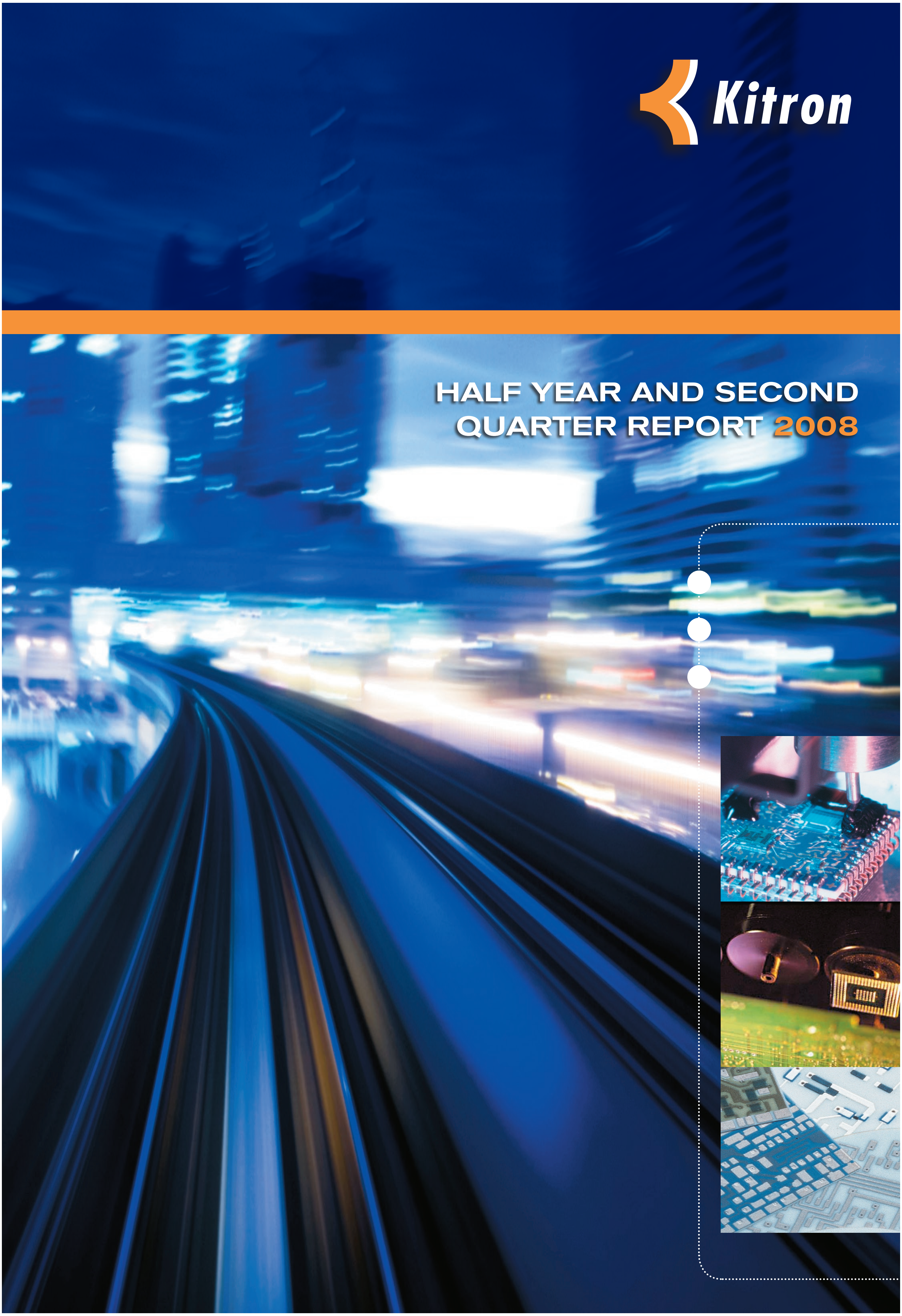


HALF YEAR AND SECOND QUARTER REPORT 2008

Interim report per 30 June 2008

A step change in profitability

H1

Revenue amounted to NOK 1 108.4 million in the first half of 2008, which represents an 11.3 per cent increase compared with the same period last year. The profit before tax reached NOK 58.4 million, an increase of 58.7 per cent compared with the first half of 2007. The order intake was NOK 1 201 million and the order backlog was NOK 1 007 million, an increase of 30.4 per cent and 13.5 per cent respectively. The result signals a step change in profitability for the group. This achievement, a strong backlog and positive market outlook may lead to a record high performance in 2008.

