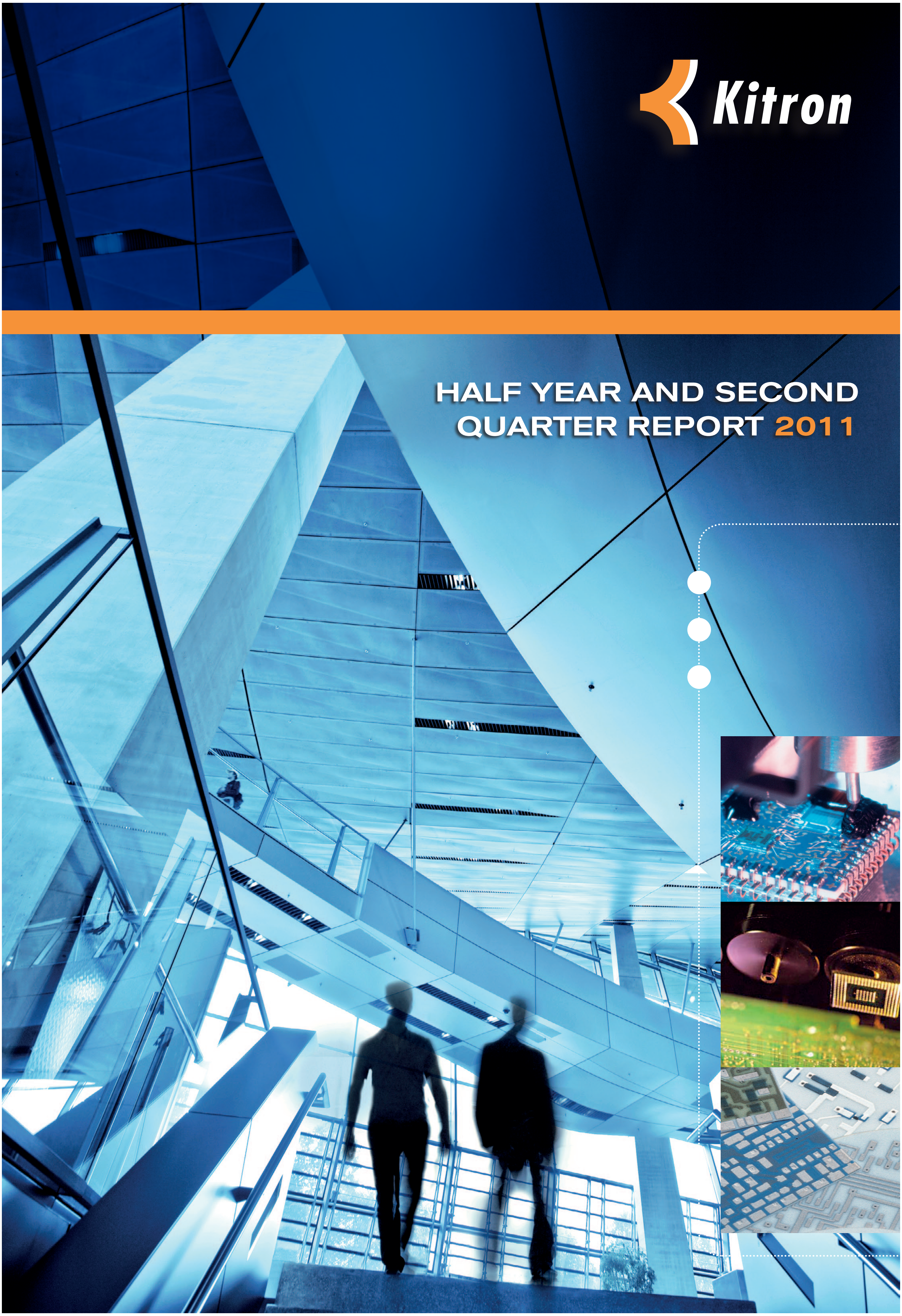
HALF YEAR AND SECOND QUARTER REPORT 2011



H1

Interim report per 30 June 2011

Positive profitability trend

Key items first half year 2011

Figures in brackets refer to the first half of 2010 unless otherwise stated.

