Your ambition. Our passion.

Kitron

ANNUAL REPORT 2010

CONTENT

KITRON IN BRIEF

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's services are most competitive within complex manufacturing processes that require niche expertise. Kitron has chosen to focus its sales and marketing activities within five key segments; Data/Telecoms, Defence, Industry, Medical equipment and Offshore/Marine.

Kitron has a balanced sales mix among these segments, which makes Kitron diversified and in a good position to handle shifting demands.

Kitron has strong relationships with large multinational companies.

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 a seamless integration 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 levels of expertise. The group is constantly striving to optimise the sourcing function, manufacturing process and logistics in order to reduce its cost base.

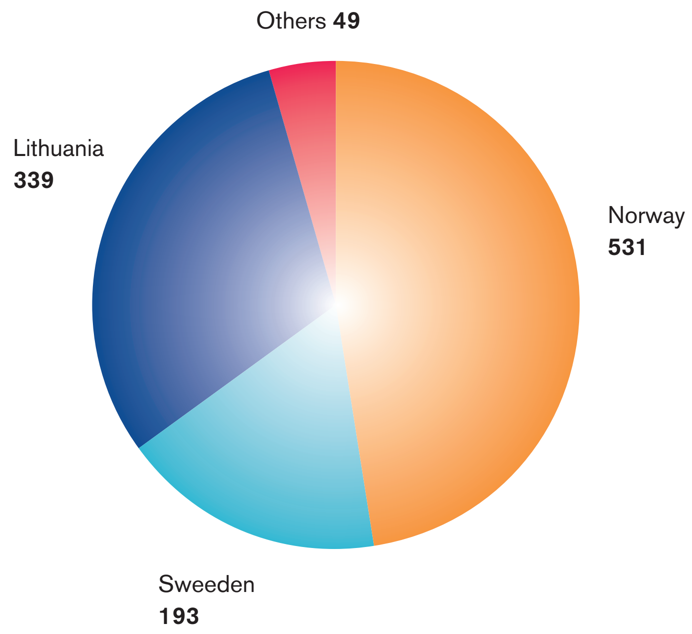
QUALITY ASSURANCE

Kitron measures quality in all processes. A continuous quality improvement is achieved through training and the implementation of programs such as Six Sigma, LEAN Manufacturing, 5S and 7W. Kitron is striving to achieve a superior quality and thereby create a competitive advantage relative other EMS companies.

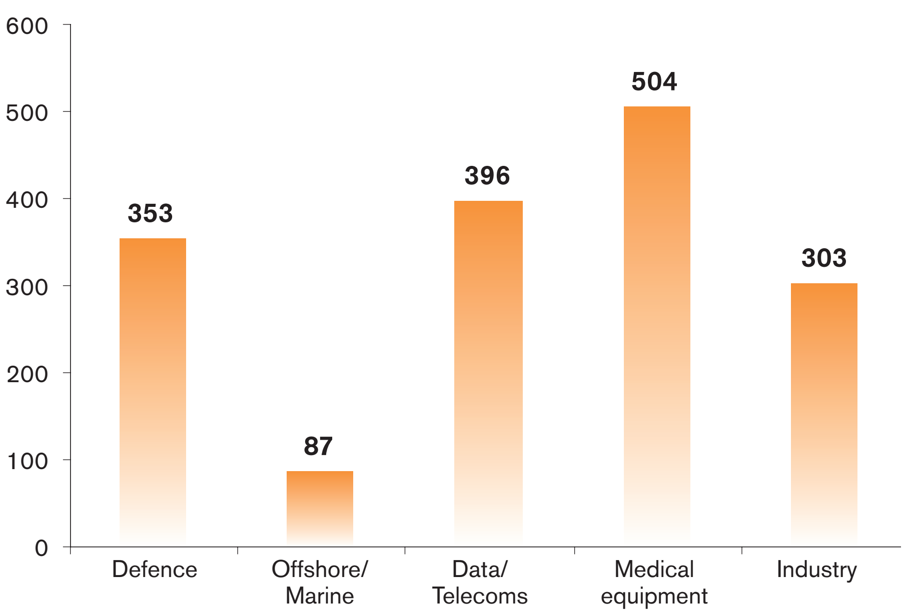
GLOBAL SOURCING

Kitron's subsidiary Kitron Sourcing AS is responsible for performing sourcing activities for the whole group, and consists of dedicated specialists working directly with carefully selected manufacturers and distributors. As a result of continuously monitoring the market globally, Kitron is able to negotiate competitive prices and ensure a reliable supply of components.

EMPLOYEES AT 31 DECEMBER 2010
Geographic distribution



REVENUE PER SEGMENT IN 2010
Revenue in NOK million



VISION AND VALUES

Kitron's vision is to provide solutions that deliver success for its customers. Kitron shall contribute to develop customers` business to become leading companies within their respective markets.

Kitron's values are built upon reliability, creativity, an inclusive work environment and a positive and international mind-set.

STRATEGY

Kitron has an ambition for profitable growth in the Northern European, US and Chinese EMS markets targeting professional customers. To fulfil this ambition Kitron has developed a strategy along four key dimensions.

Profitable organic growth in existing markets

Kitron will continue to increase market shares in its Nordic home markets by leveraging on its key competences and competitive edge. There will be a particular focus to gain market share in Sweden.

Market expansion outside Nordic

Germany, China & Asia and the US are large markets where Kitron see attractive opportunities. The German operation is focusing on sales and technical services while the manufacturing mainly will be performed outside Germany. Target market segments include defence, automation, medical equipment and renewable energy. A manufacturing set-up in China will be based on a strategy to offer EMS services to existing and new international customers for their Asian markets and to provide low cost manufacturing to Kitron's operations in Norway, Sweden, Lithuania and Germany. In the US Kitron's short to medium term strategy is to follow existing customers.

Operational improvements and organizational development

Kitron has a high focus on operational improvements and increased profitability through global sourcing, increased manufacturing efficiency, system and process improvements and transfer of manufacturing to lower cost countries. Within all these areas there are ongoing programs and clear targets. Kitron's employees and their competences are crucial in fulfilling the company's strategy. A particular focus area within the strategy period will be the development of a better commercial understanding of the market.

Consolidation within the Nordic EMS industry

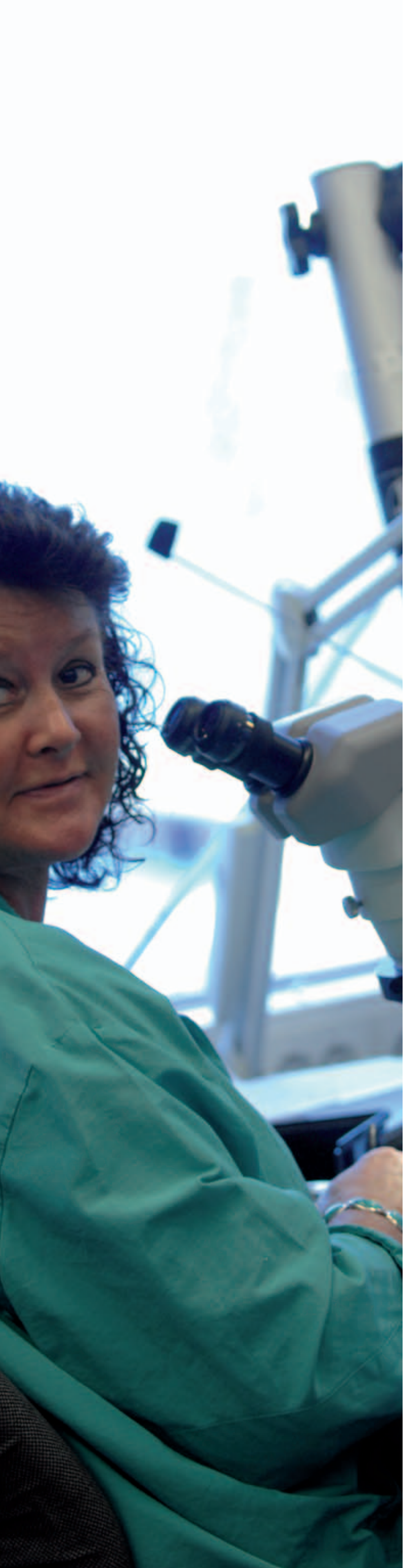
Kitron wants to take part in the consolidation of the Nordic EMS industry. The focus is on businesses that are complementary to Kitron from a customer and market coverage point of view. Based on analysis performed on potential targets, Kitron believes that there is significant synergy potential within sourcing and operations that can be exploited.

KITRON'S HISTORY

Kitron has its origin from the companies Stratonic and Electric Bureau, both of which were established in the 1960's in Arendal. The Kitron name was established in the 1980's, and Kitron's business idea changed to contract manufacturing of electronics. The business idea has since been extended to include the entire value chain around the manufacturing and assembly of electronics and industrial products containing electronics, including development, industrialization, purchasing, logistics, maintenance/repair and redesign. Kitron was listed on the Oslo Stock Exchange 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 2007. The same year Kitron established a sourcing organisation in Ningbo, China. In June 2009 Kitron divested its Microelectronics facility at Røros in Norway. In 2010 the development department in Oslo, Norway was divested, while a small German EMS company was acquired. In 2010 Kitron also established Kitron Electronics Manufacturing in Ningbo, China and Kitron Inc. in USA.



Board of directors' report 2010:

POSITIONED FOR PROFITABLE GROWTH

The market conditions in 2010 continued to be challenging due to the slow recovery following the economic recession. The performance was also adversely affected by component shortage and losses in one of the operations in Sweden that is undergoing restructuring. Kitron's revenue for the year was NOK 1 643.9 million, which represents a 5.0 per cent reduction compared with 2009. Despite the lower revenue Kitron has been able to stay profitable through the recession following decisive actions to reduce the cost base of the company and addressing loss making businesses. The workforce in Kitron has been reduced by 8.6 per cent during the year. The EBIT was NOK 7.9 million, following the booking of a NOK 23,4 million restructuring provision, to be compared with NOK 64.0 million in 2009. Kitron has managed to improve its competitiveness through the recession and is now positioned for profitable growth as the market recovers.

THE BUSINESS

Kitron's business model is to provide manufacturing and assembly of products containing electronics, including development, industrialisation, purchasing, logistics, maintenance/repair and redesign. For the customer this means increased flexibility, reduced costs and improved assurance of efficiency, price competitiveness and accuracy of delivery.

The growing competition among OEMs requires a high focus on manufacturing efficiency and cost improvements. Hence, an increasing share of OEMs focuses on their own core competences and transfer a larger part of the value chain to specialised EMS providers like Kitron. Given the crucial role geographical proximity plays in the customer's choice of supplier, Kitron's presence close to its customers, with access to lower cost manufacturing, gives the company an advantageous position in the market.

The company has operations in Norway, Sweden, Lithuania, Germany, China and the US. All Kitron's units employ highly qualified staff and all sites have been certified in accordance with international quality standards for the applicable manufacturing.

MARKET SEGMENTS

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

Data/Telecoms

Revenue in the Data/Telecoms segment was reduced by 9.4 per cent to NOK 396.2 million in 2010 (NOK 437.4 million). This represented 24.1 per cent of the group's revenue (25.3 per cent). The reported loss of a major Data/Telecoms client is having a negative effect on the development for this segment. The client will be phased out from end of Q1 2011 and the annual impact is estimated to NOK 100 million. This said the general outlook for Data/Telecoms products is promising and will partly compensate for this loss.

Defence

The Defence segment decreased by 4.3 per cent in terms of revenue from NOK 369.4 million in 2009 to NOK 353.4 million in 2010. The segment accounted for 21.5 per cent (21.3 per cent) of the group's total revenues. The longer term outlook for the Defence segment remains positive. Kitron is currently involved in defence programs with among others the Kongsberg Group and Lockheed Martin that could yield more than 1 billion NOK in revenue in the years to come. Under the Manufacturing License Agreement between Kitron ASA and Lockheed Martin Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. The positive trend in the Swedish defence industry is further supporting our optimistic outlook.

Industry

The Industry segment increased revenue by 20.1 per cent to NOK 302.9 million (NOK 250.4 million), accounting for 18.4 per cent of the group's total revenue (14.5 per cent). The market situation within the Industry segment has improved and the signs of a recovery are clear. The order intake is improving and we see an increasing number of RFI/RFQs in the market.

Medical equipment

Revenue in the Medical equipment segment increased by 21.1 per cent to NOK 504.1 million in 2010 (NOK 416.2 million), corresponding to 30.7 per cent of the group's revenue (24.0 per cent). The Medical equipment segment is less cyclical than other market segments. Kitron focuses on additional growth in this segment and expects a long-term positive development. This trend is supported by strong market fundamentals for the products and services Kitron offers to the market.

Offshore/Marine

The Offshore/Marine segment decreased by 66.1 per cent in terms of revenue from NOK 257.3 million in 2009 to NOK 87.3 million in 2010. The segment accounted for 5.3 per cent (14.9 per cent) of the group's total revenues. The trend in the Offshore/Marine segment is closely correlated with the development of the oil price. In the last year there has been a sharp drop in demand from the offshore segment but lately the development has stabilised. It is expected that the Offshore/Marine segment will start to recover in 2011.

IMPORTANT EVENTS IN 2010

Expanding globally

In 2010 Kitron has taken several steps to expand the market coverage and further improve its competitiveness. The preparations to start up manufacturing in China has been progressing well. The new unit is located in Ningbo south of Shanghai and will be fully operational in the third quarter 2011. In the first quarter 2010 Kitron acquired a small German EMS company (about 20 employees) as a stepping-stone to approach the German, Austrian and Swiss markets. In the second quarter Kitron announced plans to set up a fully owned subsidiary in Johnstown, Pennsylvania, USA. The new plant will predominantly be concentrated towards the defence industry and initially sales towards Kitron´s existing customers. The new plant will be fully operational in the second quarter of 2011.