Growth

The activity level has been high in the first six months of 2008 across all market segments. The activity level is particularly high in the Medical equipment and Defence/Marine segments on the back of landing several important orders with key customers such as Sensys, Gambro, Cellavision and Kongsberg Defence and Aerospace during the last six months. The high activity level is expected to continue for the rest of the year.

Step change in profitability

The step change in profitability comes as the result of the high activity level as well as Kitron's consistent and long term effort to increase its competitiveness. This includes streamlining of manufacturing to fewer sites, selective transfer of production between sites, investments to increase productivity in existing facilities and a strong focus on sourcing and material price reductions.

Acquisition of the Lithuanian facility

Kitron has acquired a manufacturing property in Lithuania for EUR 3.4 million from a group of Irish investors. The property is the same as Kitron has leased since 2001. The acquisition will be incorporated in the group financial statements from third quarter.

This investment is in line with Kitron's strategy to increase its manufacturing capacity in Lithuania. The plan is to develop the property and double the space from approximately 5000 square meters and substantially increase the manufacturing capacity within the next few years.

Streamlining operation

Kitron is continuing its efforts to streamline and adapt the operation. In the first six months of 2008 several actions has been undertaken. The manufacturing activities at the factory in Flen in Sweden have been transferred to other sites and the Flen site has been closed. In Lithuania the operation has been merged into one legal entity. Furthermore, significant efforts have been undertaken in Lithuania to increase productivity and streamline production in order to add capacity. The Uzliedziai site in Lithuania has been expanded with a second line which will be operational in the third quarter.

Related parties

Note 19 to the consolidated annual financial statements for 2007 provides details of related parties. During the first half of 2008 there has not been any changes or transactions that significantly impacts the group's financial position or result for the period.

Key items first half year 2008

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

- **Strong order intake**
  The order intake increased by 30.4 per cent to NOK 1 201 million (NOK 924 million). The order backlog at the end of the first half was NOK 1 007 million (NOK 887 million).
- **Double digit revenue growth**
  Revenue increased by 11.3 per cent to NOK 1 108.4 million (NOK 996.2 million).
- **Significant increase in operating profit**
  EBITDA and EBIT were NOK 91.6 million (NOK 63.2 million) and NOK 70.4 million respectively (NOK 47.8 million).
- **Increased profit before tax**
  Profit before tax amounted to NOK 58.4 million (NOK 36.8 million), which reflects a margin of 5.3 per cent (3.7 per cent).
- **Negative cash flow from operations**
  Cash flow from operations in the first half was NOK -9.2 million (NOK -15.3 million) due to increased inventory and receivables.

Interim report for second quarter 2008

Strong order, revenue and profit growth

Q2

Revenue amounted to NOK 613.3 million in the second quarter of 2008, representing 20.1 per cent increase over the same period in 2007. Profit before tax was NOK 42.2 million in the quarter, which was twice the result in second quarter in 2007. Orders increased by 35 per cent compared to second quarter 2007. The order backlog is the highest since 2001.

Revenue

Kitron's revenue in the second quarter was 20.1 per cent higher than in the same period in 2007 and amounted to NOK 613.3 million (NOK 510.5 million). The revenue increase is largely a result of higher activity at all manufacturing sites. Revenue increased the most within the Defence/Marine, Data/Telecom and Industry segments compared to the second quarter of 2007. Revenue in the Medical equipment segment was about the same level as the second quarter of 2007.

From 2008 Kitron reports a single business area, Electronic Manufacturing Services (EMS). The businesses at Røros and in Jönköping, Sweden, which previously comprised Microelectronics, are from 2008 included in Norway and Sweden respectively.

