension funds/obligations	**(1 072)**	1 464
Change in other accrual items	**22 035**	210 599
Change in locked-in bank deposits	**(841)**	9 578
Interest received	**(4 011)**	(641)
Interest paid	**15 646**	14 521
Cash flow from operations	**92 063**	26 213

NOTE 30 GOVERNMENT GRANTS

The total government grants recognised in the profit and loss account for the year is NOK 0.8 million. (2006: NOK 0.8 million).
The grants are presented as cost reductions in the profit and loss account.

PROFIT AND LOSS STATEMENT
Kitron ASA

(Amounts in NOK 1000)	Note	**2007**	2006
Revenues			
Sales revenues	2	**29 741**	27 797
Total revenues		**29 741**	27 797
Operating costs			
Payroll expenses	3, 4, 14	**15 687**	18 906
Depreciation and impairments	5, 6	**4 475**	5 109
Other operating expenses		**14 807**	12 460
Total operating costs		**34 969**	36 475
Operating loss		**(5 228)**	(8 678)
Financial income and expenses			
Intra-group interest income		**2 560**	1 410
Other interest income		**1 930**	1 531
Other financial income	20	**6 545**	6 209
Other interest expenses		**(3 738)**	(3 648)
Other financial expenses	20	**(1 490)**	(1 304)
Net financial items		**5 807**	4 198
Profit/(loss) before tax		**579**	(4 480)
Tax	8		-
Net profit/(loss)		**579**	(4 480)

BALANCE SHEET AT 31 DECEMBER

Kitron ASA

(Amounts in NOK 1000)	Note	2007	2006
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Goodwill		**446**	2 546
Deferred tax assets	8, 21	**18 996**	18 996
Total intangible fixed assets		**19 442**	21 541
Tangible fixed assets			
Machinery, equipment etc	5, 17	**4 758**	2 196
Financial fixed assets			
Investment in subsidiaries	9, 17	**387 452**	378 257
Intra-group loans	7, 15	**35 869**	15 801
Investment in shares	10	**26**	26
Other long-term receivables		**600**	1 200
Total financial fixed assets		**423 947**	395 283
Total fixed assets		**448 147**	419 021
CURRENT ASSETS			
Receivables			
Accounts rceceivables	7, 17	**15 162**	27 500
Other receivables		**10 623**	33 291
Total recevables		**25 785**	60 791
Bank deposits, cash in hand, etc	18	**11 277**	12 779
Total current assets		**37 062**	73 570
Total assets		**485 209**	492 591

(Amounts in NOK 1000)	Note	2007	2006
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**	242 827
Total paid-in equity		**415 789**	415 789
Other equity		**579**	
Total equity		**416 368**	415 789
LIABILITIES			
Long-term liabilities			
Pension commitments	1, 4	**7 205**	7 318
Current liabilities			
Liabilities to financial institutions	17, 18	**53 797**	60 150
Accounts payable		**4 604**	4 628
Public duties payable		**306**	1 589
Other current liabilities	7	**2 929**	3 117
Total current liabilities		**61 636**	69 484
Total liabilities		**68 841**	76 802
Total liablities and equity		**485 209**	492 591

Oslo, 13 March 2008

Nerijus Dagilis
Chairman

Arne Solberg
Deputy chairman

Elena Antimova

Gun Lisbeth Gustafsson

Liv Johansen
Employee elected board member

Ståle Kroken
Employee elected board member

Titas Sereika

Geir Vedøy
Employee elected board member

Jørgen Bredesen
CEO

CASH FLOW STATEMENT
Kitron ASA

(Amounts in NOK 1000)	2007	2006
Cash flow from operational activities		
Profit before tax	**579**	(4 480)
Periodens betalte skatt		-
Ordinary depreciation	**4 475**	5 109
Change in accounts receivable	**12 338**	(15 590)
Change in accounts payable	**(24)**	-
Change in pension funds/obligations	**(113)**	(274)
Change in other accrual items	**21 193**	636
Net cash flow from operational activities	**38 448**	(14 599)
Cash flow from investment activities		
Acquisition of tangible fixed assets	**(4 935)**	295
Acquisition of shares in other companies		-
Acquisition of subsidiaries	**(9 195)**	(6 319)
Rapayment of lendings	**600**	600
Loan disbursement	**(20 068)**	(832)
Net cash flow from investment activities	**(33 598)**	(6 256)
Cash flow from financing activities		
New long-term loans	**-**	-
Repayment of long-term loans	**-**	(2 027)
Repayment of short-term loans	**-**	(87 129)
Net change in overdraft facilities	**(6 353)**	41 874
Equity paid in	**-**	-
Net cash flow from financing activities	**(6 353)**	(47 282)
Net change in cash and cash equivalents	**(1 502)**	(68 137)
Cash and cash equivalents at 1 January	**12 779**	80 916
Cash and cash equivalents at 31 December	**11 277**	12 779

NOTES TO THE FINANCIAL STATEMENTS
Kitron ASA

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

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

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

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

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

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

TANGIBLE FIXED ASSETS
Tangible fixed assets are recognised in the balance sheet and depreciated on a straight-line basis over their expected useful lifetime if they have 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.