- **Strategic agreement with Kongsberg**
  Kitron has been awarded a manufacturing agreement with Kongsberg related to NSM and a letter of intent on JSM.
- **Profitability improving**
  EBITDA reached NOK 41.3 million (NOK 25.0 million) and EBIT NOK 25.0 million (NOK 10.4 million), an increase of 62% and 140% respectively.
- **Global Expansion on Track**
  The factory in US was officially opened in Q2 2011 and the factory in China is on schedule to be opened in Q3 2011. Production will start up in both factories during the second half of 2011.
- **Shorter order lead times**
  The order intake decreased by 12.0 per cent to NOK 805.2 million (NOK 914.5 million) as several customers reduce the order lead times following a normalisation of the component market. The order backlog at the end of June was NOK 781.4 million (NOK 867.7 million).
- **Activity level increasing**
  Revenue increased by 2.8 per cent to NOK 860.5 million (NOK 836.8 million).
- **Higher profit before tax**
  Profit before tax and discontinued operations amounted to NOK 13.6 million (NOK 4.7 million), which reflects a margin of 1.6 per cent (0.6 per cent).
- **Increase in working capital**
  Cash flow from operational activities in the first half was negative by NOK 5.9 million (negative NOK 38.9 million) due to an increase in working capital.

Revenue amounted to NOK 860.5 million in the first six months of 2011, which represents a 2.8 per cent increase compared with the same period last year. The profit before tax and discontinued operations reached NOK 13.6 million, an increase of NOK 8.8 million compared with the first half of 2010. The order intake was NOK 805.2 million and the order backlog was NOK 781.4 million, a decrease of 12.0 per cent and 10.0 per cent respectively. The headcount has been somewhat higher (1 116 in June 2011 vs 1 086 in June 2010), but with a shift from higher to lower cost countries. The cash flow from operational activities for the first half of 2011 was negative by NOK 5.9 million compared to negative NOK 45.4 million for the same period in 2010. Before repayment of factoring debt the cash flow from operation was NOK 38 million.

Important contracts secured

The general trend within Kitron's market segments is positive although concerns remains about the global economic recovery and outlook. The reduction in order intake and backlog compared to the first half last year is mainly due to the fact that customers are reducing the order lead time as the component market is normalising and as such not having any major impact on revenue.

The signing of several long term agreements in the first half, which has not yet been fully recognized in the order intake and backlog, is further underpinning a positive development and improved long-term revenue visibility.

In the first half of 2011 Kitron secured important new contracts within Defence/Aerospace, Medical equipment, Energy/Telecoms and Offshore/Marine.

Within Defence/Aerospace the new contract with Kongsberg is significant for Kitron in the longer term. Kitron and Kongsberg have signed a 5 year manufacturing agreement related to deliveries of electronics to the NSM (Naval Strike Missile). The parties have also agreed on a letter of intent to cooperate in the first phase of the manufacturing of electronics for the JSM (Joint Strike Missile). The NSM and JSM programs are of significant strategic importance for Kongsberg and Kitron.

In the second quarter Kitron entered into a supply agreement with another Defence/Aerospace customer with a value of about NOK 300 million over three years. The agreement includes deliveries of complex electronics and is an extension of an existing business relationship.

Within the Medical equipment segment Kitron entered into an agreement with its largest customer that implies that Kitron will be the sole supplier until the end of 2012. The agreement is valued to NOK 350 to 400 million.

Also within Energy/Telecoms Kitron signed an agreement with its largest customer to continue production up to the end of 2014. This agreement is valued at more than NOK 400 million.

Furthermore several new contracts were secured in the Offshore/Marine segment and it is expected to see a rebound in this segment going forward.

Restructuring of Kitron Sweden shows good progress

As previously announced Kitron is reorganising its Swedish operations to increase its competitiveness and improve profitability. This involves transfer of production to lower cost countries and to optimise the production between the operating units in Sweden. Furthermore the intention is to merge the Swedish legal entities, and to centralise all the administration to Jönköping in order to reduce indirect costs. The restructuring is progressing well and the Swedish operation is profitable in the first half of the year.

Establishment of new entities on track

The factory in US was officially opened in Q2 2011 and the factory in China is on schedule to be opened in Q3 2011. Pro-

duction will start up in both factories during the second half of 2011. Kitron's strategy to enter the German market is starting to pay off with several smaller contracts secured, all with potential for growth.