Revenue in the Norwegian operation represented 60.2 per cent of Kitron's gross revenue during the second quarter (62.5 per cent). The Swedish operation represented 20.6 per cent of the group (22.2 per cent). Kitron's operation in Lithuania provided for 19.2 per cent (15.3 per cent). The transfer of manufacturing to Lithuania continues in a steady phase as the quality and competence in the organisation is improved.

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

Data/Telecom	28% (29%)
Defence/Marine	33% (29%)
Medical equipment	16% (19%)
Industry	23% (23%)

Sales to customers in the Swedish market represented a 43.3 per cent share of the total revenue during the second quarter (44.2 per cent). The Norwegian market represented 49.6 per cent of Kitron's total revenue in the second quarter, versus 49.8 per cent during the same quarter in 2007.

Gross margin

The gross margin was about the same as in the second quarter of 2007, and amounted to 39.5 per cent.

Profit

Kitron's operating profit (EBIT) in the second quarter was NOK 48.7 million, which is a substantial increase, compared to the same period in 2007 (26.4 million). Profit before tax in the second quarter of 2008 was NOK 42.2 million, which is an increase of 100 per cent, compared to 2007.

The company's total payroll expenses in the second quarter of 2008 were NOK 8.8 million higher than the corresponding period in 2007. This is due to increased number of employees. The relative payroll costs improved from 26.3 per cent of revenue in second quarter 2007 to 23.3 per cent of revenue in the second quarter this year. Other operating costs were 6.3 per cent of revenue in the second quarter of 2008 (6.1 per cent). The second quarter result includes an impairment charge of NOK 3.5 million related to fixed assets in Lithuania which will be discontinued or replaced in 2008.

During the second quarter net financial items amounted to a cost of NOK 6.5 million. This was NOK 1.2 million higher than during the same period the year before. The principal reason is higher interest rate.

Balance sheet

Kitron's gross balance as at 30 June 2008 amounted to NOK 1 074.6 million, against NOK 913.9 million at the same time in 2007. Equity was NOK 303.1 million (NOK 217.1 million), corresponding to an equity ratio of 28.2 per cent (23.7 per cent).

Inventory was NOK 310.5 million at 30 June 2008 (NOK 272.2 million). Considerable resources have been applied to improve inventory management, and measured by inventory turns it has improved from 6.4 in the second quarter of 2007 to 7.1 in the second quarter of 2008.

Trade debtors and other receivables amounted to NOK 498.9 million at the end of the second quarter of 2008. The corresponding amount at the same time in 2007 was NOK 419.7 million. On average payments are received about two days after due date, and credit losses have been insignificant.

The group's reported interest-bearing debt totalled NOK 350.8 million as at 30 June 2008. Interest-bearing debt at the end of the second quarter of 2007 was NOK 308.1 million. The increase is largely related to an increase in factoring debt.

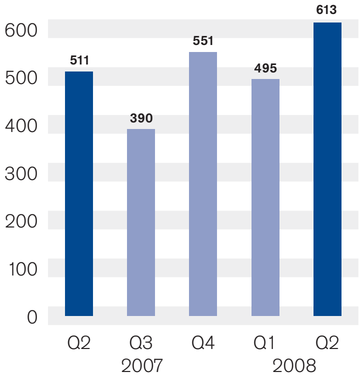
Cash flow from operational activities for the second quarter of 2008 was NOK 51.6 million (NOK 53.4 million).

Key items second quarter 2008

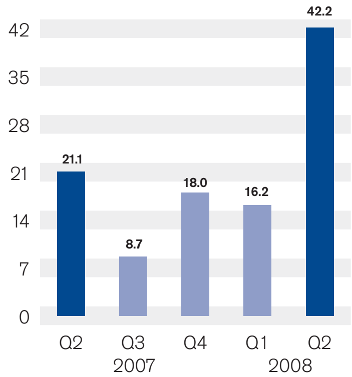
Figures in brackets refer to the second quarter of 2007 unless otherwise stated.