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 2007.

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)	**2007**	2006
Norway	**18 763**	17 601
Sweden	**6 949**	7 213
Lithuania	**4 029**	2 983
Total	**29 741**	27 797

NOTE 3 PAYROLL COSTS

(Amounts in NOK 1000)	**2007**	2006
Pay	**11 633**	14 889
Payroll taxes	**1 666**	2 479
Pension costs	**584**	849
Other remuneration	**1 804**	689
Total	**15 687**	18 906
Average number of employees	**8**	11

NOTE 4 PENSION COSTS, FUNDS AND COMMITMENTS

Employees in Kitron ASA are covered by pension plans which give right to defined future benefits. The plan embraces 10 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)	2007	2006
Present value of accrued pension commitments	6 533	7 050
+/- unrecognised variances from estimates	672	268
Net pension commitments/(funds)	7 205	7 318
Hereof payroll tax on pension commitments before variances from estimates	807	871

Pension costs for the year comprise:

(Amounts in NOK 1000)	2007	2006
+ Present value of pension earnings for the year	48	467
+ Interest expense on accrued pension commitments	292	40
- Expected return on pension fund assets		-
+ amortisation of variances from estimates	(41)	(8)
+ payroll taxes		
Net pension cost for unfunded plans	299	499
Net pension cost for contribution based pension plans	285	350
Net pension costs included in note 3	584	849

The following assumptions have been applied in calculating pension commitments:

	2007	2006
Discount rate	4.75%	4.25%
Expected return on pension funds	5.5%	5.5%
Annual pay adjustment	4.5%	4.0%
Inflation	4.0%	3.5%
Pension adjustments	4.0%	3.5%
Payroll taxes	14.1%	14.1%
Expected utilisation rate (AFP)	30%	30%

NOTE 5 TANGIBLE FIXED ASSETS AND DEPRECIATION

(Amounts in NOK 1000)	Machinery and equipment
Acquisition cost at 1 January	19 495
Additions during the year	4 935
Acquisition cost at 31 December	24 430
Accumulated depreciation 1 January	17 299
Depreciation during the year	2 373
Accumulated depreciation at 31 December	19 672
Book value 31 December	4 758
Useful lifetime	3 – 5 years
Depreciation plan	Linear

Annual lease of fixed assets unrecognised in the balance sheet

Fixed asset	Length of lease	Annual rent
Premises	To 2011	612
Operating equipment	To 2010	118
Vehicles	To 2010	403

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	14 700
Book value 31 December	446
Ordinary amortisation for the year	2 100
Useful lifetime	5 years

Goodwill is amotised over its expected useful lifetime

NOTE 7 INTRA-GROUP ACCOUNTS

(Amounts in NOK 1000)	**2007**	2006
Current receivables	**23 229**	57 508
Current liabilities	**306**	202
Intra-group loans	**35 869**	15 802

NOTE 8 TAXES

(Amounts in NOK 1000)	**2007**	2006
Tax cost for the year breaks down into:		
Tax payable	-	-
Change in deferred tax	-	-
Total tax cost	-	-
Calculation of tax base for the year:		
Loss before tax	**577**	(4 480)
Permanent differencies [1]	**171**	60
Change in temporary differencies	**941**	2 620
Change in tax loss carried forward	**(1 689)**	1 800
Tax base for the year	-	-
Overview of temporary differencies		
Receivables	**(270)**	(39)
Fixed assets	**(5 399)**	(5 016)
Pensions	**(7 205)**	(7 318)
Gain and loss account	**1 762**	2 202
Total	**(11 112)**	(10 171)
Loss carried forward	**(159 382)**	(161 071)
Total	**(170 494)**	(171 242)
28 % deferred tax	**(47 738)**	(47 948)
Deferred tax unrecorded in the balance sheet	**(28 742)**	(28 952)
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	**162**	(1 254)
Permanent differencies (28%)	**48**	17
Effect of deferred tax asset unrecorded in balance sheet	**(210)**	1 237
Calculated tax cost	-	-
Effective tax rate [2]	**0.0%**	0.0%