Sale of Kitron Development

In the second quarter Kitron signed an agreement to sell its Development Department located in Oslo to some of the local employees and Simpro AS. Kitron Development had about 25 employees, an annual turnover of NOK 22 million and an operating result of negative NOK 11 million in 2009. The transaction was closed June 1 2010. Kitron booked a loss of NOK 4.5 million in connection with the transaction. The loss and the operating result of Kitron Development for the first five months of 2010 have been booked as discontinued operation.

Component shortage

In the second half of 2010 the recovery was slowed down by the shortage of components in the market. There was both a negative effect on revenue and margin as the goods could not be delivered as planned and manufacturing efficiency was down. While there is a gradual improvement it is expected that the difficulties in the component market will continue in 2011.

Restructuring of Kitron Sweden

In accordance with the notification in November Kitron will restructure its Swedish operations to increase competitiveness and 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 reorganisation will primarily impact the operation in Karlskoga. The Karlskoga operation will be downsized to a manufacturing site for defence customers and a customer interface for our entities in Lithuania and China within the medical segment. The Karlskoga operation will maintain competence to provide technical services to its customers. As a result of this plan it is estimated that 55 employees will leave the company. The estimated financial impact of the restructuring is reflected in the fourth quarter accounts. A NOK 23.4 million restructuring provision is included in the Kitron AB (Karlskoga) accounts.

FINANCIAL STATEMENTS

The board of directors believes that the annual financial statements provide a true and fair view of the net assets, financial position and result for the year of Kitron ASA and the Kitron group. The group's consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by EU.

Profit and loss

Operating revenue for 2010 amounted to NOK 1,643.9 million, compared to NOK 1,730.7 million for 2009, which represents a reduction of 5.0 per cent. The reduction in revenue is explained by the general market conditions and the recession.

The order backlog at the end of 2010 amounted to NOK 836.1 million, compared to NOK 795.8 million in 2009. Kitron recognizes firm orders and four-month customer forecasts in the order backlog, while frame agreements and similar are not included. The increase in the order backlog reflects the emerging recovery in the market. It is expected that the positive trend will continue.

The gross margin for 2010 was 36.5 per cent, slightly down compared with 2009 (37.7 per cent). Gross margins were generally stable for each product category. Kitron aims to maintain or improve the gross margin through global sourcing and other operational improvements. At the same time transfer of manufacturing to lower cost countries often has a negative effect on the gross margin as the material content increases relative the labor content. However the net margin normally increases.

The number of full-time equivalents decreased from 1 121 at the end of 2009 to 1 112 at the end of 2010. The group's payroll expenses was reduced by 3.6 per cent, from NOK 445.8 million in 2009 to 429.5 million in 2010. The payroll expenses as a percentage of revenue has increased from 25.8 per cent in 2009 to 26.1 per cent in 2010. The increase is partly explained by the restructuring costs in Sweden (mainly personnel related), and partly by the lower revenue.

Kitron performs development, industrialization and manufacturing services for its customers. 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.

The group's net financial result decreased from NOK 20.5 million in 2009 to NOK 14.2 million in 2010. This is primarily explained by a loss of NOK 4.6 million in 2009 on intra group financial loans (corresponding gain in 2008). The net financial cost on third party loans and factoring increased from NOK 15.3 million in 2009 to NOK 16.8 million in 2010. The overall liquidity situation was tighter during 2010 compared to 2009.

Kitron's pre-tax loss for 2010 amounted to NOK 6.3 million, compared to a profit of NOK 43.4 million for 2009. The businesses in Norway and Sweden have significant tax loss carried forward, whereof NOK 50.5 million is not capitalised by 31.12.2010.

The group's net loss for the year amounted to NOK 25.4 million (NOK 8.2 million profit). This corresponds to earnings per share of NOK -0.15 (NOK 0.05). Diluted earnings per share were the same as basic earnings per share.

Cash flow

Cash flow from operating activities was minus NOK 46.1 million in 2010 (NOK 93.8 million). The difference between operating profit and cash flow from operations is mainly due to increase in operating working capital. The shortage of components has lead to an increase in the inventories of raw material and semi finished goods.

The net cash flow from investing activities in 2010 was minus NOK 49.6 million (minus NOK 24.0 million).

The net cash flow from financing activities was NOK 23.3 million (minus NOK 14.8 million). Kitron enters into financial leasing agreements when applicable. The leasing obligation is recognised as debt.

Despite the negative cash flow in 2010 Kitron expects to generate sufficient cash to finance the operation in the foreseeable future. A positive cash generation is expected in 2011 as a result of working capital improvements and a better operational performance.

Balance sheet and liquidity

Total assets at 31 December 2010 amounted to NOK 1 015.5 (NOK 982.2 million). At the same time equity amounted to NOK 420.6 million (NOK 450.4 million) and the equity ratio was 41.4 per cent (45.9 per cent).

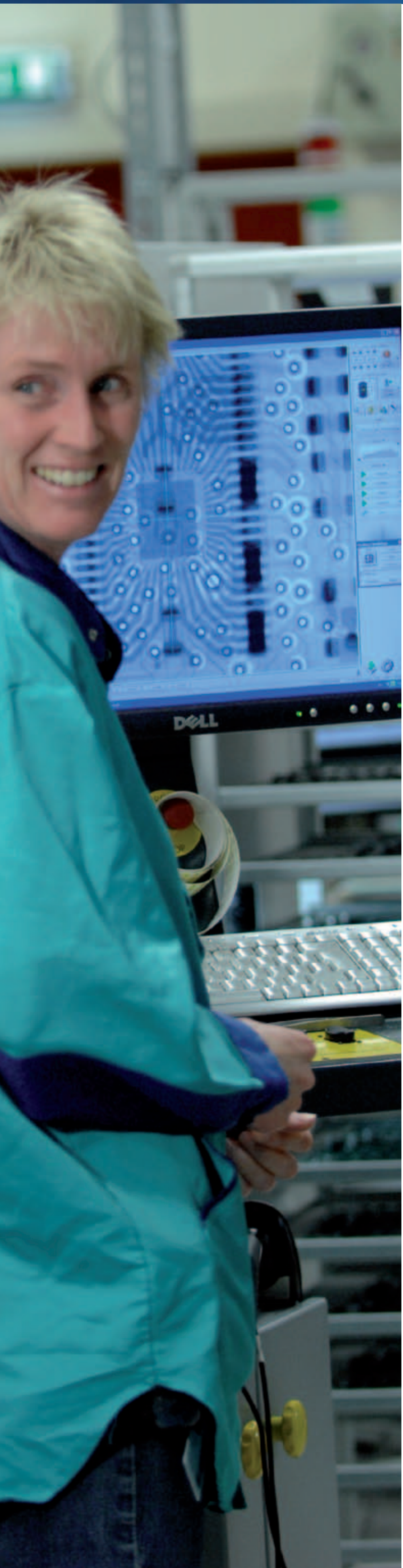
Inventories increased by NOK 69.0 million during 2010 and amounted to NOK 325.3 million at the end of the year (NOK 256.3 million). Inventory turns went down from 4.3 to 4.2. The increase in inventory is primarily explained by the component shortage which has forced Kitron to hold a higher safety stock and also caused a higher inventory of semi finished products. Accounts receivable amounted to NOK 352.7 million at the end of 2010 (NOK 337.9 million). Overdue receivables are low and credit losses have been small during 2010.

At 31 December 2010, the group's interest-bearing debt was NOK 264.0 million (NOK 233.0 million). The debt is mainly related to factoring and financial leasing.

Cash and cash equivalents amounted to NOK 48.2 million at the balance sheet date (NOK 105.2 million). NOK 18.8 million of this amount was restricted deposits (NOK 18.4 million). The group's liquidity situation is satisfactory.

Going concern

There have been no events to date in 2011 that affect the result for 2010 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 2010 have been prepared on the basis of this assumption.



NET PROFIT (LOSS) OF THE PARENT COMPANY

The parent company Kitron ASA recorded a loss of NOK 19 176 000 for 2010 (2009: loss of NOK 9,766,000). The board of directors proposes the following allocations for Kitron ASA:

Transferred from other equity	NOK 19.2 million
Total allocations	NOK (19.2 million)

Free equity in the parent company amounts to NOK 2.4 million.

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 in 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 complicated and relatively expensive to implement effective long-term currency hedging of the company's revenue flows.

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 uninsured. Kitron has only incurred immaterial bad debt costs.

Kitron's debt is largely short-term and related to factored accounts receivable. This means that fluctuations in revenue impact the company's liquidity. A small share of the external capital is long-term. The group has overdraft facilities that cover expected liquidity fluctuations during the year. The board considers the group's liquidity to be sufficient.

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

HEALTH, SAFETY AND ENVIRONMENT

At the end of 2010 the group employed a total of 1 152 people working 1 112 full-time equivalents. The figures include temporary employees and have not been adjusted for sick leave. The compentence of our employees represent a major asset and competitive advantage for Kitron.

There were no serious work-related accidents or injuries among employees in 2010. Sick leave in Kitron was reduced from 4.3 per cent in 2009 to 4.1 per cent in 2010. 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 material extent. Several of the group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards. Kitron AS in Norway is a UN climate partner.

EQUAL OPPORTUNITIES

Kitron's basic view is that people with different backgrounds, 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 52 per cent of total fulltime equivalents at Kitron in 2010, and accounted for 60 per cent of 773 employees that worked directly in manufacturing, and 34 per cent of 339 employees in indirect functions.

Kitron is taking its social responsibility seriously. In addition to ensure that the work is carried out safely this involves respecting the freedom of association and not accepting any form of forced labour, child labour or work related discrimination.

The average pay (basic salary and allowancens) of women working directly in manufacturing in the Norwegian and Swedish companies was approximately 88 per cent of the average pay for men. A large proportion 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 number of years in service. The collective wage rates can vary between the 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. In the corporate management team there are only one female member. 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.

COMPETENCE

In 2010 Kitron continued to focus on competence development. Most of the basic training for technical, quality, safety and manufacturing skills is done locally at each site and is a combination of class room training and on the job learning. In 2010 about 34 000 hours were spent on training which equals about 29 hours per employee. 13 000 hours were spent on Manufacturing/Technical subjects and 2 600 hours on Leadership.

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 endeavors to have in place procedures which comply with the Norwegian code for corporate governance. The board's review of corporate governance is presented in the annual report.

OUTLOOK

The performance in 2010 did not meet our expectations. The reasons being a slower than predicted market recovery and a challenging component market that has had a negative effect on revenue as well as margins. In addition the operating losses and restructuring costs at Kitron AB (Karlskoga) explains the lower result.

Looking forward into 2011 Kitron expects to see an increased demand from its customers. The backlog position at the end of 2010 as well as the improved market conditions point towards a growth in revenue in 2011. The shortage in the component market will remain a challenge but it is believed that the situation will gradually improve through the year. The estimated costs for the restructuring of the Swedish operation were booked in 2010 and it is expected that we will see a positive result in 2011.

Kitron will maintain a strong focus on ongoing operational improvement programs. 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 focus on balance sheet management and cash flow will continue in 2011. Management will in particular focus on reducing inventory levels as the component situation gradually 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.

The board emphasises that every assessment of future conditions necessarily involves an element of uncertainty.

Oslo, 15 March 2011

Asa-Matti Lyytinen
Chairman

Arne Solberg
Deputy chairman

Elena Anfimova

Liv E. Johansen

Liv Johansen
Employee elected
board member

Harri Takanen

May Britt Gundersen

May Britt Gundersen
Employee elected
board member

Lisbeth Gustafsson

Geir Vedøy,
Employee elected
board member

Jørgen Bredesen
CEO

CONSOLIDATED ANNUAL ACCOUNTS AND NOTES

CONSOLIDATED PROFIT AND LOSS STATEMENT Amounts in NOK 1000	Note	2010	2009
Continuing operations:			
Revenue			
Sales revenues	5	**1,643,948**	1,730,690
Operating costs			
Cost of materials		**1,043,639**	1,077,374
Payroll expenses	19,21	**429,530**	445,754
Depreciation and impairments	6,7,8	**31,076**	33,031
Other operating expenses		**131,811**	110,568
Total operating costs		**1,636,055**	1,666,728
Operating profit/(loss)		**7,894**	**63,962**
Financial income and expenses			
Net financial items	22	**(14,220)**	(20,547)
Profit/(loss) before tax		**(6,326)**	43,415
Tax	23	**9,664**	1,543
Net profit/(loss) from continuing operations		**(15,991)**	**41,872**
Discontinued operations:			
Profit/(loss) from discontinued operations	13	**(9,375)**	(33,704)
Net profit/(loss)		**(25,366)**	**8,167**
Allocation			
Shareholders		(25,366)	8,167
Earnings per share for that part of of the net profit/(loss) allocated to the company's shareholders (NOK per share)			
Basic earnings per share			
From continuing operations	24	**(0.09)**	0.24
From discontinued operations	24	**(0.05)**	(0.19)
		(0.15)	**0.05**
Diluted earnings per share			
From continuing operations	24	**(0.09)**	0.24
From discontinued operations	24	**(0.05)**	(0.19)
		(0.15)	**0.05**

The notes on pages 17 to 53 are an integral part of the consolidated financial statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Amounts in NOK 1000	2010	2009
Net profit/(loss)	**(25,366)**	8,167
Other comprehensive income:		
Currency translation differences and other changes	**(4,465)**	(38,160)
Other comprehensive income	**(4,465)**	(38,160)
Total comprehensive income	**(29,830)**	**(29,993)**
Allocation		
Shareholders	**(29,830)**	(29,993)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER			
Amounts in NOK 1000	Note	2010	2009
Assets			
Non-current assets			
Goodwill	7	**26,786**	24,332
Other intangible assets	8	**31,438**	14,845
Property, plant and equipment	6	**132,069**	131,411
Available for sale financial assets	9	**1**	9
Deferred tax assets	18	**95,847**	98,981
Other receivables	10	**3,227**	4,884
Total non-current assets		**289,368**	**274,462**
Current assets			
Inventory	11	**325,251**	256,288
Accounts receivable and other receivables	10,29	**352,678**	337,859
Cash and cash equivalents	12	**48,243**	105,238
Total current assets		**726,171**	**699,384**
Assets classified as held for sale	13	**-**	8,316
Total assets		**1,015,539**	**982,162**

(Table continues next page)

The notes on pages 17 to 53 are an integral part of the consolidated financial statement.