- **Strong order intake and order backlog**
  The order intake in the quarter increased by 35 per cent to NOK 625 million (NOK 464 million). The order backlog at the end of the quarter was NOK 1 007 million (NOK 887 million).
- **Revenue growth (20.1 per cent)**
  NOK 613.3 million in the quarter (NOK 510.5 million).
- **Increased operating profit**
  EBITDA and EBIT were NOK 61.1 million (NOK 34.3 million) and NOK 48.7 million respectively (NOK 26.4 million).
- **Profit before tax doubled**
  Profit before tax amounted to NOK 42.2 million (NOK 21.1 million), which reflects a margin of 6.9 per cent (4.1 per cent).
- **Stable cash flow from operations**
  Cash flow from operations in the second quarter was NOK 51.6 million (NOK 53.4 million).

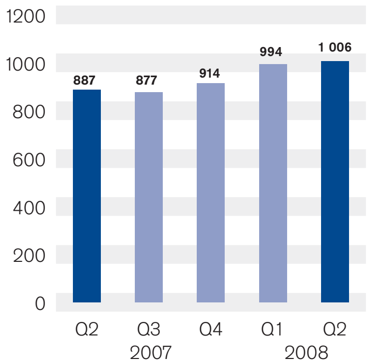
REVENUE Group
NOK million



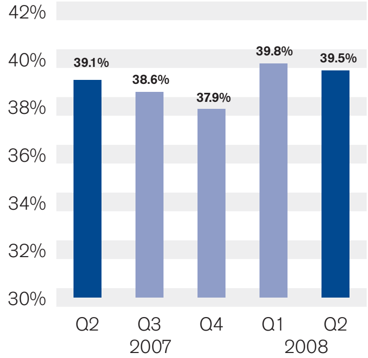
PROFIT BEFORE TAX Group
NOK million



ORDER BACKLOG Group
NOK million



GROSS MARGIN Group
Per cent



REVENUE BUSINESS AREAS

NOK million	Q2 2008	Q2 2007	30.06.2008	30.06.2007	31.12.2007
Norway	405.6	341.7	733.5	680.3	1 326.4
Sweden	138.9	121.4	242.2	232.7	433.7
Lithuania	128.9	83.2	245.9	154.6	319.3
Others and eliminations	(60.1)	(35.8)	(113.2)	(71.4)	(141.6)
Total group	613.3	510.5	1 108.4	996.2	1 937.8

OPERATING PROFIT/(LOSS) BUSINESS AREAS

NOK million	Q2 2008	Q2 2007	30.06.2008	30.06.2007	31.12.2007
Norway	33.6	15.6	43.4	32.7	66.6
Sweden	10.2	3.9	11.5	3.7	0.6
Lithuania	8.4	8.8	20.5	15.8	21.3
Others and eliminations	(3.4)	(1.9)	(5.0)	(4.4)	(4.1)
Total group	48.8	26.4	70.4	47.8	84.4

ORDER BACKLOG BUSINESS AREAS

NOK million	Data/ Telecom	Defence/ Marine	Medical equipment	Industry	Total
Norway	128.8	278.5	128.7	143.7	679.7
Sweden	37.2	61.6	71.2	19.1	189.1
Lithuania	46.9	31.3	3.9	55.4	137.5
Total group	212.9	371.4	203.8	218.2	1 006.3

REVENUE GEOGRAPHIC DISTRIBUTION CUSTOMERS

NOK million	Q2 2008	Q2 2007	30.06.2008	30.06.2007	31.12.2007
Norway	303.9	231.9	559.9	473.5	944.7
Sweden	265.8	230.1	471.8	445.0	824.3
Rest of Europe	22.2	24.3	38.9	41.8	89.4
USA	11.3	7.1	19.0	11.0	20.6
Others	10.1	17.1	18.8	24.9	58.8
Total group	613.3	510.5	1 108.4	996.2	1 937.8

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 98.7 million at the end of the second quarter, versus NOK 89.5 million at the same time in 2007.