The start up of new entities in China, USA and Germany has been a major investment and operational undertaking for Kitron during the first half of 2011. Adjusted for the negative impact from start up activities the EBIT result for the first half would have been NOK 14 million higher. It is expected that the new entities will turn profitable during 2012.

Strategic co-operation between Kitron and Prevas

In the second quarter Kitron ASA and Prevas AB announced a strategic co-operation agreement. Prevas is a leading Scandinavian product development company. Through the co-operation between Prevas and Kitron customers are offered market leading services covering the entire value chain, including product & test development, industrialisation, sourcing, manufacturing, logistics, redesign and after sales services. In co-operation Prevas and Kitron will assist the customer in thinking product life cycle from the beginning and by using a joint Component Information System (CIS) help standardizing and optimizing the products and cost structures.

Q2

Interim report for second quarter 2011

Positive profitability trend

Key items second quarter 2011

Figures in brackets refer to the second quarter of 2010 unless otherwise stated.

- **Shorter order lead times**
  The order intake decreased by 22 per cent to NOK 395 million (NOK 507.8 million) as several customers reduce the order lead times following a normalisation of the component market. The order backlog at the end of the second quarter was NOK 781.4 million (NOK 867.7 million), 10 per cent lower than last year.
- **Activity level increasing**
  Revenue increased by 1.2 per cent to NOK 430.7 million (NOK 425.7 million).
- **Higher operating profit**
  EBITDA and EBIT were NOK 22.5 million (NOK 12.4 million) and NOK 13.8 million (NOK 4.5 million) respectively mainly due to improved performance in the Swedish operation.
- **Improved profit before tax**
  The profit before tax and discontinued operations amounted to NOK 8.3 million (NOK 1.7 million) which reflects a margin of 1.9 per cent (0.4 per cent).
- **Cash flow improving**
  Cash flow from operations in the second quarter was NOK 32.4 million (negative NOK 13.7 million) due to positive changes in working capital.

Kitron's revenue amounted to NOK 430.7 million in the second quarter of 2011, a 1.2 per cent increase compared with the same period last year. EBIT was NOK 13.8 million (NOK 4.5 million). The profit before tax and discontinued operations was NOK 8.3 million (NOK 1.7 million). Cash flow from operations was NOK 32.4 million (negative NOK 13.7 million). The order intake was NOK 395 million and the order backlog was NOK 781.4 million, a decrease of 22 per cent and 10 per cent respectively.

Revenue

Kitron's revenue in the second quarter was 1.2 per cent higher than in the same period in 2010, and amounted to NOK 430.7 million (NOK 425.7 million). Revenue in the market segment Energy/Telecoms was down 44.1 per cent, Defence/Aerospace was down 5.0 per cent, Industry increased by 39.3 per cent, Medical equipment was down by 2.9 per cent and Offshore/Marine was up 165.5 per cent compared to the second quarter of 2010.

Revenue in the Norwegian operation represented 57.3 per cent of Kitron's gross revenue during the second quarter (62.2 per cent). The Swedish operation represented 22.3 per cent of the group (23.1 per cent) and Kitron's operation in Lithuania provided for 20.3 per cent (14.7 per cent).

Kitron's revenue in the second quarter of 2011 was distributed as follows:

Energy/Telecoms	13% (23%)
Defence/Aerospace	23% (25%)
Industry	24% (17%)
Medical equipment	29% (31%)
Offshore/Marine	11% (4%)

Revenue from customers in the Swedish market represented a 41.5 per cent share of the total revenue during the second quarter (45.4 per cent). The Norwegian market represented 53.6 per cent of Kitron's total revenue in the second quarter (53.9 per cent).

Gross and net margin

The gross margin in second quarter 2011 was improved compared to second quarter last year, and amounted to 37.2 per cent (36.1 per cent). The net margin increased from 19.8 per cent to 22.8 per cent in the same period. The margin improvements are mainly due to improved profitability on projects in the Swedish operation.

Profit

Kitron's operating profit (EBIT) in the second quarter was NOK 13.8 million, which is an increase of NOK 9.3 million compared with same period last year (NOK 4.5 million).

Profit before tax and discontinued operations in the second quarter of 2011 was NOK 8.3 million, which is an increase of NOK 6.6 million compared to the same period last year.