(TABLE CONTINUED) CONSOLIDATED BALANCE SHEET AT 31 DECEMBER Amounts in NOK 1000	Note	2010	2009
Equity and liabilities			
Equity			
Equity allocated to shareholders			
Share capital and share premium reserve	14	**629,020**	629,020
Other equity unrecognised in the profit and loss		**(30,331)**	(25,867)
Retained earnings		**(178,114)**	(152,748)
Total equity		**420,575**	**450,406**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	18	**1,200**	-
Loans	17	**38,832**	12,802
Pension commitments	19	**12,076**	21,326
Total non-current liabilities		**52,108**	**34,128**
Current liabilities			
Accounts payable and other current liabilities	16,27	**293,989**	271,406
Tax payable	23	**185**	226
Loans	17	**225,201**	220,159
Other provisions	20	**23,481**	-
Total current liabilities		**542,855**	**491,791**
Liabilities classified as held for sale		-	5,836
Total liabilities		**594,963**	**531,756**
Total liabilities and equity		**1,015,539**	**982,162**

The notes on pages 17 to 53 are an integral part of the consolidated financial statement.

Oslo, 15 March 2011

Asa-Matti Lyytinen
Chairman

Arne Solberg
Deputy chairman

Elena Anfimova

Liv Johansen
Employee elected
board member

Harri Takanen

May Britt Gundersen
Employee elected
board member

Lisbeth Gustafsson

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	Currency conversion unrecognised in the profit and loss	Other equity unrecognised in the profit and loss	Retained earnings	Total
Equity at 1 January 2009	**629,020**	**16,612**	**(4,319)**	**(160,915)**	**480,398**
Conversion differencies and other changes		(38,160)			(38,160)
Net profit				8,167	8,167
Equity at 31 December 2009	**629,020**	**(21,548)**	**(4,319)**	**(152,748)**	**450,406**
Equity at 1 January 2010	**629,020**	**(21,548)**	**(4,319)**	**(152,748)**	**450,406**
Conversion differencies and other changes		(4,465)			(4,465)
Net profit				(25,366)	(25,366)
Equity at 31 December 2010	**629,020**	**(26,013)**	**(4,319)**	**(178,114)**	**420,575**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK 1000	Note	2010	2009
Cash flow from operational activities			
Cash flow from operations	26	**(34,462)**	104,001
Interest received		**1,356**	1,715
Interest paid		**(9,819)**	(9,164)
Taxes		**(3,163)**	(2,773)
Net cash flow from operational activities		**(46,088)**	**93,779**
Cash flow from investment activities			
Aquisition of subsidiaries	7	**(2,454)**	-
Aquisition of tangible fixed assets	6,8	**(47,131)**	(27,576)
Divestments and sale of tangible fixed assets		**8**	3,535
Net cash flow from investment activities		**(49,577)**	**(24,041)**
Cash flow from financing activities			
Proceeds from new loans		**23,265**	-
Repayment of loans		**-**	(4,792)
Dividends paid		**-**	(10,000)
Net cash flow from financing activities		**23,265**	**(14,792)**
Change in cash, cash equivalents and bank credit		**(72,400)**	**54,946**
Cash, cash equivalents and bank credit at 1 January		**86,754**	31,808
Cash, cash equivalents and bank credit at 31 December		**14,354**	**86,754**

The notes on pages 17 to 53 are an integral part of the consolidated financial statement.

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/telecoms, defence, offshore/marine, medical equipment and industry segments. The group has operations in Norway, Sweden, Lithuania, Germany, US and China. Kitron ASA has its head office at Billingstad 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 15 March 2011.

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.

Basis for preparations

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.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  The revised standard was applied to the acquisition of the controlling interest in VERU Electronic GmbH on 1 January 2010. The revised standard requires goodwill to be determined only at the acquisition date. Acquisition-related costs of NOK 0.7 million have been recognised in the consolidated income statement, which previously would have been included in the consideration for the business combination. See note 28 for further details of the business combination that occurred in 2010.

  IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group.

- IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted The group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS

9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group has not recognized such gains or losses in other comprehensive income.

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the revised standard from 1 January 2011. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

- Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The group will apply the amended standard from 1 January 2011.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The group will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the group or the parent entity's financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The group will apply these amendments for the financial reporting period commencing on 1 January 2011.

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
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

PROPERTY, PLANT AND EQUIPMENT

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. When assessing impairment, fixed assets are grouped at the lowest level for which identifiable independent cash inflows exist (cash generating units). At each reporting date, an assessment is made of the opportunity for reversing earlier impairment charges on fixed assets.

INTANGIBLE 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.

Computer software

Costs related to acquisition of new ERP-system are accrued until the system is implemented and ready for use. Computer software is depreciated on a straight-line basis to their residual value over their expected useful life, which is 7 years.

FINANCIAL ASSETS

The group classifies its financial assets in the following categories based on the purpose for which the financial assets were acquired: loans and receivables, and available for sale. The management reassess this classification of financial assets at each reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Since the group's investment in shares for 2009 and 2010 consists solely of holdings in small companies which are not traded in an effective market, these holdings are recognised at historical cost less impairment losses.

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 non-current assets. Loans and receivables are classified as accounts receivable and other receivables in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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 carrying amount 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 initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans using the effective interest method. Borrowing costs are charged to the profit and loss. Loans are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substatantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 vesting period. 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.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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. The most significant foreign currencies are SEK, LTL, EURO and USD. The group has significant investments in foreign operations who's net assets are exposed to foreign currency translation risk in SEK, LTL, EUR, USD and RMB.

At 31 December, if the currency had weakened/strengthened by 1 per cent against the US dollar with all variables held constant, post –tax profit for the year would have been NOK 0.2 million (2009: NOK 0.1 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 per cent against the EURO with all variables held constant, post –tax profit for the year would have been NOK 0.5 million (2009: 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.

The company is exposed to price risk on share prices in Available-for-sale financial assets. However, these investments are insignificant and the company has not established specific measures in order to reduce this risk.

CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with bank and receivables. 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 2010, if interest rate on NOK borrowings had been 1 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 1.8 million (2009: NOK 1.4 million) lower/higher, mainly as a result of higher/lower interst expense on floating rate borrowings. At 31 December 2010, if interest rate on borrowings in foreign currency had been 1 percentage points higher/lower with all other variables held constant, post-tax profit for the year would have been NOK 0.9 million (2009: NOK 0.9 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.

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The table below shows the group's financial loans including interest into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date.

LIQUIDITY RISK Periods to maturity of loans including interest: (Amounts in NOK 1000)	Less than one year	Between one and two years	Between two and five years	More than five years
At 31 December 2010				
Bank overdraft	15,850	-	-	-
Leasing	12,358	20,611	22,093	-
Factoring debt	210,916	-	-	-
Total loans	**239,124**	**20,611**	**22,093**	**-**
At 31 December 2009				
Leasing	13,612	10,124	3,738	-
Factoring debt	221,689	-	-	-
Total loans	**235,301**	**10,124**	**3,738**	**-**

The gearing ratios at 31 December 2010 and 2009 were as follows:

(Amounts in NOK 1000)	2010	2009
Total borrowings (note 17)	**264 033**	232 961
Cash and cash equivalents (note 12)	**(48 243)**	(105 238)
Net debt	**215 790**	**127 723**
Total equity	**420 575**	450 406
Total capital	**636 365**	**578 129**
Gearing ratio	**34%**	22%

The increase in the gearing ratio during 2010 resulted primarily from an increase in bank overdraft and decrease in net cash position.

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.

PENSION BENEFITS

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 19.

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.

NOTE 5 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

Kitron operates in only one business area: Electronic Manufacturing Services (EMS).

BREAKDOWN BY BUSINESS AREA

	Electronic Manufactering Services		Other and eliminations		Total	
(Amounts in NOK 1000)	2010	2009	2010	2009	2010	2009
Revenues	**1,794,091**	1,842,433	**(150,143)**	(111,743)	**1,643,948**	1,730,690
Other operating costs	**1,728,557**	1,741,801	**(123,579)**	(108,104)	**1,604,978**	1,633,697
Depreciation and impairment	**28,252**	31,858	**2,824**	1,173	**31,076**	33,031
Operating profit/(loss)	**37,282**	68,774	**(29,388)**	(4,812)	**7,894**	63,962
Assets	**907,930**	953,200	**107,609**	28,962	**1,015,539**	982,162
Liabilities	**626,771**	704,546	**(31,807)**	(172,790)	**594,964**	531,756
Investment	**25,529**	25,650	**21,287**	1,926	**46,816**	27,576

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)	2010	2009
Data/Telecoms	**396,152**	437,433
Defence	**353,433**	369,409
Industry	**302,938**	250,402
Medical equipment	**504,123**	416,193
Offshore/Marine	**87,302**	257,253
Total sales revenues	**1,643,948**	**1,730,690**

Secondary reporting format - Geographical area

GEOGRAPHICAL BREAKDOWN SALES (Amounts in NOK 1000)	2010	2009
Norway	**893,183**	1,038,335
Sweden	**646,846**	595,298
Rest of Europe	**35,558**	48,160
USA	**68,361**	46,976
Other	**-**	1,921
Total	**1,643,948**	**1,730,690**

There are two customers counting for more than 10 per cent of the revenue each. The biggest one counts for 13.1 per cent and the second biggest counts for 11.7 per cent of the revenue

GEOGRAPHICAL BREAKDOWN OF ASSETS AND INVESTMENTS	Norway		Sweden		Lithuania	
(Amounts in NOK 1000)	2010	2009	2010	2009	2010	2009
Assets	**610,955**	615,951	**203,325**	207,162	**162,155**	157,993
Investments	**33,284**	22,370	**(1,688)**	3,808	**5,399**	1,388

	China		Germany		USA	
(Amounts in NOK 1000)	2010	2009	2010	2009	2010	2009
Assets	**19,424**	1,056	**2,983**	-	**16,697**	-
Investments	**2,162**	10	**94**	-	**7,565**	-

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION (Amounts in NOK 1000)	Note	Machinery and equipment	Buildings and land	Total
At 1 January 2009				
Acquisition cost		672,834	88,198	761,032
Accumulated depreciation/impairment		(528,344)	(43,719)	(572,063)
Accounting carrying amount		**144,490**	**44,480**	**188,970**
Fiscal 2009				
Opening balance		144,490	44,480	188,970
Conversion differencies		(6,571)	(5,894)	(12,466)
Additions		12,731	-	12,731
Disposals		(19,120)	(5,673)	(24,793)
Depreciation		(30,222)	(2,810)	(33,031)
Closing balance		**101,309**	**30,103**	**131,411**
At 31 December 2009				
Acquisition cost		659,875	76,631	736,505
Accumulated depreciation/impairment		(558,566)	(46,528)	(605,094)
Accounting carrying amount		**101,309**	**30,103**	**131,411**
Fiscal 2010				
Opening balance		101,309	30,103	131,411
Conversion differencies		2,992	451	3,443
Additions		27,235	783	28,018
Additions from business combinations.	28	2,205	-	2,205
Disposals		(1,557)	-	(1,557)
Disposal discontinued operations		(690)	-	(690)
Depreciation		(27,975)	(2,786)	(30,761)
Closing balance		**103,518**	**28,551**	**132,069**
At 31 December 2010				
Acquisition cost		690,059	77,865	767,924
Accumulated depreciation/impairment		(586,541)	(49,314)	(635,855)
Accounting carrying amount		**103,518**	**28,551**	**132,069**

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 17. Machinery and equipment, buildings and land were provided at 31 December as security for NOK 70.5 million and NOK 5.8 million (2009: NOK 94.3 million and NOK 6.2 million), see note 17.

NOTE 7 GOODWILL

GOODWILL (Amounts in NOK 1000)	Goodwill
At 1 January 2009	
Acquisition cost	29,546
Accumulated impairment charge	3,832
Accounting carrying amount	**25,714**
Fiscal 2009	
Opening balance	25,714
Disposal	(1,382)
Closing balance	**24,332**
At 31 December 2009	
Acquisition cost	28,164
Accumulated impairment charge	3,832
Accounting carrying amount	**24,332**
Fiscal 2010	
Opening balance	24,332
Additions	2,454
Closing balance	**26,786**
At 31 December 2010	
Acquisition cost	30,618
Accumulated impairment charge	3,832
Accounting carrying amount	**26,786**

The company's cash-generating units are identified by country.

ALLOCATION OF CARRYING AMOUNT OF GOODWILL BY BUSINESS AREA AND BY COUNTRY: (Amounts in NOK 1000)	2010	2009
Norway	**715**	715
Sweden	**3,555**	3,555
Lithuania	**20,062**	20,062
Germany	**2,454**	-
Total	**26,786**	**24,332**

The recoverable amount for a cash-generating unit is based on a calculation of value in use. 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 and no significant changes in margins. The calculations are based on cash flows for the next five years and a discount rate of 12 per cent.

NOTE 8 OTHER INTANGIBLE ASSETS

OTHER INTANGIBLE ASSETS (Amounts in NOK 1000)	Computer software
Fiscal 2009	
Opening balance	-
Additions	14,845
Closing balance	**14,845**
At 31 December 2009	
Acquisition cost	14,845
Accumulated impairment charge	-
Accounting carrying amount	**14,845**
Fiscal 2010	
Opening balance	14,845
Additions	16,908
Depreciation	(315)
Closing balance	**31,438**
At 31 December 2010	
Acquisition cost	31,438
Accumulated impairment charge	-
Accounting carrying amount	**31,438**

The software (ERP-system) is under implementation and is not yet fully operational. Therefore there is limited depreciation in 2010. Expected useful life will be 7 years from the time the ERP system is fully operational.