Kitron's cash and bank credit as at 30 June 2008 comprised the following:

NOK million	
Cash and cash equivalents	59.1
Drawings on the overdraft facility	(73.6)
Restricted bank deposits	(18.9)
Total	(33.4)

Organisation

The Kitron workforce increased by 27 full time equivalents (FTE) in the second quarter, and corresponded to 1 439 FTE at 30 June. This represents an increase of 118 FTEs since the second quarter of 2007.

Full time equivalents	30.06.08	30.06.07
Norway	740	701
Sweden	262	293
Lithuania	419	315
Other	18	12
Total	1 439	1 321

Market

Growing order intake and record order backlog

In the second quarter, the order intake was NOK 625 million, up 35 per cent from the second quarter of 2007. Order intake varies between quarters, but Kitron has not detected indications of weaker market demand. The company continosly receives an encouraging number of enquiries from existing and prospective customers.

Four quarter moving average order intake has grown steadily since medio 2005 and amounted to NOK 526 million at the end of second quarter 2008. Kitron continues to expand its manufacturing capacity to deliver according to customers' orders. Kitron's order backlog includes four months customer forecast plus all firm orders for later delivery. At the end of the quarter, the order backlog was NOK 1,007 million, which was the highest amount since the 2001.

Data/Telecom

Following a soft first quarter, the order intake and revenue in the Data/Telecom market segment increased significantly in the second quarter. The revenue in the first half was stable compared to 2007, while the revenue in the second quarter increased by 13.7 per cent compared to the year before. Kitron provides both industrialisation and manufacturing of advanced telecom products, especially infrastructure equipment. In June Kitron received an order from Sensys Traffic AB amounting to about SEK 50 million. Policom, which supplies advanced electric energy metering equipment in Norway and Sweden, is the major customer of the factory in Lithuania. Increasing energy prices and implementation of EU-regulations of so-called 'smart metering' is expected to drive strong growth for such equipment. The segment is highly competitive and price sensitive, particularly for consumer-related devices.

Defence/Marine

The favourable development in this segment in 2007, especially in the Norwegian business, has continued in 2008. Order intake in the first half was nearly twice as high as in the first half of 2007 and revenue grew by 37.8 per cent. Technical upgrades and the development of new technology contribute to growing demand in a market segment where Kitron has a strong position. One recent example is the order amounting to NOK 28 million received in May from Kongsberg Defence & Aerospace for military RadioLink, of which Kitron also took part in the development stage. High oil price has a favourable effect on the marine part of the segment. Outlook for 2008 for both the defence and the marine part of this market segment is promising in Norway, but less attractive in Sweden.

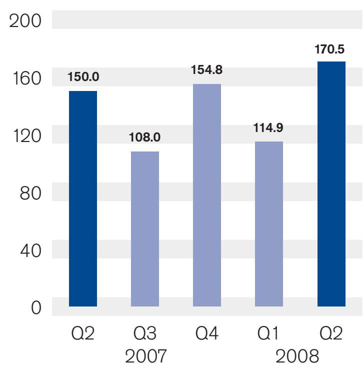
Medical equipment

The high activity and growth in the Medical equipment market is expected to last for several years. Customer and product specific circumstances caused weaker performance for Kitron in 2007, but the order situation improved by the end of the year and the revenue in the second quarter 2008 was 4.3 per cent higher than the corresponding quarter in 2007. Gambro BCT renewed its agreement with Kitron in June for another five years. The unit in Horten, which was established in the second half of 2006, is now fully operational. Additional ramp-up is scheduled in the second half. Kitron focuses on additional growth in the segment. In addition to expected growth with current customers in Norway and Sweden, the Swedish market provides promising new opportunities.