The company's total payroll expenses in the second quarter were NOK 6.1 million lower than the corresponding period in 2010. The relative payroll costs went from 27.4 per cent of revenue in second quarter 2010 to 25.6 per cent of revenue in the second quarter this year. Other operating costs increased to 6.3 per cent of revenue in the second quarter of 2011 (5.8 per cent). The reason for the increase is the establishment of new operations in China and the US.

During the quarter net financial items amounted to a cost of NOK 5.5 million. This was an increase of NOK 2.7 million compared to the same period last year. The main reasons for the increase are higher interest and factoring cost due to increased external funding in second quarter 2011, and some currency losses on intra-group financial loans.

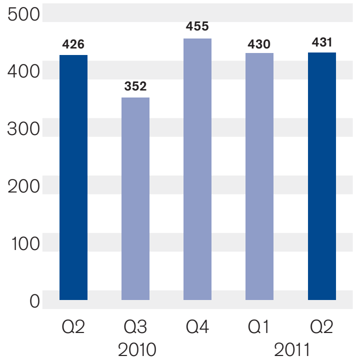
Balance sheet

Kitron's gross balance as at 30 June 2011 amounted to NOK 1 014.0 million, against NOK 994.0 million at the same time in 2010. Equity was NOK 427.3 million (NOK 438.8 million), corresponding to an equity ratio of 42.1 per cent (44.1 per cent).

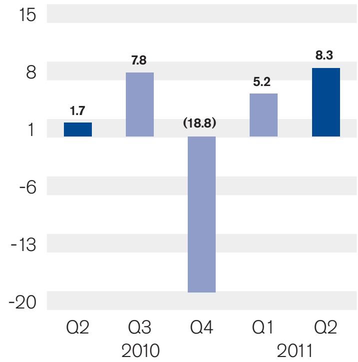
Inventory was NOK 318.3 million at 30 June 2011 (NOK 300.4 million). Inventory turns was down from 4.7 in second quarter 2010 to 3.9 in second quarter 2011.

Trade debtors and other receivables amounted to NOK 358.1 million at the end of the second quarter of 2011. The corre-

REVENUE Group
NOK million

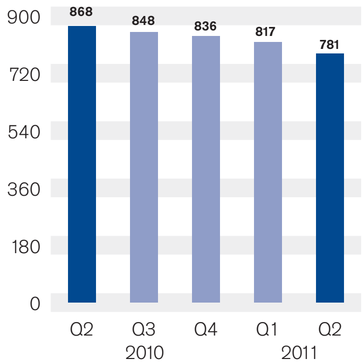


PROFIT BEFORE TAX Group
NOK million

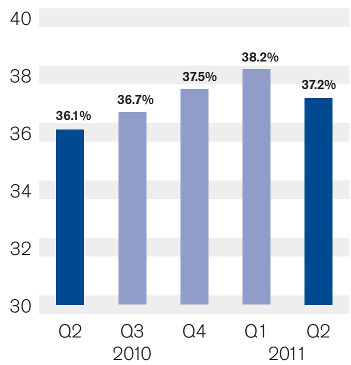


Higher operating profit due to improved performance in the Swedish operation.

ORDER BACKLOG Group
NOK million



GROSS MARGIN Group
Per cent



REVENUE BUSINESS AREAS

NOK million	Q2 2011	Q2 2010	30.06.2011	30.06.2010	31.12.2010
Norway	267.3	282.5	553.4	549.6	1 088.8
Sweden	104.1	104.9	200.3	206.4	389.7
Lithuania	94.9	67.8	177.2	143.4	282.0
Others and eliminations	(35.5)	(29.5)	(70.4)	(62.5)	(116.6)
Total group	430.7	425.7	860.5	836.8	1 643.9

OPERATING PROFIT/(LOSS) BUSINESS AREAS

NOK million	Q2 2011	Q2 2010	30.06.2011	30.06.2010	31.12.2010
Norway	5.3	7.1	12.4	21.3	41.8
Sweden	5.9	(4.5)	9.8	(18.2)	(42.3)
Lithuania	7.9	4.6	16.5	11.4	21.1
Others and eliminations	(5.3)	(2.7)	(13.7)	(4.2)	(12.7)
Total group	13.8	4.5	24.9	10.3	7.9