NOTE 9 FINANCIAL ASSETS AVAILABLE-FOR-SALE

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
Total				**150**	**1**

NOTE 10 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES (Amounts in NOK 1000)	2010	2009
Accounts receivable	**270,733**	255,447
Provision for bad debts	**(5,673)**	(1,482)
Accounts receivable - net	**265,060**	253,965
Receivable from related parties (note 29)	**37,776**	50,670
Earned non-invoiced income	**3,485**	2,696
Prepaid costs	**5,497**	6,054
Other receivables	**44,086**	29,358
Total	**355,905**	**342,743**
Deducted long-term items	**3,227**	4,884
Current items	**352,678**	337,859

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:

Accounts receivable - net	**265,060**	253,852
Receivable from related parties (note 29)	**37,776**	50,670
Earned non-invoiced income	**3,485**	2,696
Prepaid costs	**5,497**	**6,054**
Other receivables	**43,594**	**28,625**
Total	**355,413**	**341,897**

For current receivables, the carrying amount is virtually identical with the fair value.

As of 31 December 2010 accounts receivables of NOK 265.1 million were fully performing. (2009: 254.0 million).

As of 31 December 2010 accounts receivables of 56.0 million (2009: NOK 35.8 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:

Up to 3 months	**32 560**	35 036
3 to 6 months	**23 443**	774
Total	**56 004**	**35 810**

(Table continues next page)

(TABLE CONTINUED) ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES (Amounts in NOK 1000)	2010	2009

As of 31 December 2010 trade receivables of NOK 6.6 million were impaired and provided for (2009: NOK 1.6 million). The amount of the provision was NOK 5.7 million as of 31 December 2010 (2009: NOK 1.5 million)

The ageing analysis of these trade receivables is as follows:

Up to 3 months	**271**	667
3 to 6 months	**5,426**	131
Over 6 months	**886**	844
Total	**6,583**	**1,642**

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

EUR	**68,938**	37,751
USD	**24,127**	11,723
LTL	**5,438**	9,673
CNY	**430**	-
SEK	**105,969**	90,328
NOK	**151,003**	193,268
Total	**355,905**	**342,743**

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

Provision at 1 January	**(1,482)**	(3,989)
Provision for receivables impairment	**(4,192)**	(45)
Receivables written off during the year as uncollectable	**-**	2,552
Provision at 31 December	**(5,674)**	**(1,482)**

Provision for impairment of trade receivables as of 31 December is without discontinued operations. 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. However, the company has credit insurance that reduces the credit risk on account receivables.

The total impairment charge recognised in the profit and loss account for the year is NOK 4.2 million (2009: NOK 0.1 million).

No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 Desember 2010 provided security for NOK 265.4 million (2009: 316.4 million), see note 17.

NOTE 11 INVENTORY

INVENTORY (Amounts in NOK 1000)	2010	2009
Raw materials and purchased semi-manufactures	**237,858**	180,743
Work in progress	**70,497**	56,730
Finished goods	**16,895**	18,815
Total inventory	**325,251**	**256,288**

The total impairment charge recognised in the profit and loss account for the year is NOK 6.6 million (2009: NOK 1.9 million). Inventory at 31 December 2010 provides security for NOK 248.0 million, see note 17.

NOTE 12 CASH,CASH EQUIVALENTS AND BANK OVERDRAFT

CASH,CASH EQUIVALENTS AND BANK OVERDRAFT (Amounts in NOK 1000)	2010	2009
Cash and cash eqiuvalents	**48,243**	105,238
Cash, cash equivalents and bank overdraft in the cash flow statement comprise:		
Cash and cash equivalents	**48,243**	105,238
Overdraft drawn down	**(15,094)**	-
Locked-in bank deposits	**(18,795)**	(18,483)
Total	**14,354**	**86,754**
Bank overdraft facilities 31 December	**95,600**	73,000
Net drawn on overdraft facilities 31 December	**(15,094)**	-
Locked-in bank deposits 31 December		
Security for tax withholding	**152**	195
Security for factoring receivables	**10,650**	10,491
Security for rent guarantee	**7,993**	7,797
Total	**18,795**	**18,483**

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

NOTE 13 ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Amounts in NOK 1000)	2010	2009
Revenue	**5,936**	52,106
Expenses	**(10,947)**	(68,430)
Profit (loss) before income tax	**(5,011)**	**(16,324)**
Tax	-	-
Profit (loss) after income tax	**(5,011)**	**(16,324)**
Pre tax loss on disposal of discontinued operations	**(4,364)**	(17,380)
Profit (loss) from discontinued operations	**(9,375)**	**(33,704)**

No tax cost is allocated to discontinued operations.

(Table continues next page)

DIVESTING THE DEVELOPMENT DEPARTMENT

To further consolidate its operation Kitron divested its development department in 2010. In the financial accounts the development department is recognised as discontinued operations. At the end of the year there are no disposal groups of assets and liabilities held for sale.

(TABLE CONTINUED) ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Amounts in NOK 1000)	2010	2009
Balance sheet		
Assets		
Intangible assets	-	(187)
Tangible fixed assets	-	(503)
Total fixed assets	**-**	**(690)**
Accounts receivable and other receivables	-	(7,626)
Total current assets	**-**	**(7,626)**
Assets of disposal group classified as held for sale	**-**	**8,316**
Liabilities and equity		
Accounts payable and other current liabilities	-	(4,069)
Loans	-	(1,767)
Total current liablities	**-**	**(5,836)**
Liabilities of disposal group classified as held for sale	**-**	**5,836**
Cash flow statement information		
Net cash flow from operating activities	**(409)**	(390)
Net cash flow from investment activities	-	(124)
Net cash flow from financing activities	-	-
Change in cash and bank credit	**(409)**	(514)
Cash and bank credit opening balance	**409**	923
Cash and bank credit closing balance	**-**	**409**

NOTE 14 SHARE CAPITAL AND SHARE PREMIUM RESERVE

SHARE CAPITAL AND SHARE PREMIUM RESERVE

(Amounts in NOK 1000)	Number of shares (thounsands)	Ordinary shares	Share premium reserve	Total
At 1 January 2009	172,962	172,962	456,058	629,020
Change 2009				
At 31 December 2009	**172,962**	**172,962**	**456,058**	**629,020**
Change 2010				
At 31 December 2010	**172,962**	**172,962**	**456,058**	**629,020**

SHARES AND SHAREHOLDER INFORMATION

The company's share capital at 31 December 2010 comprised 172 961 625 shares with a nominal value of NOK 1 each. Each share carries one vote.

MANDATES

Increasing the share capital

The ordinary general meeting of 6 May 2010 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 6 May 2010. 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 2011, but no longer than 30 June 2011. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2010.

Own shares

The ordinary general meeting on 6 May 2010 authorised the board to acquire own shares, 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 6 May 2010. Under the authorisation the company 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 2011 but no longer than 30 June 2011. The authority had not been exercised at 31 December 2010.

THE 20 LARGEST SHAREHOLDERS IN KITRON ASA AT 31 DECEMBER 2010:		
Shareholder	Number	Percentage
Nordea Bank Plc Finland 1)	57,000,000	32.96%
Kongsberg Gruppen ASA	33,439,153	19.33%
ING Luxembourg SA 2)	29,172,000	16.87%
MP Pensjon	10,792,537	6.24%
UAB Hermis Capital	5,324,565	3.08%
AS Bemacs	2,500,000	1.45%
SES AS	2,000,000	1.16%
Verdipapirfondet NORDEA SMB	1,447,984	0.84%
AS Swedbank clients	1,096,078	0.63%
Helge Hareland	1,000,000	0.58%
Bjørn Håheim	705,637	0.41%
Petter Torgersen	636,000	0.37%
Kjell Løite	523,404	0.30%
AB SEB Bankas	413,455	0.24%
Hybrid AS	408,491	0.24%
Handel Partner AS	403,824	0.23%
Malvin Sigbjørn Skjønhaug	395,685	0.23%
JPMBLSA	375,572	0.22%
Vestvik Preservering A/S	350,000	0.20%
Raiffeisen Bank International	349,000	0.20%
Total 20 largest shareholders	**148,333,385**	**85.76%**
Total other shareholders	**24,628,240**	**14.24%**
Total outstanding shares	**172,961,625**	**100.00%**

There were 2,957 shareholders at 31 December 2010.

1) Scanfil Oyj owns 57,000,000 shares (32.96 per cent) in Kitron ASA
2) Amber Trust II holds 29,172,000 shares (16.87 per cent) in Kitron ASA

NOTE 15 SHARES AND SUBSCRIPTION RIGHTS DIRECTORS AND SENIOR EMPLOYEES

There are at 31 December 2010 no outstanding subscription rights.

The following directors and members of the corporate management team held shares in the company at 31 December:

BOARD Number of shares		2010	2009
Harri Takanen, board member	(1)	**-**	-
Arne Solberg, deputy chairman	(2)	**-**	-
Elena Anfimova, board member	(3)	**-**	-

CORPORATE MANAGEMENT TEAM Number of shares	2010	2009
Jørgen Bredesen, CEO	**-**	150,000
Jan Liholt, vice president	**107,660**	107,660
Bengt Enbom, vice president	**10,000**	10,000

(1) Harri Takanen is CEO of Scanfil EMS Oy, which owns 57,000,000 shares (32.96 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) 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 29,172,000 shares (16.87 per cent) in Kitron ASA.

NOTE 16 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES (Amounts in NOK 1000)	2010	2009
Accounts payable	**193,611**	165,046
Public duties	**28,587**	36,114
Payable to related parties (note 29)	**627**	2,734
Costs incurred	**71,164**	67,512
Total	**293,989**	**271,406**

NOTE 17 LOANS

LOANS Amounts in NOK 1000	2010	2009
Long-term loans		
Leasing	**38,473**	12,802
Other	**359**	
Total	**38,832**	**12,802**
Current loans		
Bank overdraft	**15,094**	-
Factoring debt	**200,872**	208,159
Leasing	**9,234**	12,000
Total	**225,201**	**220,159**
Total loans	**264,033**	**232,961**

PERIODS TO MATURITY OF LONG-TERM LOANS (Amounts in NOK 1000)	2010	2009
Between one and two years	**18,087**	9,292
Between two and five years	**20,745**	3,510
Total	**38,832**	**12,802**

EFFECTIVE INTEREST RATE AT THE BALANCE SHEET DATE	2010		2009	
	NOK	Other	NOK	Other
Bank overdraft	**4.0 - 4.8%**	**4.5 - 6.0%**	-	-
Other loans	**4.3 - 6.7%**	**4.0 - 4.6%**	2.65 - 4.40%	1.15 - 3.4%

CARRYING AMOUNT AND FAIR VALUE OF LONG-TERM LOANS	Carrying amount		Fair value	
(Amounts in NOK 1000)	2010	2009	2010	2009
Leasing	**38,473**	12,802	**35,218**	11,656
Other	**359**	-	**329**	-
Total	**38,832**	**12,802**	**35,547**	**11 656**

Fair value is based on discounted cash flow with a discount rate of 6.0 per cent (2009: 7.0 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)	2010	2009
NOK	**175,386**	142,373
SEK	**64,469**	70,534
LTL	**2,328**	4,870
EURO	**21,836**	14,601
USD	**14**	583
Total	**264,033**	**232,961**

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 2010. Loans include NOK 264.0 million (2009: 233.0 million) in secured commitments (bank loans and other secured loans).

MORTGAGES (Amounts in NOK 1000)	2010	2009
Debt secured by mortgages	**264,033**	232,961
Carriying amount of assets provided as security:		
Buildings and land	**5,795**	6,157
Machinery and equipment	**70,490**	94,268
Receivables	**265,410**	316,379
Inventory	**247,988**	208,417
Total	**589,683**	**625,221**

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 48.1 million at 31 December 2010 (2009: NOK 22.8 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 main bankers had provided guarantees at 31 December for bank engagement in Germany, leasing obligations and tax due but not paid. These totalled NOK 5.5 million, NOK 6.4 million and NOK 14.4 million respectively for the group.

FINANCIAL LEASE AGREEMENTS, NON-CURRENT ASSETS (Amounts in NOK 1 000)		2010	2009
Machinery and equipment			
Carrying amount 31 December		**68,975**	31,118
Depreciation		**8,419**	8,559
Nominal rent		**52,299**	24,447
Present value of future rent		**48,354**	21,660
Remaining lease period		**1-5 years**	1-5 years
Specification of estimated lease payments falling due within:			
Nominal rent	<1 year	**15,680**	9,451
	1-2 years	**13,002**	8,044
	2-5 years	**23,617**	6,952
Present value of future rent	<1 year	**15,549**	8,902
	1-2 years	**12,201**	7,177
	2-5 years	**20,604**	5,581

NOTE 18 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.

(Amounts in NOK 1000)	2010	2009
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	**95,847**	98,981
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	**1,200**	-
Deferred tax asset (net)	**94,647**	**98,981**

CHANGE IN CARRYING AMOUNT OF DEFERRED TAX ASSET: (Amounts in NOK 1000)	2010	2009
Opening balance	**98,981**	106,304
Conversion differences	**2,070**	(2,786)
Profit and loss account	**(6,404)**	(1,554)
Deferred tax from disposal group	**-**	(2,983)
Closing balance	**94,647**	**98,981**

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

DEFERRED TAX LIABILITIES (Amounts in NOK 1000)	Gain and loss account	Financial leasing	Total
At 1 January 2009	570	996	1,566
Profit/(loss) for the period	26	(838)	(812)
Conversion differences	-	-	-
At 31 December 2009	**596**	**158**	**754**
Profit/(loss) for the period	1,081	(158)	923
Conversion differences	-	-	-
At 31 December 2010	**1,677**	**0**	**1 677**

DEFERRED TAX ASSET (Amounts in NOK 1000)	Provision and current assets	Fixed assets and goodwill	Loss carried forward	Pension	Total
At 1 January 2009	5,415	12,615	83,914	5,926	107,870
Profit/(loss) for the period	209	(2,380)	(3,223)	45	(5,349)
Conversion differences	-	-	(2,786)	-	(2,786)
At 31 December 2009	**5,624**	**10,235**	**77,905**	**5,971**	**99,735**
Profit/(loss) for the period	(1,467)	(2,225)	800	(2,589)	(5,481)
Conversion differences	-	-	2,070	-	2,070
At 31 December 2010	**4,157**	**8,010**	**80,775**	**3,382**	**96,324**

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 did not recognise deferred tax assets of TNOK 13 454 (2009: NOK 0) in respect of losses amounting to TNOK 50 473 (2009: NOK 0). There are no restrictions on the right to carry the tax loss forward.