[1] Includes non-tax-deductible costs such as entertainment and issue expenses
[2] Tax cost in reletion 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%	124 684	47 367	232 337
Kitron Microelectronics AS	Røros	100%	100%	13 473	4 724	15 848
Kitron Sourcing AS	Oslo	100%	100%	11 265	2 395	11 400
Kitron AB	Karlskoga, Sweden	100%	100%	5 395	(3 912)	44 696
Kitron Microelectronics AB	Jönköping, Sweden	100%	100%	18 057	7 834	13 463
Kitron Flen AB	Flen, Sweden	100%	100%	121	(4 843)	31 332
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	(135)	(731)	603
UAB Kitron Elsis	Kaunas, Lithuania	100%	100%	2 900	692	8 592
UAB Kitron	Kaunas, Lithuania	100%	100%	57 159	12 797	29 180
Total investment in subsidiaries						387 451

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	Business office	Shareholding	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	Other equity	Total equity
At 31 December 2006	172 962	242 827		415 789
Net profit	-		579	579
At 31 December 2007	172 962	242 827	579	416 368

NOTE 12 SHARES AND SUBSCRIPTION RIGHTS SENIOR EMPLOYEES

There are at 31 December 2007 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 2007

Board	Number of shares
Nerijus Dagilis, chairman [1]	
Arne Solberg, deputy chairman [2]	-
Titas Sereika, board member [3]	-
Elena Anfimova, board member [4]	-
Lisbeth Gustafsson, board member	-
Liv Ester Johansen, employees representative	-
Ståle Kroken, employees representative	214
Geir Vedøy, employees representative	-

Corporate management	Number of shares
Jørgen Bredesen, CEO	150 000
Erling Svela, vice president and CFO	
Jan Sigvartsen, vice president	
Leif Tore Smedås, vice president	52 788
Jan Liholt, vice president	87 660
Gard Eliassen, vice president	
Almante Medziausiene, vice president	
Bengt Enbom, vice president	
Johannes Lind, vice president	

1 Nerijus Dagilis is chairman of UAB Hermis Capital, which owns 69 164 583 shares (39 99 per cent) in Kitron ASA
2 Arne Solberg is CFO in Kongsberg Gruppen ASA, which owns 33 439 153 shares (19.33 per cent) in Kitron ASA
3 Titas Sereika is a director in UAB Hermis Capital, which owns 69 164 583 shares (39.99 per cent) in Kitron ASA
4 Elena Anfimova is Portfolio Manager at Firebird Management LLC, a New York based hedge fund. Firebird Management LLC is a partner in Amber Trust II which holds 23 672 000 shares (13.69 per cent) in Kitron ASA.

NOTE 13 SHARES AND SHAREHOLDERS INFORMATION

The company's share capital at 31 December 2007 comprised 172 961 625 shares with a nominal value of NOK 1 each. Each share carries one vote. There were 3 065 shareholders at 31 December 2007.

The 20 largest shareholders in Kitron ASA at 31 December 2007:

Shareholder	Number	Percentage
AB DnB NORD Bankas	51 840 000	29.97%
Kongsberg Gruppen ASA	33 439 153	19.33%
ING Luxembourg SA General Account	23 822 000	13.77%
SEB Vilniaus Bankas A/C Clients Account	19 148 939	11.07%
MP Pensjon	10 406 211	6.02%
AS Hansabank clients	3 090 530	1.79%
Swedbank S/A MP Investment BA	2 034 000	1.18%
A/S Bemacs	1 720 606	0.99%
SES AS	1 668 650	0.96%
Verdipapirfondet NORDEA SMB	1 267 984	0.73%
Petter Torgersen	636 000	0.37%
Bjørn Håheim	523 637	0.30%
Malvin Sigbjørn Skjønhaug	395 685	0.23%
Helge Hareland	390 000	0.23%
A/S Skjærdalen Eiendom	386 326	0.22%
Vestvik Preservering A/S	300 000	0.17%
Stein-Arne Mikalsen Stangeland	253 824	0.15%
Amagerbanken S/A Clients	233 350	0.13%
Karsten Hagen	226 000	0.13%
Geir Petter Seljeseth	220 000	0.13%
Total 20 largest shareholders	152 002 895	87.88%
Total other shareholders	20 958 730	12.12%
Total outstanding shares	172 961 625	100.00%