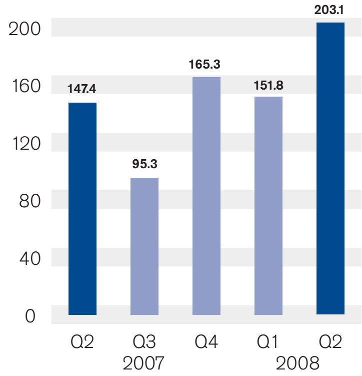
Industry

Kitron's activity within the Industry segment has been variable and displayed a weakening trend in 2006-2007. Good order intake in the first quarter of 2008 provided for a revenue growth of 19.3 per cent in the second quarter compared to the same period in 2007. The order intake in the first half grew by 49.7 per cent. Price seems to be a more important factor in the Industry segment compared to the other segments, where

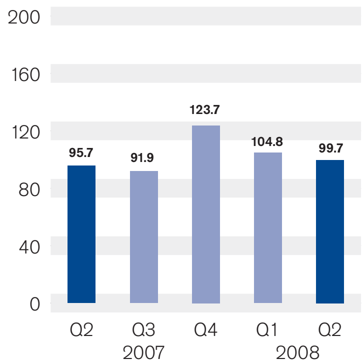
REVENUE Data/Telecom
NOK million



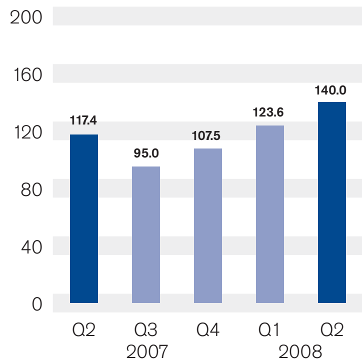
REVENUE Defence/Marine
NOK million



REVENUE Medical equipment
NOK million



REVENUE Industry
NOK million



quality and competency are more emphasised. Nevertheless, Kitron has won orders and currently makes deliveries to industrial customers in China.

Outlook for second half of 2008

Since 2005, the strong international economy as well as an increasing degree of outsourcing has contributed to a positive development within the EMS market. Kitron's machine investments and productivity improvement activities have enabled capacity increases to meet the growing order volume.

Kitron's main markets are Norway and Sweden, but most customers sell their products on the international markets. Kitron also has manufacturing operations in Lithuania. The acquisition and subsequent expansion of the factory facility in Kaunas enables continued growth. The expansion of the Uzliedziai site for the Defence/Marine segment is currently under completion and will commence operation in third quarter.

Kitron constantly seeks to grow the manufacturing capacity in order to increase productivity and to serve customers' requests. Kitron's results in 2008 are more linked to specific customer successes and orders already secured than the development of the economy at large. Order intake, forecasts and other indications from customers support Kitron's expectation of a growth for the year in line with the strategic ambition of about 10 per cent annual growth. On the other hand, the market situation could become more difficult than expected. While strong competition within the EMS market contributes to continuous pressure on the margins, Kitron expects to maintain a healthy profitability and margin level in the second half of the year. In absolute terms Kitron expects that the EBT in the second half will be equal to or higher than the level in the first half of 2008. Kitron expects to grow with its customers and realise margin improvement through economy of scale, productivity improvement and cost-efficient materials sourcing.

The financial market risk areas and assessment is unchanged compared to the overview given in the annual report in 2007.

Profit and loss statement

NOK 1 000	Q2 2008	Q2 2007	30.06.2008	30.06.2007	31.12.2007
Revenue	613 342	510 529	1 108 418	996 220	1 937 780
Cost of materials	371 017	311 042	669 016	613 494	1 195 561
Payroll expenses	142 884	134 045	277 266	260 219	496 199
Other operational expenses	38 335	31 138	70 540	59 343	129 028
Operating profit before depreciation and impairments (EBITDA)	61 106	34 304	91 596	63 164	116 992
Depreciation and impairments	12 358	7 907	21 218	15 366	32 553
Operating profit (EBIT)	48 748	26 397	70 378	47 798	84 439
Net financial items	(6 527)	(5 314)	(11 999)	(11 022)	(20 990)
Profit before tax	42 221	21 083	58 379	36 776	63 449
Tax	1 038	1 349	2 641	2 248	(985)
Net profit	41 183	19 734	55 738	34 528	64 434
Earnings per share (basic and diluted)	0.24	0.11	0.32	0.20	0.37