NOTE 19 PENSIONS AND SIMILAR OBLIGATIONS

Employees in Kitrons's Norwegian entites are covered by pension plans which give the right to futre 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.

The new AFP-scheme, in force from 1 January 2011, is a defined benefit multi-enterprise scheme, but is recognised in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet.

The AFP-liability following the old scheme was recognised in the balance sheet as debt and is recognised as income in 2010, with the exception of the liability relating to previous employees who are now retirees in this scheme.

The pension cost of the year also includes a provision of TNOK 3 724 to cover an expected payment relating to undercoverage in the former AFP-scheme. The provision has been recognised in the balance sheet as a pensjon obligation

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 requirments.

PENSION AND SIMILAR OBLIGATIONS

(Amounts in NOK 1000)	2010	2009
Carrying amount of the obligation		
Pension benefits	**12,076**	21,326
Costs (income) recognised in the profit and loss account (incl in note 21)		
Pension benefits	**(5,568)**	3,536

DEFINED PENSION BENEFIT PLANS

(Amounts in NOK 1000)	2010	2009
Carrying amount of the obligation is determined as follows		
Present value of accrued commitments in unfunded defined benefit plans	**(17,721)**	(38,444)
Unrecognised actuarial gains and losses	**5,645**	17,118
Net commitments in unfunded defined benefit plans	**(12,076)**	**(21,326)**
Hereof payroll tax on the pension obligations	**1,492**	4,751
Net pension commitment in the balance sheet	**(12,076)**	**(21,326)**
Net pension costs comprise		
Present value of pension earnings for the year	**436**	1,931
Interest cost	**724**	1,127
Service cost	**4,142**	-
Curtailment of the old AFP scheme	**(12,044)**	-
Amortised actuarial gain and losses	**1,174**	478
Total, included in payroll costs	**(5,568)**	**3,536**
Change in carrying amount of pension commitments		
Opening balance	**21,326**	21,164
Cost recognised in the profit and loss account for the year	**(5,568)**	3,536
Benefits paid	**(3,682)**	(3,374)
Closing balance	**12,076**	**21,326**
The following assumptions have been applied in calculating pension commitments:		
Discount rate	**4.00%**	4.00%
Annual pay adjustment	**3.50%**	3.75%
Annual pension adjustment	**3.50%**	3.75%
Social security tax rate	**14.10%**	14.10%
Expected contractual pension withdrawals (early retirement scheme)	**30%-50%**	30%-50%
Assumptions on mortality rates are based on published statistics in Norway	**K2005**	K2005
Number of employeees in defined benefit plans	**563**	**633**

NOTE 20 PROVISIONS

RESTRUCTURING (Amounts in NOK 1000)	
At 1 January 2010	-
Recognised in consolidated profit and loss account	23,481
At 31 December 2010	**23,481**

CLASSIFICATION IN THE BALANCE SHEET (Amounts in NOK 1000)	2010	2009
Current liabilities	**23,481**	-
Total	**23,481**	**-**

Of the provision at 31 December 2010 NOK 23,481,000 is related to restructuring of Kitron AB. The provision is based on detailed calculations. The main components are cost for personnel and for rent and facility. About NOK 3.6 million of the provision is for other costs.

NOTE 21 PAYROLL COSTS

(Amounts in NOK 1000)	2010	2009
Pay	**335,333**	337,265
Payroll tax	**67,089**	70,497
Net pension costs defined benefit plans (note 19)	**(5,568)**	3,536
Pension costs defined contribution plans	**9,522**	12,480
Other remuneration	**23,153**	21,976
Total	**429,530**	**445,754**
Average number of man-years	**1,094**	1,197
Average number of employees	**1,156**	1,269

NOTE 22 FINANCIAL ITEMS

(Amounts in NOK 1000)	2010	2009
Interest expenses	**9,819**	9,164
Other financial expenses	**3,872**	7,886
Interest income	**1,356**	1,715
Currency loss	**3,371**	6,648
Currency gain	**(1,485)**	(1,436)
Net currency loss	**1,886**	5,212
Net financial costs	**14,220**	**20,547**

NOTE 23 TAX

(Amounts in NOK 1000)	2010	2009
Tax payable	**3,260**	3,097
Deferred tax (Note 18)	**6,404**	(1,554)
Income tax expense	**9,664**	**1,543**

Tax on the group's profit before tax differs from the amount that would have arisen if the group's weighted average tax rate had been applied.

The difference is explained as follows:

Ordinary profit before tax	**(6,336)**	43,415
Tax calculated at the domestic rates applicable to profits in the respective countries	**(3,808)**	10,971
Expenses not deducible for tax purposes	**1,938**	846
Tax loss for which no deferred income tax asset was recognised	**14,159**	-
Effect of tax on discontinued operations	**(2,625)**	(10,274)
Tax cost	**9,664**	**1,543**

The weighted average tax rate was 25,0% (2009: 25,3%). The change is due to changed results in the subsidiaries. The tax rate is 28,0% in Norway, 26,3% in Sweden, 15,0% in Lithuania, 25,0% in China, 16,5% in Hong Kong and 34,0% in USA.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2010			2009		
(Amounts in NOK 1000)	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Currency translation differences and other changes	**(4,465)**	**-**	**(4,465)**	(38,160)	-	(38,160)

NOTE 24 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by weighted avarage number of ordinary shares in issue during the year. The compamy has no own shares. Hence is basic earnings per share the same as diluted earnings per share.

(Amounts in NOK 1000)	2010	2009
Profit attributable to equity holders of the company	**(15,991)**	41,872
Profit from discontinued operations attributable to equity holders of the company	**(9,375)**	(33,704)
Total	**(25,366)**	**8,167**
Weigthed avarage number of ordinary shares in issue (thousands)	**172,962**	**172,962**

NOTE 25 DIVIDENDS PER SHARE

There were no dividends paid in 2010. In 2009 the dividend paid were NOK 10.0 MNOK (NOK 0.0578 per share). For the year ended 31 December 2010 no dividend is to be proposed at the annual general meeting on 28 April 2011

NOTE 26 CASH FLOW FROM OPERATIONS

CONTINUING OPERATIONS (Amounts in NOK 1000)	2010	2009
Ordinary profit/(loss) before tax	**(6,326)**	43,415
Depreciation	**30,976**	33,031
(Profit)/loss in disposal of property, plant and equipment	**1,557**	-
Change in inventory	**(68,963)**	67,302
Change in accounts receivable and other short term receivables	**1,799**	162,536
Change in factoring debt	**(7,287)**	(75,600)
Change in accounts payable and other short term payables	**29,327**	(103,564)
Change in pension funds/obligations	**(9,250)**	162
Change in other items	**(18,502)**	(41,367)
Change in restricted bank deposits	**(312)**	(1,999)
Finance costs - net	**8,463**	15,335
Foreign exchange losses / (gains) on operating activities	**4,465**	5,212
Cash flow from continuing operations	**(34,053)**	**104,463**

DISCONTINUING OPERATIONS (Amounts in NOK 1000)	2010	2009
Loss from discontinued operations	**(9,375)**	(33,704)
Depreciation	**100**	3,790
Change in inventory	**-**	2,791
Change in accounts receivable and other short term receivables	**4,680**	3,432
Change in factoring debt	**(1,767)**	(2,193)
Change in accounts payable and other short term payables	**(649)**	2,684
Change in other items	**2,238**	4,445
Change in restricted bank deposits	**-**	913
Pre tax loss on disposal of discontinued operations	**4,364**	17,380
Cash flow from discontinuing operations	**(409)**	**(462)**
Cash flow from operations	**(34,462)**	**104,001**

NOTE 27 COMMITMENTS

OPERATING LEASES, NON-CURRENT ASSETS (Amounts in NOK 1 000)		2010	2009
Machinery and equipment			
Rent		**6,196**	3,924
Remaining lease		**1-5 years**	1-4 years
Buildings and land			
Rent		**22,730**	21,507
Remaining lease		**1-5 years**	1-6 years

Buildings and land includes premises in Norway, Sweden, Germany, China and US.

Specification of estimated lease payments falling due within:			
Nominal rent	1 year	**24,851**	27,480
	2-5 years	**64,132**	67,010
	> 5years	**2,376**	13,246

With some 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 28 BUSINESS COMBINATIONS

(Amounts in NOK 1000)	Consideration
Cash	0
Total consideration transferred	**0**

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	75
Property, plant and equipment (Note 6)	2,205
Other long term receivables	183
Inventories	616
Trade and other receivables	1,639
Trade and other payables	(1,265)
Borrowings	(5,907)
Total identifiable assets	(2,454)
Goodwill (Note 7)	2,454
Total identifiable assets and goodwill	**0**

On the 17th of December 2009 Kitron ASA signed a Share Purchase Agreement to acquire 100% of the shares in VERU Electronic GmbH on a debt free basis. The deal were closed January 26th 2010. The goodwill is based on the view that Germany is the largest EMS market in Europe and is seen as the market having the highest potential within Electronics in Europe due to historical strong level of innovation and engineering competence. It is the country in Europe that has the highest potential for further outsourcing of electronics manufacturing. Having a local entity gives credibility and shows long-term commitment. The German entity shall market the total value chain of Kitron and be our local centre for NPI (New Products Introduction) and small series manufacturing in Germany.

NOTE 29 RELATED PARTIES

(Amounts in NOK 1000)	2010	2009
i) Sale of goods and services		
Sale of goods (1)	**230,750**	**214,977**
ii) Purchase of goods and services		
Purchase of goods (1)	**3,620**	3,609
iii) Remuneration of senior executives		
Pay and other short-term benefits (2)	**18,299**	24,016
Severance pay		
Total	**18 299**	**24 016**
iv) Balance items at 31 December resulting from purchase/sale of goods and services		
Receivable from related parties		
Shareholders (1)	**37,776**	50,670
Total	**37,776**	**50,670**
Payable to related parties:		
Senior executives (3)	**589**	2,734
Total	**589**	**2,734**

(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 table below for a more extensive description of remuneration of senior executives.

(3) The amount at 31 December 2010 comprises accrued bonuses to corporate management team.

REMUNERATION OF SENIOR EXECUTIVES, DIRECTORS AND AUDITOR

(Amounts in NOK 1000)	2010	2009
Directors' fee:	**1,354**	1,322
- chairman	**373**	360
- board members	**981**	962
Auditors fee		
- statutory audit	**1,853**	1,800
- audit related services	**135**	-
- tax related services	**289**	288
- other services	**62**	404

PAY AND OTHER REMUNERATION OF SENIOR EXECUTIVES IN 2010

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay and remun. (A+B+C)	Pension contribution	Bonus earned**)
Jørgen Bredesen	CEO	01.01.2010-31.12.2010	2,909	1,016	226	4,151	46	123
Bjørn Wigstrøm	CFO	01.01.2010-31.12.2010	1,951	425	196	2,572	46	104
Jan Liholt	Vice president	01.01.2010-31.12.2010	1,258	200	110	1,568	46	51
Gard Eliassen	Vice president	01.01.2010-31.12.2010	1,330	350	130	1,810	46	90
Bengt Enbom	Vice president	01.01.2010-31.12.2010	1,022	228	42	1,292	251	42
Roger Hovland	Vice president	01.01.2010-31.12.2010	1,693	0	185	1,878	46	31
Yvonne Wenzel	Vice president	01.08.2010-31.12.2010	309	0	308	617	0	26
Thoms Løfgren	Vice president	01.01.2010-31.12.2010	1,026	0	62	1,088	185	46
Mindaugas Sestokas	Vice president	01.01.2010-31.12.2010	1,002	326		1,328	0	31
Dag Songedal	Vice president	01.01.2010-31.12.2010	1,623	211	161	1,995	46	45
Total			**14,123**	**2,756**	**1,419**	**18,299**	**713**	**589**
Comparative figures for 2009			**14,466**	**8,099**	**1,451**	**24,016**	**800**	**2 734**

PAY AND OTHER REMUNERATION OF SENIOR EXECUTIVES IN 2010

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay and remun. (A+B+C)	Pension contribution	Bonus earned**)
Nerijus Dagilis	Chairman of the board	07.05.2009-06.05.2010	300		73	373		
Asa-Matti Lyytinen	Chairman of the board	08.11.2010-31.12.2010	-		-	-		
Arne Solberg	Deputy chair	07.05.2009-06.05.2010	100		40	140		
Tomas Kucinskas	Board member	07.05.2009-06.05.2010	100		90	190		
Harri Takanen	Board member	08.11.2010-31.12.2010	-		-	-		
Elena Anfimova	Board member	07.05.2009-06.05.2010	100		53	153		
Lisbeth Gustafsson	Board member	07.05.2009-06.05.2010	100		43	143		
Liv Esther Johansen	Employee representative	07.05.2009-06.05.2010	100		35	135		
Geir Vedøy	Employee representative	07.05.2009-06.05.2010	100		10	110		
May Britt Gundersen	Employee representative	07.05.2009-06.05.2010	85		0	85		
Ståle Kroken	Employee representative	07.05.2009-22.06.2010	25		0	25		
Total			**1,010**		**344**	**1,354**		
Comparative figures for 2009			**1,000**		**322**	**1,322**		

*) Bonuses earned in 2009 and paid in 2010
**) Bonuses earned in 2010. The bonuses will be paid in 2011
Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared. Provisions for management bonuses at 31 December 2010 have been made.