NOTE 14 REMUNERATION OF SENIOR EXECUTIVES, DIRECTORS AND AUDITOR

	2007	2006
Directors' fees	**1 430**	924
- chair	**360**	200
- directors	**1 070**	724
Auditor's fee		
- statutory audit	**374**	208
- other services	**405**	538

Pay and other remuneration of senior executives in 2007:
(Amounts in NOK 1000)

Name	Function	Period	Fee	Pay	Bonus	Other short-term remuneration	Severance pay	Total pay and remuneration	Pension contribution
Jørgen Bredesen	CEO	01.01.2007-31.12.2007		2 498	1256	177		3 931	151
Erling Svela	Vice president and CFO	01.01.2007-31.12.2007		1 185	95	159		1 439	38
Bengt Enbom	Vice president	13.08.2007-31.12.2007		302				302	
Jan Liholt	Vice president	01.01.2007-31.12.2007		1 020	426	104		1 550	38
Gard Eliassen	Vice president	01.01.2007-31.12.2007		1 137		116		1 253	41
Jan Sigvartsen	Vice president	01.01.2007-31.12.2007		1 653	652	96		2 401	
Johannes Lind	Vice president	01.02.2007-31.12.2007		986				986	
Almante Medziausiene	Vice president	01.01.2007-31.12.2007		464	258			722	
Leif Tore Smedås	Vice president	01.01.2007-31.12.2007		1 152	433	14		1 599	39
Total				10 397	3 120	666	0	14 182	307
Carl Espen Wollebekk/ Formentor AS	Chairman of the board	11.05.2006-07.05.2007	460					460	
Nerijus Dagilis	Board member	11.05.2006-07.05.2007	170					170	
Titas Sereika	Board member	11.05.2006-07.05.2007	170					170	
Arne Solberg	Deputy chairman	11.05.2006-07.05.2007	90					90	
Liv Esther Johansen	Employee representative	11.05.2006-07.05.2007	90					90	
Preben Jensen	Employee representative	11.05.2006-07.05.2007	90					90	
Leif Henriksen	Employee representative	11.05.2006-07.05.2007	90					90	
Trygve Størseth	Employee representative	11.05.2006-07.05.2007	90					90	
Ian Hague	Board member	11.05.2006-07.05.2007	120					120	
Kjell E. Almskog	Board member	11.05.2006-07.05.2007	160					160	
Total			1 530					1 530	

The table above comprises salaries and remunerations reported for tax purposes in 2007. Pension contribution include paid contribution to the company's pension scheme.

Provisions for management bonuses at 31 December 2007 have been made. The bonuses will be paid after the annual financial statements for 2007 have been approved by the Board of Directors.

DECLARATION OF REMUNERATION TO SENIOR EXECUTIVES

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

The following review presents the executive remuneration policy as resolved by the board in Kitron ASA on 22 March 2007 including changes resolved on 13 March 2008. The mandatory executive remuneration policy was resolved by Kitron ASA's annual general meeting on 8 May 2007. Changes, if any, may be resolved by the annual general meeting on 29 April 2008.
The executive remuneration policy for Kitron ASA applies to all units in the group.

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

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

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

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

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

Mandatory executive remuneration policy
On 22 March 2007 the board resolved to introduce a bonus scheme for the vice presidents and a large number of selected managers and specialists. The bonus is calculated from any actual increase in the share price of up to 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 CEO, based on 0.5 million underlying shares.

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

Grants will be allocated in equal tranches over the three years 2008-2010. For the CEO the full grant is made in 2007. Payments, if any, under the scheme will be made in February 2008, 2009 and 2010 and will be conditional on the recipient remaining employed by Kitron in a participating position. Bonus units which are released upon termination of employment of one employee, may be granted to another, possibly a new hired, employee.

The first tranche of the grant with a base price equal to the average of closing share prices 9-15 February 2007 had no price increase and consequently did not result in any payment. The second tranche of the grant has a base price equal to the average of closing share prices 11-15 February 2008, equal to NOK 3.12 per share. Base price for the third tranche of the grant will be set in February 2009.

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

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

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

The board does not now want to prepare new share-based incentive programmes for the group management or other employees for 2009. Any such programmes will be presented for consideration at the general meeting 2009.

NOTE 15 RECEIVABLES

NOK 35 868 of the NOK 35 868 in intra-group loans at 31 December 2007 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2007	2006
Kitron AS	**23 328**	-
Kitron Microelectronics AS	**3 233**	6 220
Kitron AB	**9 307**	9 582
Total	**35 868**	15 802

In addition the company has a receivable of NOK 6 526 000 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 2007. The group's bank financing includes covenants relating to such factors as the company's equity and earnings. The company complies with these covenants at 31 December 2007.