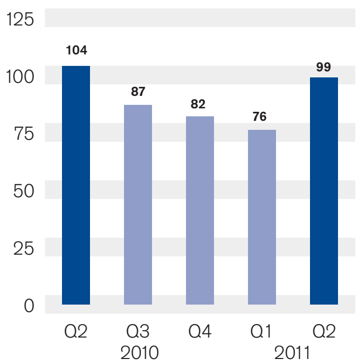
ORDER BACKLOG BUSINESS AREAS

NOK million	Defence/ Aerospace	Energy/ Telecoms	Industry	Medical equipment	Offshore/ Marine	Total
Norway	129.2	8.9	82.4	108.7	91.4	420.6
Sweden	89.4	63.6	17.6	50.6	-	221.3
Lithuania	-	20.1	82.3	9.0	4.4	115.9
Germany	19.5	-	4.1	-	-	23.6
Total group	238.2	92.6	186.4	168.4	95.8	781.4

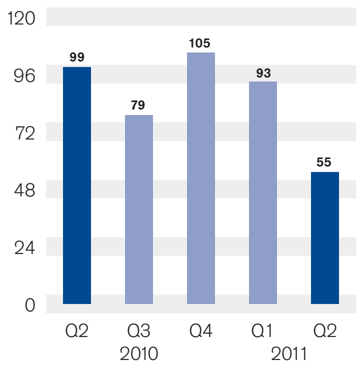
REVENUE GEOGRAPHIC DISTRIBUTION CUSTOMERS

NOK million	Q2 2011	Q2 2010	30.06.2011	30.06.2010	31.12.2010
Norway	231.1	229.5	456.9	476.2	893.2
Sweden	178.6	193.2	355.3	334.7	646.8
Rest of Europe	15.9	(3.6)	31.8	7.9	35.6
USA	5.1	6.9	16.5	18.1	68.4
Others	-	(0.5)	-	-	-
Total group	430.7	425.7	860.5	836.8	1 643.9

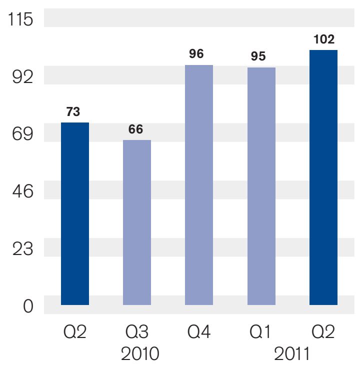
REVENUE Defence/Aerospace
NOK million



REVENUE Energy/Telecoms
NOK million



REVENUE Industry
NOK million



sponding amount at the same time in 2010 was NOK 374.6 million.

The group's reported interest-bearing debt amounted to NOK 249.1 million as of 30 June 2011. Interest-bearing debt at the end of the second quarter 2010 was NOK 200.8 million.

Cash flow from operational activities for the second quarter of 2011 was NOK 32.4 million (NOK -13.7 million), mainly due to positive working capital changes. Kitron's cash and bank credit at 30 June 2011 comprised the following:

NOK million	
Cash and cash equivalents	32.4
Drawings on the overdraft facility	(38.7)
Restricted bank deposits	(18.8)
Total	(25.1)

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 129.6 million at the end of the second quarter, versus NOK 113.1 million at the same time in 2010. The overall credit line at 30 June 2011 was NOK 150.6 million versus NOK 93.0 million at the same time last year.

Organisation

The Kitron workforce corresponded to 1 116 FTEs at 30 June 2011. This represents an increase of 30 FTEs since the second quarter of 2010. The increase is related to the build up in China, US and Lithuania, while the workforce in Sweden and Norway is being reduced.

Full time equivalents	30.06.2011	30.06.2010
Norway	524	528
Sweden	165	205
Lithuania	359	332
Other	68	22
Total	1 116	1 086

Market

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

Order intake in the second quarter was NOK 395.0 million, which is 22 per cent lower than the same period in 2010. The order intake is lower mainly due to shorter order lead times by many customers as the component situation is normalizing. The order backlog ended at NOK 781.4 million, which is NOK 86.3 million (10 per cent) lower than the same period last year. Four quarter moving average order intake was down from NOK 424 million at the beginning of the second quarter to NOK 396 million at the end of the quarter. Kitron's order backlog generally includes four months customer forecast plus all firm orders.