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 the following 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. The mandatory executive remuneration policy was resolved by Kitron ASA's annual general meeting on 6 May 2010. Changes, if any, may be resolved by the annual general meeting on 28 April 2011.

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 and the CFO the total bonus may not amount to more than 100 per cent of base salary. For the other members of the corporate management team the total bonus is limited to 60 per cent of base salary. Kitron does not offer other substantial benefits of any 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 and issue guidelines for the remuneration of leading personnel. The board has appointed a remuneration committee consisting of three members from the board that are preparing matters for decision by the board. 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.

The share price based bonus scheme introduced 22 March 2007 was ended in February 2011. The board may in the coming financial year resolve on a new bonus scheme that are linked to the quotation of Kitron's shares.

KITRON ASA ANNUAL ACCOUNTS AND NOTES

PROFIT AND LOSS ACCOUNT, KITRON ASA (Amounts in NOK 1000)	Note	2010	2009
Revenues			
Sales revenues	2	**45,751**	42,534
Total revenues		**45,751**	**42,534**
Operating costs			
Payroll expenses	3, 4, 13	**21,803**	25,254
Depreciation and impairments	5, 6	**3,200**	2,872
Other operating expenses		**24,255**	23,561
Total operating costs		**49,258**	**51,687**
Operating loss		**(3,507)**	**(9,153)**
Financial income and expenses			
Intra-group interest income		**3,510**	4,286
Other interest income		**227**	465
Other financial income	19	**26,783**	27,022
Other interest expenses		**1,191**	(756)
Other financial expenses	19	**50,704**	(29,531)
Net financial items		**(21,375)**	**1,486**
Profit before tax		**(24,882)**	(7,667)
Tax	8	**(5,707)**	2 099
Net loss		**(19,176)**	**(9,766)**

BALANCE SHEET AT 31 DECEMBER, KITRON ASA (Amounts in NOK 1000)	Note	2010	2009
Assets			
Fixed assets			
Intangible fixed assets			
Other intangible fixed assets		**31,209**	14,744
Deferred tax assets	8	**53,529**	47,823
Total intangible fixed assets		**84,738**	**62,567**
Tangible fixed assets			
Machinery, equipment etc	5, 16	**7,816**	6,438
Financial fixed assets			
Investment in subsidiaries	9, 16	**364,479**	376,190
Intra-group loans	7, 14	**35,959**	15,515
Other long-term receivables		**3,125**	3,129
Total financial fixed assets		**403,563**	**394,834**
Total fixed assets		**496,117**	**463,839**
Current assets			
Receivables			
Accounts rceceivables	7, 16	**32,486**	33,362
Other receivables	7	**50,443**	95,547
Total recevables		**82,929**	**128,909**
Bank deposits, cash in hand, etc	17	**11,029**	10,809
Total current assets		**93,958**	**139,718**
Total assets		**590,075**	**603,557**

(TABLE CONTINUED) BALANCE SHEET AT 31 DECEMBER, KITRON ASA (Amounts in NOK 1000)	Note	2010	2009
Liabilities and equity			
Equity			
Paid-in equity			
Share capital (172 961 625 shares at NOK 1))	10, 12	**172,962**	172,962
Share premium reserve	10	**242,827**	242,827
Total paid-in equity		**415,789**	**415,789**
Other equity		**55,903**	75,078
Total equity		**471,692**	**490,867**
Liabilities			
Long-term liabilities			
Pension commitments	4	**6,369**	7,045
Other long-term debt	15	**23,576**	
Total long-term liabilities		**29,945**	**7,045**
Current liabilities			
Liabilities to financial institutions	16, 17	**71,052**	93,431
Accounts payable		**7,894**	7,191
Other current liabilities	7	**9,492**	5,023
Total current liabilities		**88,438**	**105,645**
Total liabilities		**118,383**	**112,690**
Total liablities and equity		**590,075**	**603,557**

Oslo, 15 March 2011

Asa-Matti Lyytinen
Chairman

Arne Solberg
Deputy chairman

Elena Anfimova

Liv Johansen
Employee elected
board member

Harri Takanen

May Britt Gundersen
Employee elected
board member

Lisbeth Gustafsson

Geir Vedøy,
Employee elected
board member

Jørgen Bredesen
CEO

CASH FLOW STATEMENT, KITRON ASA (Amounts in NOK 1 000)	2010	2009
Cash flow from operational activities		
Profit before tax	**(24,882)**	(7,667)
Loss discontinued operations	**-**	22,349
Debt restructuring discontinued operations	**-**	(6,500)
Ordinary depreciation	**3,200**	2,872
Write down of subsidiaries	**46,161**	-
Change in accounts receivable	**876**	66,344
Change in accounts payable	**703**	890
Change in pension funds/obligations	**(676)**	(140)
Change in other accrual items	**4,470**	(88,428)
Net cash flow from operational activities	**29,852**	**(10,280)**
Cash flow from investment activities		
Acquisition of fixed assets	**(21,043)**	(16,671)
Investment in subsidiaries	**(34,450)**	-
Sale of shares	**-**	26
Rapayment of lendings	**24,664**	17,098
Net cash flow from investment activities	**(19,118)**	**453**
Cash flow from financing activities		
New long-term loans	**23,576**	-
Net change in overdraft facilities	**(22,379)**	18,601
Dividend paid	**-**	(10,000)
Net cash flow from financing activities	**1,197**	**8,601**
Net change in cash and cash equivalents	**220**	(1,226)
Cash and cash equivalents at 1 January	**10,809**	12,035
Cash and cash equivalents at 31 December	**11,029**	**10,809**

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.

Revenue 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 and activated costs. 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 straightline basis over their expected useful lifetime if they have an 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 receivables

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 (base rate plus 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 2010.

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)	2010	2009
Norway	**26,170**	25,138
Sweden	**9,483**	7,660
Lithuania	**9,919**	9,605
Other	**179**	131
Total	**45,751**	**42,534**

NOTE 3 PAYROLL COSTS

PAYROLL COSTS (Amounts in NOK 1000)	2010	2009
Pay	**15,651**	19,964
Payroll taxes	**2,419**	2,894
Pension costs	**327**	693
Other remuneration	**3,406**	1,703
Total	**21,803**	**25,254**
Average number of employees	**19**	14

NOTE 4 PENSION COSTS, FUNDS AND COMMITMENTS

Employees in Kitrons ASA are covered by pension plans which give the right to futre benefits according to Norwegian law (Norwegian mandatory service pension act). The plans embraces 11 employeees. The plans comprise defined contribution plans, as well as early retirement schemes (AFP) for some employees.

The new AFP-scheme, in force from 1 January 2011, is a defined benefit multi-enterprise scheme, but is recognised in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet.

The AFP-liability following the old scheme was recognised in the balance sheet as debt and is recognised as income in 2010, with the exception of the liability relating to previous employees who are now retirees in this scheme.

The pension cost of the year also includes a provision of TNOK 70 to cover an expected payment relating to undercoverage in the former AFP-scheme. The provision has been recognised in the balance sheet as a pensjon obligation

Furthermore the pension obligations below include life-long benefits to a former CEO.
All pension plans are unfunded.

DEFINED PENSION BENEFIT PLANS (Amounts in NOK 1000)	2010	2009
Carrying amount of the obligation is determined as follows:		
Present value of accrued pension commitments in unfunded benefit plans	**6,378**	6,970
+/- unrecognised actuarial gains and losses	**(9)**	75
Net commitments in unfunded defined benefit plans	**6,369**	**7,045**
Hereof payroll tax on the pension obligation	**787**	870
Pension costs comprise:		
+ Present value of pension earnings for the year	**9**	46
+ Interest costs	**254**	266
+ Amortisation actuarial gains and losses	**(11)**	(33)
+ Service cost	**80**	-
- Curtailment of the old AFP scheme	**(430)**	-
Net pension cost for unfunded plans	**(98)**	**279**
Net pension cost for contribution based pension plans	**425**	**414**
Net pension costs included in note 3	**327**	**693**

THE FOLLOWING ASSUMPTIONS HAVE BEEN APPLIED IN CALCULATING PENSION COMMITMENTS	2010	2009
Discount rate	**4.00%**	4.00%
Annual pay adjustment	**3.50%**	3.75%
Annual pension adjustment	**3.50%**	3.75%
Social scurity tax rate	**14.10%**	14.10%
Expected contractual pension withdrawals (early retirement scheme)	**30.00%**	30.00%

NOTE 5 TANGIBLE FIXED ASSETS AND DEPRECIATION

TANGIBLE FIXED ASSETS AND DEPRECIATION (Amounts in NOK 1000)	Machinery and equipment
Acquisition cost at 1 January	31,446
Additions during the year	4,263
Acquisition cost at 31 December	**35,709**
Accumulated depreciation 1 January	25,008
Depreciation during the year	2,885
Accumulated depreciation at 31 December	**27,893**
Book value 31 December	**7,816**
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	>2011	700
Operating equipment	>2011	113
Vehicles	>2011	755

The company has an option to buy leased printers

NOTE 6 OTHER INTANGIBLE ASSETS

OTHER INTANGIBLE ASSETS (Amounts in NOK 1000)	ERP system
Acquisition cost at 1 January	14,744
Additions during the year	16,780
Acquisition cost at 31 December	31,524
Accumulated amortisation at 31 December	315
Book value 31 December	**31,209**
Ordinary amortisation for the year	315
Useful lifetime	7 år

The software (ERP-system) is under implementation and is not fully operational at 31.12.2010.

NOTE 7 INTRA-GROUP ACCOUNTS

INTRA-GROUP ACCOUNTS (Amounts in NOK 1000)	2010	2009
Current receivables	**57,320**	128,047
Current liabilities	**4,637**	2,510
Intra-group loans	**35,959**	15,515

NOTE 8 TAXES

TAXES (Amounts in NOK 1000)	2010	2009
Tax cost for the year breaks down into:		
Tax payable		
Change in deferred tax	**(5,707)**	2,099
Total tax cost	**(5,707)**	**2,099**
Calculation of tax base for the year:		
Profit before tax	**(24,882)**	(7,667)
Permanent differencies *)	**21,423**	(2,836)
Change in temporary differencies	**(796)**	(4,609)
Group contribution	**1,079**	18,000
Change in tax loss carried forward	**3,176**	(2,887)
Tax base for the year	**-**	**-**
Overview of temporary differencies		
Receivables	**1,306**	1,190
Fixed assets	**(3,915)**	(4,065)
Pensions	**(6,370)**	(7,045)
Other temporary differencies	**305**	225
Gain and loss account	**902**	1,127
Total	**(7,772)**	**(8,567)**
Loss carried forward	**(183,404)**	(162,228)
Total	**(191,176)**	**(170,796)**
Deferred tax asset (28%)	**53,529**	**47,823**
Explanation of why tax cost for the year does not equal 28% of pre-tax result		
28% of loss before tax	**(6,967)**	(2,147)
Permanent differencies (28%)	**5,998**	(794)
Group contribution	**301**	5,040
Effect of deferred tax asset unrecorded in balance sheet	**(5,040)**	
Calculated tax cost	**(5,707)**	**2,099**
Effective tax rate **)	**22.9%**	(27,4%)

*) Includes non-tax-deductible costs such as entertainment and issue expenses
**) Tax cost in reletion to pre-tax result

NOTE 9 INVESTMENT IN SUBSIDIARIES

INVESTMENT IN SUBSIDIARIES (Amounts in NOK 1000)	Business office	Shareholding	Voting share	Equity past year	Result past year	Book value
Kitron AS	Arendal	100%	100%	153,401	15 574	232,336
Kitron Sourcing AS	Oslo	100%	100%	12,598	934	11,400
Kitron AB	Karlskoga, Sweden	100%	100%	4,146	(55,619)	30,000*
Kitron Microelectronics AB	Jönköping, Sweden	100%	100%	21,987	7,108	13,463
Kitron Flen AB	Flen, Sweden	100%	100%	6,992	(71)	31,332
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	979	395	1,360
Kitron Hong Kong Ltd	Hong Kong	100%	100%	(65)	(65)	0
Kitron GmbH	Grossbetlingen, Germany	100%	100%	(3,374)	(2,163)	2,403
Kitron Inc	Johnstown, US	100%	100%	(1,536)	(2,122)	583
UAB Lumen Intellectus	Kaunas, Lithuania	100%	100%	1,639	450	12,421
UAB Kitron	Kaunas, Lithuania	100%	100%	93,828	14,759	29,180
Total investment in subsidiaries						**364,479**

* Investments in Kitron AB are written down with NOK 46.2 million in 2010.

The Kitron Hong Kong Ltd. subsidiary owns shares in the following subsidiary:

COMPANY (Amounts in NOK 1000)	Business office	Shareholding	Voting share	Equity past year	Result past year	Book value
Kitron Electronics Manufacturing (Ningbo) Co., Ltd.	Ningbo China	100%	100%	5,715	(4,744)	10,193

NOTE 10 EQUITY

EQUITY (Amounts in NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2009	172,962	242,827	75,078	490,867
Net profit/(loss)	-	-	(19,176)	(19,176)
At 31 December 2010	**172,962**	**242,827**	**55,903**	**471,692**

NOTE 11 SHARES AND SUBSCRIPTION RIGHTS SENIOR EMPLOYEES

There are at 31 December 2010 no outstanding subscription rights. The following directors and members of the corporate management team held shares in the company at 31 December:

BOARD Number of shares		2010	2009
Harri Takanen, board member	(1)	-	-
Arne Solberg, deputy chairman	(2)	-	-
Elena Anfimova, board member	(3)	-	-

CORPORATE MANAGEMENT TEAM Number of shares	2010	2009
Jørgen Bredesen, CEO	-	150 000
Jan Liholt, vice president	**107,660**	107 660
Bengt Enbom, vice president	**10,000**	10 000

(1) Harri Takanen is CEO of Scanfil EMS Oy, which owns 57,000,000 shares (32.96 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) 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 29,172,000 shares (16.87 per cent) in Kitron ASA.