NOTE 17 MORTGAGES

(Amounts in NOK 1000)	2007	2006
Debt secured by mortgages:	**53 797**	60 150
Carriying amount of assets provided as security:		
Machinery and equipment	**4 758**	2 196
Investment in subsidiaries	**387 452**	378 257
Receivables	**62 254**	70 309
Total	**454 464**	450 762

The company's bankers had provided guarantees of NOK 2.0 million for tax due but not paid in Kitron ASA.
The company has unconditionally guaranteed for up to NOK 300 million for ongoing factoring agreements in Norwegian and Swedish subsidiaries.

NOTE 18 LIQUID ASSETS

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

The company has a cash deposit of NOK 10.2 million related to the group's factoring agreement with DnB NOR Finans.

NOTE 19 RELATED PARTIES

Loans/security of NOK 244 850 has been provided for the chief executive. Interest is calculated and added to the loan.
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)	**2007**	2006
Other financial income		
Other financial incom	**6 531**	5 887
Currency gain	**14**	322
Total other financial income	**6 545**	6 209
Financial expenses		
Other financial expenses	**885**	1 090
Currency loss	**607**	214
Total financial expenses	**1 492**	1 304

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AS
Postboks 748
NO-0106 Oslo
Telephone +47 02316
Telefax +47 23 16 10 00

To the Annual Shareholders' Meeting of Kitron ASA

Auditor's report for 2007

We have audited the annual financial statements of Kitron ASA as of December 31, 2007, showing a profit of NOK 579k for the parent company and a profit of NOK 64 434k for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The financial statements of the group comprise the balance sheet, the 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, 2007 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, 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, March 13, 2008
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant (Norway)

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

CORPORATE GOVERNANCE

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

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

BASIC VALUES AND ETHICAL GUIDELINES

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

BUSINESS

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

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

EQUITY AND DIVIDENDS

The parent company's share capital at 31 December 2007 amounted to NOK 173.0 million. Total equity for the group at the same date was NOK 247.0 million, corresponding to an equity ratio of 24.7 per cent. Considering the nature and scope of Kitron's business, the board considers that the company has adequate equity.

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

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

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The shares are freely negotiable. The articles of association include no form of restriction on negotiability. All shares have equal voting rights and there is only one class of shares. No new shares were issued and no transactions in treasury shares were carried out in 2007. Kitron has inadvertently held 164 treasury shares since the shares were originally registered in the Norwegian central depository of shares. These shares were sold at market price in February 2008 and the proceeds were donated to a charitable purpose.

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

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

GENERAL MEETINGS

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

The general meeting deals with such matters as required by Norwegian law, including adoption of the annual accounts and the board of directors' report. It also elects board members and the external auditor. The board informs the general meeting about existing remuneration and incentive programs. Shareholders who can not attend the meeting in person can vote by proxy, and voting instructions can be given on each subject on the agenda.

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

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

NOMINATION COMMITTEE

Kitron's nomination committee is stated in the articles of association. The committee shall have three members, including the head of the committee. At the composition of the nomination committee, the interests of the shareholders will be taken into account, as well as the members' independence of the board and of the executive management. The general meeting elects the head and the members of the nomination committee and determines its remuneration. The general meeting has resolved a mandate for the nomination committee. The board will propose changes to the mandate to the general meeting in 2008, in order to make the mandate compliant with the Code. The members of the election committee are elected for a period of two years. For the sake of continuity, one or two members stand for election each year.

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

BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

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

The board's composition shall ensure that it can effectively and proactively perform its supervisory and strategic functions. Furthermore, the board is composed to enable it to always act independently of special interests. The two major shareholders, UAB Hermis Capital and Kongsberg Gruppen ASA are represented on the board by two and one board members respectively. Amber Trust II, which is the third largest shareholder, is represented by one board member. The representation of shareholders was proposed by the nomination committee and unanimously resolved by the general meeting. All the shareholder-elected board members are independent of the executive management. Further information about the board members is presented in the annual report and on the company's web site.

THE WORK OF THE BOARD OF DIRECTORS

The board has an overall responsibility for safeguarding the interests of all shareholders and other stakeholders. Furthermore, it is the board's duty and responsibility to exercise overall control of the company, and to supervise the management and the company's operations. The division of roles between board and management is specified in Kitron's rules of procedure for the board. The board has approved an annual meeting plan for its work, which includes meetings with a special focus on strategy and budgeting. The board conducted a self-evaluation in February 2008.