The market conditions are stable and there is a positive momentum in the market. The signing of several long term agreements in the first half, and which has not yet been fully recognized in the order intake and backlog, is further underpinning a positive long term development and revenue visibility. The tender activity remains high, especially in the German market, and several smaller contracts with future potential has been secured in the second quarter. Furthermore the offshore segment is heading towards recovery and we are starting to see increased demand from customers in this segment.

The strong interest in Kitron's capability within NPI (new product introduction) and testing is continuing. The close interaction between Kitron's experts and the R&D department of the customer is crucial for success. This is an important channel to new business as most clients maintain a strong R&D presence in Scandinavia even if the manufacturing to a certain degree is moved to lower cost countries. The recently announced cooperation with Prevas AB is important in this respect as a complement to the services offered by Kitron.

Defence/Aerospace

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

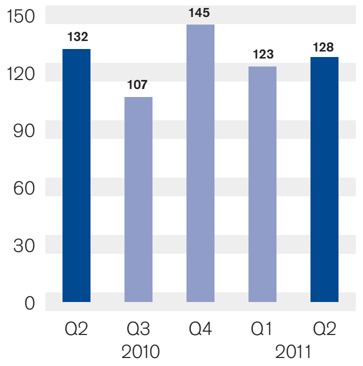
The order backlog decreased by 4.9 per cent and the revenue decreased by 5.0 per cent compared to the second quarter in 2010. The development is due to short term weaker demand from the Norwegian defence industry.

In the short term the trend is expected to be stable or even negative. The longer term outlook for the Defence/Aerospace segment, however, remains positive. Kitron is currently involved in defence programs with among other the Kongsberg Group and Lockheed Martin that could yield more than 1 billion NOK in revenue in the years to come. Under the Manufacturing License Agreement between Kitron ASA and Lockheed Martin Maritime Systems and Sensors Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. The new contract with Kongsberg related to deliveries of electronics to the NSM (Naval Strike Missile) is further supporting the long term positive outlook. In addition a letter of intent to co-operate in the first phase of the manufacturing of electronics for the JSM (Joint Strike Missile) has been entered into. The positive trend in the Swedish defence industry is also contributing to our long term optimistic outlook. Defence/Aerospace is also a prioritised area for our new operation in Germany and Kitron is in promising dialogue with a major German defence company.

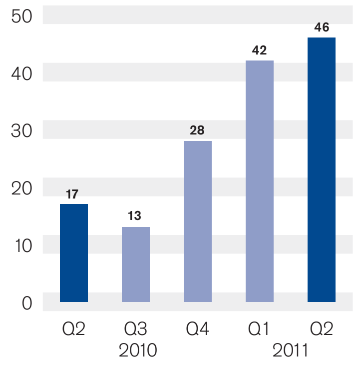
Energy/Telecoms

Within the Energy/Telecoms segment Kitron offers clients particular expertise to realise products such as transmission sys-

REVENUE Medical equipment
NOK million



REVENUE Offshore/Marine
NOK million



A strategic agreement with Kongsberg related to NSM and a letter of intent on JSM secured.

tems, high frequency microwave modules, radio frequency (RF), electrical metering and data/video projection equipment.

The order backlog decreased by 32.6 per cent while revenue was down by 44.1 per cent compared to the second quarter in 2010. The lower backlog and revenue is explained by the phase out of a Norwegian Energy/Telecoms client as previously reported. This negative impact is partly offset by new orders from a major Swedish Energy/Telecoms client and a generally positive development with other existing customers.

The general longer term outlook for Energy/Telecoms products is promising. Among Kitron's customers in this segment we have one of the fastest growing mid sized Telecoms companies in Europe. Another growth driver is the demand within the electrical metering business. Kitron has during the last year secured contracts with several metering companies and the growth in 2011 and beyond is expected to be strong.

Industry

Within the Industry segment Kitron operates and delivers a complete range of services within industrial applications like automation, environmental, material warehousing and security. The Industry segment consists of three main product divisions: control systems, electronic control units (ECU) and automats.

The order backlog increased by 24.3 per cent and the revenue increased by 39.3 per cent compared to the second quarter in 2010. The strong revenue growth is primarily explained by the recovery in the Swedish industrial sector.