NOTE 12 SHARES AND SHAREHOLDERS INFORMATION

The company's share capital at 31 December 2010 comprised 172.961.625 shares with a nominal value of NOK 1 each. Each share carries one vote. There were 2,957 shareholders at 31 December 2010.

THE 20 LARGEST SHAREHOLDERS IN KITRON ASA AT 31 DECEMBER 2010:

Shareholder	Number	Percentage
Nordea Bank Plc Finland 1)	57,000,000	32.96%
Kongsberg Gruppen ASA	33,439,153	19.33%
ING Luxembourg SA 2)	29,172,000	16.87%
MP Pensjon	10,792,537	6.24%
UAB Hermis Capital	5,324,565	3.08%
AS Bemacs	2,500,000	1.45%
SES AS	2,000,000	1.16%
Verdipapirfondet NORDEA SMB	1,447,984	0.84%
AS Swedbank clients	1,096,078	0.63%
Helge Hareland	1,000,000	0.58%
Bjørn Håheim	705,637	0.41%
Petter Torgersen	636,000	0.37%
Kjell Løite	523,404	0.30%
AB SEB Bankas	413,455	0.24%
Hybrid AS	408,491	0.24%
Handel Partner AS	403,824	0.23%
Malvin Sigbjørn Skjønhaug	395,685	0.23%
JPMBLSA	375,572	0.22%
Vestvik Preservering A/S	350,000	0.20%
Raiffeisen Bank International	349,000	0.20%
Total 20 largest shareholders	**148,333,385**	**85.76%**
Total other shareholders	**24,628,240**	**14.24%**
Total outstanding shares	**172,961,625**	**100.00%**

1) Scanfil Oyj owns 57,000,000 shares (32.96 per cent) in Kitron ASA
2) Amber Trust II holds 29,172,000 shares (16.87 per cent) in Kitron ASA

MANDATES

Increasing the share capital

The ordinary general meeting of 6 May 2010 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 6 May 2010. 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 2011, but no longer than 30 June 2011. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2010.

Own shares

The ordinary general meeting on 6 May 2010 authorised the board to acquire own shares, 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 6 May 2010. Under the authorisation the company 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 2011 but no longer than 30 June 2011. The authority had not been exercised at 31 December 2010.

NOTE 13 REMUNERATION OF SENIOR EXECUTIVES, DIRECTORS AND AUDITOR

REMUNERATION OF SENIOR EXECUTIVES, DIRECTORS AND AUDITOR (Amounts in NOK 1000)	2010	2009
Directors' fee:	**1,354**	1,322
- chairman	**373**	360
- board members	**981**	962
Auditors fee		
- statutory audit	**674**	648
- audit related services	**135**	-
- tax related services	**140**	122
- other services	**62**	404

PAY AND OTHER REMUNERATION OF SENIOR EXECUTIVES IN 2010:

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay and remun. (A+B+C)	Pension contribution	Bonus earned**)
Jørgen Bredesen	CEO	01.01.2010-31.12.2010	2,909	1,016	226	4,151	46	123
Bjørn Wigstrøm	CFO	01.01.2010-31.12.2010	1,951	425	196	2,572	46	104
Jan Liholt	Vice president	01.01.2010-31.12.2010	1,258	200	110	1,568	46	51
Gard Eliassen	Vice president	01.01.2010-31.12.2010	1,330	350	130	1,810	46	90
Bengt Enbom	Vice president	01.01.2010-31.12.2010	1,022	228	42	1,292	251	42
Roger Hovland	Vice president	01.01.2010-31.12.2010	1,693	0	185	1,878	46	31
Yvonne Wenzel	Vice president	01.08.2010-31.12.2010	309	0	308	617	0	26
Thoms Løfgren	Vice president	01.01.2010-31.12.2010	1,026	0	62	1,088	185	46
Mindaugas Sestokas	Vice president	01.01.2010-31.12.2010	1,002	326		1,328	0	31
Dag Songedal	Vice president	01.01.2010-31.12.2010	1,623	211	161	1,995	46	45
Total			**14,123**	**2,756**	**1,419**	**18,299**	**713**	**589**
Comparative figures for 2009			**14,466**	**8,099**	**1,451**	**24,016**	**800**	**2 734**

PAY AND OTHER REMUNERATION OF SENIOR EXECUTIVES IN 2010: Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay and remun. (A+B+C)	Pension contribution	Bonus earned**)
Nerijus Dagilis	Chairman of the board	07.05.2009-06.05.2010	300		73	373		
Asa-Matti Lyytinen	Chairman of the board	08.11.2010-31.12.2010	-		-	-		
Arne Solberg	Deputy chair	07.05.2009-06.05.2010	100		40	140		
Tomas Kucinskas	Board member	07.05.2009-06.05.2010	100		90	190		
Harri Takanen	Board member	08.11.2010-31.12.2010	-		-	-		
Elena Anfimova	Board member	07.05.2009-06.05.2010	100		53	153		
Lisbeth Gustafsson	Board member	07.05.2009-06.05.2010	100		43	143		
Liv Esther Johansen	Employee representative	07.05.2009-06.05.2010	100		35	135		
Geir Vedøy	Employee representative	07.05.2009-06.05.2010	100		10	110		
May Britt Gundersen	Employee representative	07.05.2009-06.05.2010	85		0	85		
Ståle Kroken	Employee representative	07.05.2009-22.06.2010	25		0	25		
Total			**1,010**		**344**	**1 354**		
Comparative figures for 2009			**1,000**		**322**	**1 322**		

*) Bonuses earned in 2009 and paid in 2010.

**) Bonuses earned in 2010. The bonuses will be paid in 2011

Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared. Provisions for management bonuses at 31 December 2010 have been made.

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 the following 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. The mandatory executive remuneration policy was resolved by Kitron ASA's annual general meeting on 6 May 2010. Changes, if any, may be resolved by the annual general meeting on 28 April 2011.

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 and the CFO the total bonus may not amount to more than 100 per cent of base salary. For the other members of the corporate management team the total bonus is limited to 60 per cent of base salary. Kitron does not offer other substantial benefits of any 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 and issue guidelines for the remuneration of leading personnel. The board has appointed a remuneration committee consisting of three members from the board that are preparing matters for decision by the board. 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.

The share price based bonus scheme introduced 22 March 2007 was ended in February 2011. The board may in the coming financial year resolve on a new bonus scheme that are linked to the quotation of Kitron's shares.

NOTE 14 RECEIVABLES

NOK 35,959,000 of the NOK 35,959,000 in intra-group loans at 31 December 2010 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2010	2009
Kitron Hong Kong Ltd	**10,261**	
Kitron Inc	**11,134**	
UAB Lumen Intellectus	**14,564**	15,515
Total	**35,959**	**15,515**

NOTE 15 INFORMATION ON LONG-TERM LIABILITIES TO FINANCIAL INSTITUTIONS

The company has long-term leasing debt to leasing company of NOK 23,576,000 at 31 December 2010. This is a 5 year finance agreement. There is no long-term bank financing at 31. December 2010. The group's short-term bank financing includes covenants relating to such factors as the company's equity and earnings. The company complies with these covenants at 31 December 2010.

NOTE 16 MORTGAGES

MORTGAGES (Amounts in NOK 1000)	2010	2009
Debt secured by mortgages:	**71,052**	93,431
Carriying amount of assets provided as security:		
Machinery and equipment	**7,816**	6,438
Investment in subsidiaries	**364,479**	376,190
Receivables	**122,013**	147,553
Total	**494,308**	**530,181**

The company's bankers had provided guarantees of NOK 2.0 million for tax due but not paid in Kitron ASA.

NOTE 17 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. Unused credit lines amounted to NOK 61.1 million at the end of 2010. The company has a cash deposit of NOK 10.6 million related to the group's factoring agreement with DnB NOR Finans.

NOTE 18 RELATED PARTIES

No loans/security have been provided for the chief executive, the chair or other related parties. No single loan/security totals more than five per cent of the company's equity.

NOTE 19 ITEMS CONSOLIDATED IN THE ACCOUNTS

OTHER FINANCIAL INCOME (Amounts in NOK 1000)	2010	2009
Other financial income	**25,298**	25,613
Currency gain	**1,485**	1,409
Total other financial income	**26,783**	**27,022**
Financial expenses		
Other financial expenses	**47,284**	23,621
Currency loss	**3,420**	5,910
Total financial expenses	**50,704**	**29,531**

Other financial expenses include write-down of shares in Kitron AB of NOK 46,161,000.

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To the Annual Shareholders' Meeting of Kitron ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Kitron ASA, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements for the parent company comprise the balance sheet as at 31 December 2010, and the income statement, and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements for the group comprise the balance sheet at 31 December 2010, income statement, statement of comprehensive income, changes in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian accounting act and accounting standards and practices generally accepted in Norway for the parent company and in accordance with International Financial Reporting Standards as adopted by EU for the group, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company give a true and fair view of the financial position for Kitron ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group give a true and fair view of the financial position for the group Kitron ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and account of corporate governance principles and practices

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and account of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 15 March 2011
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant (Norway)

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

(2)

RESPONSIBILITY STATEMENT

"We confirm to the best of our knowledge that:

- the consolidated financial statements for 2010 have been prepared in accordance with IFRS as adopted by the EU, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that
- the financial statements for the parent company for 2010 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway,

and that

- the information presented in the financial statements gives a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that
- the Board of Directors' report gives a true and fair view of the development, performance and financial position of the Company and Group, and includes a description of the principle risks and uncertainties."

Oslo, 15 March 2011

Asa-Matti Lyytinen
Chairman

Arne Solberg
Deputy chairman

Jørgen Bredesen
CEO

Elena Anfimova
Deputy chairman

Liv Johansen
Employee elected
board member

Harri Takanen

May Britt Gundersen
Employee elected
board member

Lisbeth Gustafsson

Geir Vedøy,
Employee elected
board member

CORPORATE GOVERNANCE

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

It is Kitron's intent to practise good corporate governance in accordance with laws and regulations and the recommendations of Oslo Børs under the 'comply or explain' concept. 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 21 October 2010 ("the Code"). The code is available at www.nues.no

BASIC VALUES AND ETHICAL GUIDELINES

The board has stated Kitron's purpose and core values as presented in the annual report, and the board has prepared and implemented ethical guidelines which reflect these values. The ethical guidelines also include guidelines for corporate social responsibility.

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.

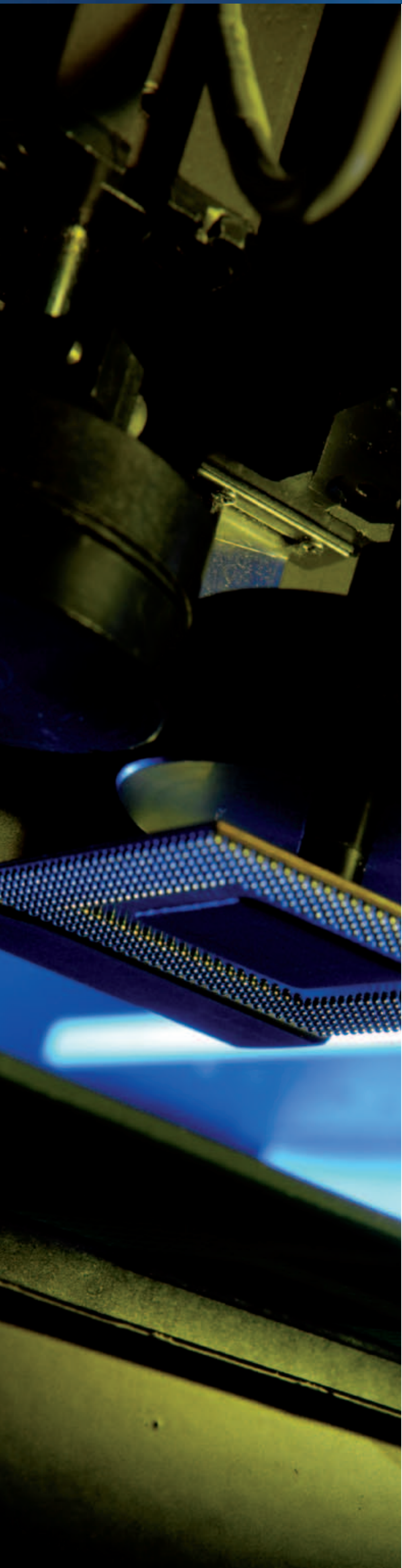
The company's main goals and strategies are presented in the annual report. It is the board's opinion that these objectives and strategies are within the scope of the business purpose clause.

EQUITY AND DIVIDENDS

The parent company's share capital at 31 December 2010 amounted to NOK 173 million. Total equity for the group at the same date was NOK 420,6 million, corresponding to an equity ratio of 41.4 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 remains adequate after the 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 in 2010.

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 direct or indirect material 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 as long as they are recorded in the company's share register no later than the fifth business day before the date of the general meeting. Representatives of the board, the nomination committee, and the auditor are present. The notice of the meeting, the agenda and detailed and comprehensive supporting information, including the nomination committee's justified recommendations, are made available on Kitron's website at least 21 days before a general meeting takes place. At the same time the notice and agenda is distributed to all shareholders. 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. Shareholders who cannot attend the meeting in person can vote by proxy, and voting instructions can be given on each item on the agenda. In addition shareholders may vote in advance, either in writing or by electronic means, up to 2 days prior to the general meeting.

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 website.

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 and stipulated guidelines for the duties of the nomination committee that is compliant with the Code. The members of the nomination 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.

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 three major shareholders, Scanfil Oyj, Kongsberg Gruppen ASA and Amber Trust II, are represented on the board by one board member each. 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 website.