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

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

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

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.

RISK MANAGEMENT AND INTERNAL CONTROL

Kitron's business consists of operating contract manufacturing, development and related services (Electronic Manufacturing Services or EMS) for product owning companies who are outsourcing such services. The board sees no unusual or conspicuous risks beyond those which any light industry operation are exposed to.

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

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

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

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

To balance the financial risk and shareholder's interests, the equity ratio should be in the range between 25 per cent and 40 per cent. Kitron's equity ratio was 24.7 per cent at the end of 2007. Kitron's debt is predominantly short-term. This is a result of corporate history and inadequate profitability over several years. The company will seek to reduce this risk by obtaining long-term debt to replace short-term and expand the company's funding base.

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

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

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

REMUNERATION OF THE BOARD OF DIRECTORS

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

Board members may perform special assignments for the company in addition to their directorship. Such assignments, if any, are reported to the full board and disclosed in the annual report. Former chairman, Carl Espen Wollebekk, conducted such assignments, which amounted to NOK 100 000 in 2007. Information about each director's remuneration, including shares and subscription rights, is provided in the notes to the annual accounts.

REMUNERATION OF SENIOR EXECUTIVES

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

At present Kitron does not have any outstanding share option schemes or other arrangements to award shares to employees. However, a bonus scheme related to the share price development was introduced in 2007. The bonus scheme is explained in the notes to the annual accounts. From 2008, any future share option schemes or other share-based remuneration schemes shall be approved in advance by the general meeting.

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

INFORMATION AND COMMUNICATION

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

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

Kitron established in 2007 contingency plans for information management in the case of issues or situations that could impact the company's reputation.

TAKEOVERS

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

AUDITOR

PricewaterhouseCoopers AS (PwC) has been the company's auditor since 2005. PwC has issued a written confirmation that PWC continues to satisfy the requirements for independence. As part of the 2007 audit, PwC submitted the main features of the plan for the audit to the board. In addition, the auditor participated in the meeting of the board that dealt with the annual financial statements.

If required by the board or by the auditor, the board and the auditor will hold meetings where neither the CEO nor any other members of the executive management are present. No such meetings were held during 2007.

The board of Kitron has established guidelines in respect of the use of the auditor by the company's executive management for services other than mandatory audit. PwC has provided the board with a summary of all services that have been undertaken for Kitron for the accounting year 2007. The fees paid for audit work and fees paid for other specific assignments are specified in the notes to the financial statements.

ARTICLES OF ASSOCIATION

(latest update 13 December 2007)

§ 1

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

§ 2

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

§ 3

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

§ 4

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

§ 5

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

§ 6

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

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

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

§ 7

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

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

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

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

§ 8

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

(Office translation)

SHAREHOLDER INFORMATION

SHARE CAPITAL

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

Kitron's registered share capital at 31 December 2007 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 2007.

STOCK MARKET LISTING

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

During 2007 the share price moved from NOK 5.00 to NOK 3.56, which corresponds to a decrease of 28.8 per cent. The Oslo Børs main index increased by 9.9 per cent in the same period. The share price has varied between NOK 3.45 and 5.40. At the end of 2007 the company's market capitalisation was NOK 615.7 million. A total of 54.1 million shares were traded during the year, corresponding to a turnover rate of 0.31.

SHAREHOLDER STRUCTURE

At the end of 2007, Kitron had 3 065 shareholders, compared with 3 395 shareholders at the end of 2006. At the end of the year, the foreign shareholding amounted to 56.8 per cent. The Hermis Capital private equity fund is the company's largest shareholder and held 39.99 per cent of the shares in Kitron at the balance sheet date. Kongsberg Gruppen ASA is the second largest shareholder, and held 19.3 per cent of the shares in Kitron ASA at 31 December 2007. Kongsberg Gruppen ASA is also one of the company's largest customers. A third significant shareholder is the joint venture fund Amber Trust II, holding 13.69 per cent of the shares. The 20 largest shareholders held a total of 87.9 per cent of the company's shares at the end of the year.

MANDATES

Increasing the share capital

The ordinary general meeting of 8 May 2007 authorised the board to execute one or more share capital increases by issuing a number of shares maximised to 10 per cent of Kitron's registered share capital at 8 May 2007. The total amount by which the share capital may be increased is NOK 17 296 162.50. The authority applies until the ordinary general meeting in 2008, but no longer than to 30 June 2008. The authority can be used for acquisitions of and mergers with other companies or businesses or to raise funds. The authority had not been exercised at 31 December 2007.