The market situation in particular within the Swedish industry sector has improved and it is expected that the positive trend will continue in 2011. The order intake is gradually picking up and we see an increasing number of RFI/RFQs in the market.

Medical equipment

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

The order backlog decreased by 31.0 per cent and revenue decreased by 2.9 per cent compared to the second quarter in 2010. The underlying trend by customer has been mixed with strong demand and ramp up for some customers while the demand from others has been weaker than expected.

Kitron focuses on additional growth in this segment and expects a long-term positive development with customers in Norway, Sweden and Germany. This trend is supported by strong market fundamentals for the products and services Kitron offers to the market. Kitron is working on several interesting new prospects within this segment. Following the dip in the second quarter it is expected that the order intake and backlog will improve in the second half of the year.

Offshore/Marine

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

The revenue increased by 165.5 per cent and the order backlog increased by 11.5 per cent compared to the second quarter in 2010. The strong development is driven by the recovery in the oil and gas sector and a ramp up of production for existing clients.

The trend in the Offshore/Marine segment is closely correlated with the development of the oil price. It is expected that the Offshore/Marine segment will continue to recover in 2011.

Outlook

Kitron's markets are mainly Norway and Sweden, but most customers of Kitron sell their products on international markets. The general trend within Kitron's market segments is positive and the market activity is high. In the longer term this is expected to result in a positive top line development across the business. In the short term however, we expect a strong development in Offshore/Marine and Industry while the short term (2011) outlook for Defence/Aerospace, Medical and Energy/Telecoms is weaker. There are also concerns about the global economic outlook which may affect the demand for Kitron's services. On balance Kitron is expecting a relatively flat top line development in 2011 compared to 2010.

Kitron is working on several operational improvement programs that should yield a positive contribution on the profitability going forward. The focus on manufacturing efficiency is continuing and global sourcing initiatives remain a priority area. Kitron's investments in China, US and Germany will expand our market reach and will provide new supply chain opportunities. The restructuring of the Swedish operation is another factor which is expected to have a positive impact on the profitability compared with 2010.

The strong focus on balance sheet management and cash flow will continue in 2011. Management will focus on reducing inventory as the component situation is improving.

Operating expenses and investments are carefully monitored and managed. Investments that improve Kitron's competitiveness are being prioritised. Training of employees and competency enhancing initiatives are given high attention.

Board of directors, Kitron ASA
Asker, 21 July 2011

Condensed profit and loss statement

NOK 1 000	Q2 2011	Q2 2010	30.06.2011	30.06.2010	31.12.2010
Revenue	430 731	425 685	860 503	836 788	1 643 948
Cost of materials	270 567	272 111	536 161	536 113	1 043 639
Payroll expenses	110 426	116 548	224 947	217 897	429 530
Other operational expenses	27 257	24 641	58 127	56 971	131 811
Operating profit before depreciation and impairments (EBITDA)	22 481	12 386	41 268	25 806	38 969
Depreciation and impairments	8 641	7 894	16 323	15 459	31 076
Operating profit (EBIT)	13 840	4 492	24 944	10 348	7 894
Net financial items	(5 526)	(2 810)	(11 390)	(5 634)	(14 220)
Profit before tax	8 314	1 682	13 555	4 714	(6 326)
Tax	3 775	(2 653)	6 753	(2 035)	9 664
Net profit (loss) from continuing operations	4 540	4 335	6 802	6 749	(15 991)
Profit (loss) from discontinued operations	-	(7 288)	-	(9 511)	(9 375)
Profit (loss) for the period	4 540	(2 953)	6 802	(2 762)	(25 366)
Earnings per share (basic and diluted)	0.03	(0.02)	0.04	(0.02)	(0.15)