Balance sheet

NOK 1 000	30.06.2008	30.06.2007	31.12.2007
ASSETS			
Goodwill	25 514	19 123	25 514
Tangible fixed assets	155 540	133 677	144 345
Investment in shares	36	41	37
Deferred tax assets	25 000	20 000	25 000
Other receivables	-	2 111	1 899
Total fixed assets	206 089	174 952	196 795
Inventory	310 488	272 191	266 257
Accounts receivable and other receivables	498 890	419 734	417 205
Cash and cash equivalents	59 125	47 066	119 866
Total current assets	868 503	738 991	803 328
Total assets	1 074 592	913 943	1 000 123
LIABILITIES AND EQUITY			
Equity	303 051	217 054	246 997
Total equity	303 051	217 054	246 997
Loans	31 778	34 646	34 246
Pension commitments	21 553	22 647	21 938
Other provisions	-	3 811	
Total long-term liabilities	53 331	61 104	56 184
Accounts payable and other current liabilities	398 100	360 132	348 522
Loans	318 986	273 445	347 399
Other provisions	1 124	2 208	1 021
Total current liablities	718 210	635 785	696 942
Total liabilities and equity	1 074 592	913 943	1 000 123

Cash flow statement

NOK 1 000	Q2 2008	Q2 2007	30.06.2008	30.06.2007	31.12.2007
Net cash flow from operational activities	51 649	53 384	(9 243)	(15 252)	78 462
Net cash flow from investment activities	(46 216)	(15 347)	(59 542)	(25 520)	(57 178)
Net cash flow from financing activities	9 009	3 273	7 181	(2 012)	1 674
Change in cash and bank credit	14 442	41 310	(61 604)	(42 784)	22 958
Cash and bank credit opening balance	(47 882)	(78 888)	28 164	5 206	5 206
Cash and bank credit closing balance	(33 440)	(37 578)	(33 440)	(37 578)	28 164

Changes in equity

NOK 1 000	30.06.2008	30.06.2007	31.12.2007
Equity opening balance	246 997	185 699	185 699
Profit for the year	55 738	34 528	64 434
Conversion differencies and other changes	316	(3 173)	(3 136)
Equity closing balance	303 051	217 054	246 997

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

Notes to the financial statements (unaudited)

Note 1 – General information and principles

The consolidated financial statements for the first half of 2008 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting.

The interim financial statements do not include all the information required for a full financial report and should therefore be read in conjunction with the consolidated financial statements for 2007, which were prepared in accordance with the Norwegian Accounting Act and IFRS as adopted by the EU. Segment information is provided on page 4. Kitron has applied the same accounting principles as in the consolidated financial statements for 2007. The consolidated financial statements for 2007 are available upon request from the company and at www.kitron.com.

Note 2 – Estimates

The preparation of the interim financial statements requires the use of valuations, estimates and assumptions that effect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the same for the interim financial statements as for the consolidated statements for 2007.

Note 3 – Financial risk management

Kitron's business exposes the company to financial risks. The purpose of the company's procedures for risk management is to minimise possibly negative effects caused by the company's financial arrangements. There has been no change of impact or material incidents in 2008.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2008 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Arendal, 14 August 2008

Nerijus Dagilis
Chair

Arne Solberg
Deputy chair

Elena Anfimova

Lisbeth Gustafsson

Liv Johansen
Employee elected board member

Ståle Kroken
Employee elected board member

Tomas Kucinskas

Geir Vedøy
Employee elected board member

Jørgen Bredesen
CEO

Consultancy: MonsenHejna AS Design/layout: Haugvar K&D

Kitron

Kitron ASA

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Norway

Our solutions deliver success

Kitron is a medium-size high mix low volume Electronic Manufacturing Services (EMS) company. The company has manufacturing facilities in Norway, Sweden and Lithuania, and has about 1 400 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

Kitron offers all parts of the value chain: from design via industrialisation, manufacturing and logistics, to repairs. The electronics content may be based on conventional printed circuit boards or ceramic substrates. The microelectronics business, which provides thick film technology and chip and wire bonding technology, delivers distinct features to customers with demanding requirements, and constitute an important element in Kitron's manufacturing process portfolio.

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