Own shares

The ordinary general meeting on 8 May 2007 authorised the board to acquire own shares, for the purpose of ownership or charge, for a total nominal value of up to NOK 17 296 162.50, which is equal to 10 per cent of Kitron's registered share capital at 8 May 2007. Under the authorisation the board shall pay minimum NOK 1.00 per share and maximum the prevailing market price per share on the day the offer is made, provided, however, that the amount does not exceed NOK 25.00 per share. The authority is valid until the ordinary general meeting in 2008 but no longer than until 30 June 2008. The authority had not been exercised at 31 December 2007.

DIVIDEND POLICY

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

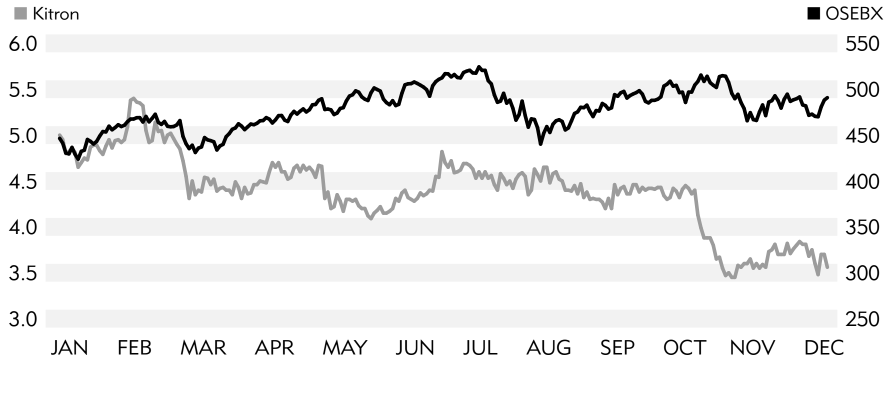
INFORMATION AND INVESTOR RELATIONS

Kitron wishes to maintain open communications with its shareholders and other stakeholders. The company's communication activities aims at enabling Kitron's shareholders and other stakeholders to continuous make an assessment of the company and its prospects. Shareholders and other stakeholders in the financial market are kept informed by announcements to the Oslo Børs and press releases. Kitron's website www.kitron.com provides information on Kitron's business and financial situation. Interim financial statements are presented at meetings open to the general public and available as webcast at www.kitron.com.

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

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

SHARE PRICE KITRON vs OSLO STOCK EXCHANGE – 2007



BOARD AND MANAGEMENT

BOARD

NERIJUS DAGILIS

Chairman of the board

Elected for the period 2007-2009

Born in 1974. On the Kitron's board since 2005. Board member and co-founder of UAB Hermis Capital. Earlier, he used to work as an investment analyst with Hermis bank. Master of Business Administration. At the end of 2007, UAB Hermis Capital controlled 69 134 583 shares in Kitron ASA. Mr. Nerijus Dagilis is a Lithuanian citizen.

ARNE SOLBERG

Vice chairman of the board

Elected for the period 2007-2009

Born in 1953. On the Kitron's board since 2000. CFO in Kongsberg Gruppen ASA. Diverse experience from administrative positions within finance and management. Bachelor of Commerce. At the end of 2007 Kongsberg Gruppen ASA controlled 33 439 153 shares in Kitron ASA. Mr. Arne Solberg is a Norwegian citizen.

ELENA ANFIMOVA

Board member

Elected for the period 2007-2009

Born in 1975. On the Kitron's board since 2007. Assistant Portfolio Manager at Firebird Management LLC, a New York-based hedge fund. Previously, a co-founder of Ukrainian Business Library LTD; a sales executive at Internet Securities Inc, Ukraine. Wharton MBA. Firebird is a partner in a joint venture that, at the end of 2007, controlled 23 672 000 shares in Kitron ASA. Ms. Elena Anfimova is a Ukrainian citizen.

LISBETH GUSTAFSSON

Board member

Elected for the period 2007-2009

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

LIV E. JOHANSEN

Board member, elected by and among the employees

Elected for the period 2007-2009

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

STÅLE KROKEN

Board member, elected by and among the employees

Elected for the period 2007-2009

Born in 1968. On the Kitron's board since 2007. Key account manager at Kitron Microelectronics in Røros. Electrical Engineer. At the end of 2007 Mr. Kroken held 214 shares in Kitron ASA. Mr. Ståle Kroken is a Norwegian citizen.