Condensed balance sheet

NOK 1 000	30.06.2011	30.06.2010	31.12.2010
ASSETS			
Goodwill	26 786	26 786	26 786
Other intangible assets	35 042	28 065	31 438
Tangible fixed assets	149 936	124 264	132 069
Available for sale financial assets	1	1	1
Deferred tax assets	90 235	98 081	95 847
Other receivables	3 125	3 205	3 227
Total fixed assets	305 125	280 402	289 368
Inventory	318 322	300 388	325 251
Accounts receivable and other receivables	358 148	374 556	352 678
Cash and cash equivalents	32 420	38 628	48 243
Total current assets	708 890	713 571	726 171
Total assets	1 014 015	993 972	1 015 539
LIABILITIES AND EQUITY			
Equity	427 253	438 765	420 575
Total equity	427 253	438 765	420 575
Deferred tax liabilities	1 200	-	1 200
Loans	45 457	10 805	38 832
Pension commitments	12 076	11 064	12 076
Total long-term liabilities	58 733	21 869	52 108
Accounts payable and other current liabilities	308 093	343 308	294 174
Loans	203 616	190 030	225 201
Other provisions	16 320	-	23 481
Total current liablities	528 029	533 338	542 855
Total liabilities and equity	1 014 015	993 972	1 015 539

Condensed cash flow statement

NOK 1 000	Q2 2011	Q2 2010	30.06.2011	30.06.2010	31.12.2010
Net cash flow from operational activities	32 445	(13 676)	(5 861)	(45 389)	(46 088)
Net cash flow from investment activities	(20 924)	(18 115)	(38 809)	(22 183)	(49 577)
Net cash flow from financing activities	249	(4 138)	5 241	(4 681)	23 265
Change in cash and bank credit	11 770	(35 929)	(39 429)	(72 253)	(72 401)
Cash and bank credit opening balance	(36 845)	50 431	14 354	86 755	86 755
Cash and bank credit closing balance	(25 075)	14 502	(25 075)	14 502	14 354

Consolidated statement of comprehensive income

NOK 1 000	Q2 2011	Q2 2010	30.06.2011	30.06.2010	31.12.2010
Net profit	4 540	(2 953)	6 802	(2 762)	(25 366)
Currency translation differences and other changes	(1 768)	(1 824)	(124)	(8 879)	(4 465)
Total comprehensive income for the period	2 772	(4 778)	6 677	(11 641)	(29 830)
Profit attributable to shareholders	2 772	(4 778)	6 677	(11 641)	(29 830)

Changes in equity

NOK 1 000	30.06.2011	30.06.2010	31.12.2010
Equity opening balance	420 575	450 406	450 406
Comprehensive income for the period	6 677	(11 641)	(29 830)
Equity closing balance	427 253	438 765	420 575

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the second quarter of 2011 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Kitron has applied the same accounting policies as in the consolidated financial statements for 2010.

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 2010, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU. The consolidated financial statements for 2010 are available upon request from the company and at www.kitron.com

Note 2 – Estimates

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the same for the interim financial statements as for the consolidated statements for 2010.

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 2011.

Note 4 – Discontinued operations

In the second quarter 2010 Kitron signed an agreement to sell its Development Department located in Oslo to some of the local employees and Simpro AS. The transaction was closed June 1 2010. Kitron booked a loss of NOK 4.5 million in connection with the transaction. The loss and the operating result of Kitron Development for the first five months of 2010 have been booked as discontinued operations.

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

Income statement information from discontinued operations

NOK 1 000	Q2 2011	Q2 2010	30.06.2011	30.06.2010	31.12.2010
Revenue	-	2 475	-	5 936	5 936
Expenses	-	(5 259)	-	(10 943)	(10 947)
Profit (loss) before income tax	-	(2 784)	-	(5 007)	(5 011)
Tax	-	-	-	-	-
Profit (loss) after income tax	-	(2 784)	-	(5 007)	(5 011)
Post tax loss on disposal of discontinued operations	-	(4 504)	-	(4 504)	(4 364)
Profit (loss) from discontinued operations	-	(7 288)	-	(9 511)	(9 375)

Cash flow statement information from discontinued operations

NOK 1 000	30.06.2011	30.06.2010	31.12.2010
Net cash flow from operating activities	-	(409)	(409)
Net cash flow from investment activities	-	-	-
Net cash flow from financing activities	-	-	-
Change in cash and bank credit	-	(409)	(409)
Cash and bank credit opening balance	-	409	409
Cash and bank credit closing balance	-	-	-

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 2011 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.

Asker, 21 July 2011

Asa-Matti Lyytinen
Chair

May Britt Gundersen
May Britt Gundersen
Employee elected board member

Arne Solberg
Deputy chair

Lisbeth Gustafsson

Liv Johansen
Liv Johansen
Employee elected board member

Elena Anfimova

Harri Takanen

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Your ambition. Our passion.

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

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

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

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