TITAS SEREIKA

Board member

Elected for the period 2007-2009

Born in 1974. On the Kitron's board since 2005. Board member and co-founder of UAB Hermis Capital. Earlier, he was a partner in the same firm. Bachelor of Law degree and postgraduate studies in International Business. At the end of 2007 UAB Hermis Capital controlled 69 134 583 shares in Kitron ASA. Mr. Titas Sereika is a Lithuanian citizen.

GEIR VEDØY

Board member, elected by and among the employees

Elected for the period 2007-2009

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

MANAGEMENT

JØRGEN BREDESEN

CEO

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

GARD ELIASSEN

Sourcing director

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

BENGT ENBOM

HR director

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

JAN LIHOLT

Business development director

Born 1954. In Kitron since 2000. Diverse experience from manufacturing and general management of manufacturing companies, also development activities. Bachelor of Science, Electronics. At the end of 2007 Mr. Jan Liholt held 87 660 shares in Kitron ASA. Mr. Liholt has been granted 100 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Mr. Jan Liholt is a Norwegian citizen.

JOHANNES LIND

General manager Kitron Sweden

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

MINDAUGAS SESTOKAS

Managing director UAB Kitron

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

JAN SIGVARTSEN

Managing director Kitron AS

Born 1960. In Kitron since 2002. Diverse experience from finance and administrative management in various industries. Bachelor of Commerce, CPA. Mr. Sigvartsen has been granted 150 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Mr. Jan Sigvartsen is a Norwegian citizen.

LEIF TORE SMEDÅS

Managing director Kitron Microelectronics AS

Born 1958. In Kitron since 1981. Experience from electronics engineering, technology development and general management. Bachelor of Science, Electronics. At the end of 2007 Mr. Smedås held 52 788 shares in Kitron ASA. Mr. Smedås has been granted 120 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Mr. Leif Tore Smedås is a Norwegian citizen.

ERLING SVELA

CFO

Born 1958. In Kitron since 2006. Diverse experience from finance and administrative management in various industries. Master of Science, Forest Economics. Master of Business Administration, Certified Financial Analyst. Mr. Svela has been granted 235 000 bonus units for the period 2007-2009 connected to the value increase of the same number of shares. Mr. Erling Svela is a Norwegian citizen.

ADDRESSES

Kitron ASA
P O Box 97
NO-1375 Billingstad, Norway
Visiting address:
Olav Brunborgs vei 4, 2nd floor
Tel: +47 66 10 00 00
Fax: +47 67 10 64 61

Kitron AS
Serviceboks 500
NO-4809 Arendal, Norway
Visiting address:
Tangen Allé 39
Tel: +47 37 07 13 00
Fax: +47 37 07 13 01

Kitron AS, Development
P O Box 175 Vollebekk
NO-0520 Oslo, Norway
Visiting address:
Hans Møller Gasmanns vei 9
Tel: +47 66 10 00 00
Fax: +47 21 60 06 51

Kitron AB
SE-691 80 Karlskoga, Sweden
Visiting address:
Källmossvägen 5
Tel: +46 586 22 20 00
Fax: +46 586 22 22 80

Kitron AB, Development
SE-691 80 Karlskoga, Sweden
Visiting address:
Källmossvägen 5
Tel: +46 586 22 20 00
Fax: +46 586 22 22 80

Kitron Microelectronics AS
Øverhagaen 8
NO-7374 Røros, Norway
Tel: +47 40 00 52 80
Fax: +47 72 40 66 01

Kitron Microelectronics AB
P O Box 1052
SE-551 10 Jönköping, Sweden
Visiting address:
Bataljonsgatan 10
Tel: +46 36 290 21 00
Fax: +46 36 290 21 02

UAB Kitron
Taikos prospekt 151
LT-52119, Kaunas, Lithuania
Tel: +370 37 40 93 30
Fax: +370 37 40 93 31

Kitron Sourcing AS
P O Box 97
NO-1375 Billingstad, Norway
Visiting address:
Olav Brunborgs vei 4, 2nd floor
Tel: +47 66 10 00 00
Fax: +47 67 10 64 61

Kitron Electromechanical (Ningbo) Co., Ltd
8 JinChuan Road
Nordic Industrial Park
Zhenhai Economic Development Zone,
Ningbo 315221
Zhejiang Province, P.R. of China
Tel: +86 574-8630 6713
Fax: +86 574 8630 6711

Kitron

Advisory services: MonsenHejna AS.
Design/Layout: Uncle

www.kitron.com