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 2010.

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 segregation of duties, guidelines and approval procedures. The corporate financial staff is responsible for establishing guidelines and principles. The corporate financial staff handles the group's financial transactions. 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.

The board conducts annual evaluations of the executive managers and their performance. 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.

THE BOARD'S AUDIT COMMITTEE

The boards audit committee is appointed by Kitron ASA's board of directors and is a sub-committee of the board. The audit committee will on behalf of the board supervise the financial reporting process to ensure the integrity of the financial statements. The audit committee will also go through: the company's internal supervisory/ control routines and risk management system, the external audit process including a recommendation in the choice of an external auditor, the company's routines regarding compliance with laws and regulations affecting the financial reporting and the company's code of conduct.

The role of the audit committee is to prepare matters for consideration by the Board, to support the Board in its supervisory responsibilities and to ensure that the requirements made of the company in connection with its listing on the stock exchange are complied with.

The committee consists of two shareholder elected board members and one employee-elected board member. The independent auditor usually attends the meetings. During 2010 there were five audit committee meetings.

THE BOARD'S REMUNERATION COMMITTEE

In 2010 the board has established a Remuneration Committee. The Remuneration Committee is appointed by Kitron ASA's board of directors and is a sub committee of the Board. The committee consists of three members elected among the members of the board.

The remuneration committee will on behalf of the board supervise remuneration and incentive schemes, mainly related to the CEO and the Corporate Management Team (CMT).

RISK MANAGEMENT AND INTERNAL CONTROL

Kitron's business model is to provide manufacturing and assembly of electronics and industrial products containing electronics, including development, industrialisation, purchasing, logistics, maintenance/repair and redesign. The board sees no unusual risks beyond normal business risks that any light industry operation is 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 who will be predictable and successful in their respective markets and, secondly, to make a fair 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. Kitron's 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.

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, mainly 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 fluctuation and raw material price 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 complex and costly to operate.

To balance the financial risk and shareholders' interests, the equity ratio should be above 25 per cent. Kitron's equity ratio was 41.4 per cent at the end of 2010. Kitron's debt is predominantly short-term. The equity ratio and liquidity has improved significantly in the last few years as a result of improved profitability and strong cash performance.

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 and related services from Kitron. Kitron is not the product owner and the group's product liability risk is thus 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. Information about each director's remuneration, including shares and subscription rights, is provided in the notes to the annual financial statements.

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 of the board.

At present Kitron does not have any outstanding share option schemes or other arrangements to award shares to employees.

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 practice 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 endeavor to ensure that all shareholders have equal access to the same information.

All information distributed to the shareholders is published on Kitron's website (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 website following publication in Oslo Børs' company disclosure system www.newsweb.no, ticker: KIT. Public, webcasted 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 has established 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 2010 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.

The board and the auditor will meet at least once a year without the CEO or any other members of the executive management are present.

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 2010. 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 4 February 2010)

§ 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 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.

§ 9

Documents concerning matters to be considered at the general meeting are not required to be sent to the shareholders if the documents are made available for the shareholders at the company's websites. This also applies for documents that pursuant to law shall be included in or attached to the notice of the general meeting. A shareholder may nonetheless require that documents concerning matters to be considered at the general meeting are sent to him/her.

§ 10

The right to participate in and vote at a general meeting can only be exercised if the acquisition of the shares in question has been recorded in the company's share register no later than the fifth business day before the date of the general meeting (the "record date").

§ 11

Shareholders may vote in advance, either in writing or by electronic means, up to 2 days prior to the general meeting. The board of directors determines further in the notice to general meeting how such voting shall be carried out.

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 tradeable. No form of restriction on tradeability is included in the articles of association.

Kitron's registered share capital at 31 December 2010 was NOK 172 961 625, divided between 172 961 625 shares with a nominal value of NOK 1.00 each. The company had no outstanding options or subscription rights in 2010.

STOCK MARKET LISTING

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

During 2010 the share price moved from NOK 3.59 to NOK 2.26, a decrease of 37.0 per cent. The Oslo Børs main index increased by 15.7 per cent in the same period. The share price has varied between NOK 2.24 and NOK 3.59. At the end of 2010 the company's market capitalisation was NOK 390.9 million. A total of 88.8 million shares were traded during the year, corresponding to a turnover rate of 51.3 per cent.

SHAREHOLDER STRUCTURE

At the end of 2010, Kitron had 2 957 shareholders, compared with 3 159 shareholders at the end of 2009. At the end of the year, the foreign shareholding amounted to 54.4 per cent. Scanfil Oyj is the company's largest shareholder and held 32.96 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 2010. Kongsberg Gruppen ASA is also one of the company's largest customers. A third significant shareholder is the investment fund Amber Trust II, holding 16.87 per cent of the shares. The 20 largest shareholders held a total of 85.8 per cent of the company's shares at the end of the year.

MANDATES

Increasing the share capital

The ordinary general meeting of 6 May 2010 authorised the board to execute one or more share capital increases by issuing a number of shares maximized to 10 per cent of Kitron's registered share capital at 6 May 2010. 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 2011, but no longer than 30 June 2011. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2010.

Own shares

The ordinary general meeting on 6 May 2010 authorised the board to acquire own shares, 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 6 May 2010. Under the authorisation the company 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 2011 but no longer than 30 June 2011. The authority had not been exercised at 31 December 2010.

DIVIDEND POLICY

Kitron ASA has as a policy to pay 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.

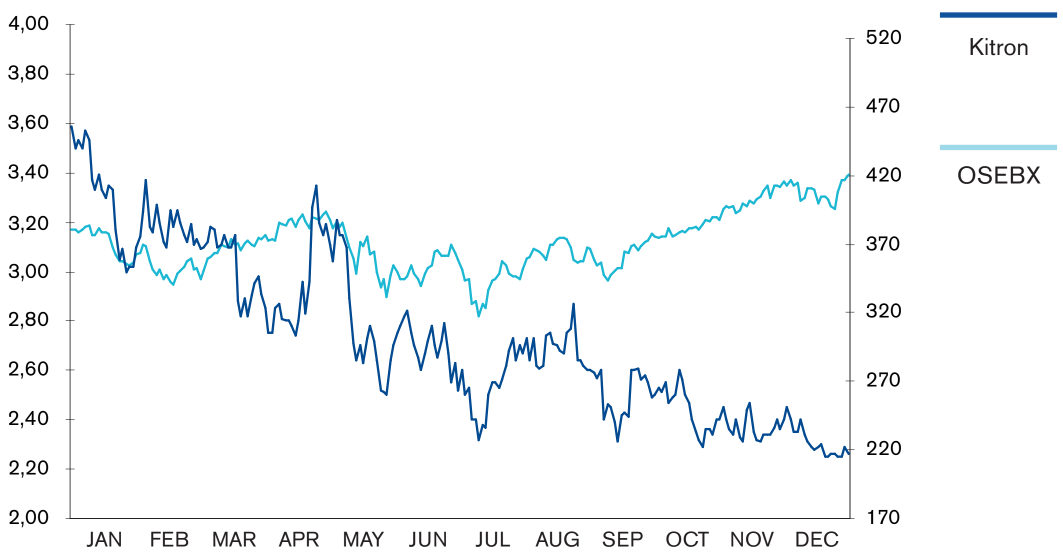
INFORMATION AND INVESTOR RELATIONS

Kitron wishes to maintain open communications with its shareholders and other stakeholders. Stakeholders 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 are available as webcasts at www.kitron.com.

Kitron reports all manufacturing orders exceeding NOK 20 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 chairman of the board and other board members.

SHARE PRICE KITRON VS OSLO STOCK EXCHANGE – 2010



BOARD AND MANAGEMENT

BOARD

ASA-MATTI LYYTINEN

Chairman of the board

Elected for the period 2010-2012

Born in 1950. From 2002 Chairman of numerous Finnish companies. 20 years of experience from management consulting in PriceWaterhouseCoopers. Held positions as Director of Management Consulting, Strategy and Organisation, CEO and Managing partner, Member of Northern Board. Master of Sciences, Economics. Mr Lyytinen has attended 3 out of 3 board meetings since he joined the board in the beginning of November 2010. Asa-Matti Lyytinen is a Finnish citizen.

ARNE SOLBERG

Vice Chairman of the Board

Elected for the period 2009–2011

Born in 1953. On the Kitron board since 2000. CFO of Kongsberg Gruppen ASA. Diverse experience from administrative positions within finance and management. Bachelor of Commerce. At the end of 2010 Kongsberg Gruppen ASA controlled 33,439,153 shares in Kitron ASA. Arne Solberg attended 8 out of 9 board meetings in 2010. Mr Solberg is a Norwegian citizen.

ELENA ANFIMOVA

Board Member

Elected for the period 2009–2011

Born in 1975. On the Kitron board since 2007. Portfolio Manager at Firebird Management LLC, a hedge fund based in New York. Previously a co-founder of Ukrainian Business Library LTD; also a sales executive at Internet Securities Inc., Ukraine. Wharton MBA. Firebird is a partner in a joint venture that, at the end of 2010, controlled 29,172,000 shares in Kitron ASA. Elena Anfimova attended 8 out of 9 board meetings in 2010. Ms Anfimova is a Ukrainian citizen.

MAY BRITT GUNDERSEN

Board Member, elected by and among the employees

Elected for the period 2009–2011

On the Kitron board since 2009. Senior Planner at Kitron AS in Arendal, where she has been employed since 1976. May Britt Gundersen has attended 9 out of 9 board meetings in 2010. Ms Gundersen is a Norwegian citizen.

LISBETH GUSTAFSSON

Board Member

Elected for the period 2009–2011

Born in 1947. On the Kitron 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 of a number of Swedish companies. Master of Science. Lisbeth Gustafsson attended 7 out of 9 board meetings in 2010. Ms Gustafsson is a Swedish citizen.

LIV E. JOHANSEN

Board Member, elected by and among the employees

Elected for the period 2009–2011

Born in 1953. On the Kitron board since 2000. Production worker in Kitron AS. Craft certificate in electronics manufacturing. Liv E. Johansen attended 9 out of 9 board meetings in 2010. Ms Johansen is a Norwegian citizen.

HARRI TAKANEN

Board member

Elected for the period 2010-2012

Born in 1968. From 2007 President of Scanfil Oyj and Scanfil EMS Oy. Has since 1992 held a number of positions in Scanfil Oy; Project Engineer, Plant Manager, Key Account Manager, Director Customer Relations, Director of Technology, Vice President Technology. From 2005 to 2007 Mr Takanen was Sourcing Director and later General Manager of Scanfil in Hangzhou, China. Master of Science in Technology. At the end of 2010 Scanfil Oyj controlled 57 000 000 shares in Kitron ASA. Harri Takanen has attended 3 out of 3 board meetings since he joined the board in the beginning of November 2010. Mr Takanen is a Finnish citizen.

GEIR VEDØY

Board Member, elected by and among the employees

Elected for the period 2009–2011

Born in 1966. On the Kitron board since 2007. Project Manager at Kitron AS in Arendal, where he has been employed since 1985 in various leadership positions within production and testing. Bachelor of Science, Electronics. Geir Vedøy attended 9 out of 9 board meetings in 2010. Mr Vedøy is a Norwegian citizen.

MANAGEMENT

JØRGEN BREDESEN

CEO

Born in 1956. In Kitron since 2006. Diverse senior management experience from large multinationals within telecoms and high-tech companies. Studies in Business Administration. In 2010 Mr Bredesen has been granted 500 000 bonus units connected to the value increase of the same number of shares. Jørgen Bredesen is a Norwegian citizen.

GARD ELIASSEN

Sourcing Director

Born in 1960. In Kitron since 2006. Diverse experience in sourcing management, mainly from EMS suppliers and technology firms such as GE Healthcare. Bachelor of Science; Six Sigma Green Belt. Mr Eliassen has in 2010 been granted 75 000 bonus units connected to the value increase of the same number of shares. Gard Eliassen is a Norwegian citizen.

BENGT ENBOM

HR Director

Born in 1961. In Kitron since 2007. Diverse experience from HR management in various industries. Bachelor of Science, Human Resources. At the end of 2010 Mr Enbom held 10 000 shares in Kitron ASA. In 2010 Bengt Enbom has been granted 75 000 bonus connected to the value increase of the same number of shares. Mr Enbom is a Swedish citizen.

ROGER HOVLAND

Sales and Marketing Director

Born in 1965. In Kitron since 2009. Extensive experience from marketing, strategy, international business development, supply chain and general management from Shell, Norsk Hydro and Höegh Autoliners. Master of Science in Business Administration and Master in International Business. Mr Hovland was granted 75 000 bonus units in 2010 connected to the value increase of the same number of shares. Roger Hovland is a Norwegian citizen.

JAN LIHOLT

Managing Director, Kitron Inc.

Born in 1954. In Kitron since 2000. Diverse experience from manufacturing and general management of manufacturing and development companies. Bachelor of Science, Electronics. At the end of 2010 Jan Liholt held 107 660 shares in Kitron ASA. Mr Liholt has been granted 75 000 bonus units in 2010 connected to the value increase of the same number of shares. Mr Liholt is a Norwegian citizen.

THOMAS LÖFGREN

General Manager, Kitron Sweden

Born in 1966. In Kitron since 2000, where he has held the positions as Manufacturing Manager, Site Manager and Managing Director in Kitron Microelectronics AB. Before he started in Kitron he was a Business Area Manager in Saab. Thomas Löfgren has graduated from a Swedish Technical school. Mr Löfgren has been granted 25 000 bonus units in 2010 connected to the value increase of the same number of shares. Thomas Löfgren 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. In 2010 Mr Sestokas has been granted 75 000 bonus units connected to the value increase of the same number of shares. Mindaugas Sestokas is a Lithuanian citizen.

DAG SONGEDAL

Managing Director, Kitron AS

Born in 1965. In Kitron since 2008. Extensive experience in organisational development, operational management, strategic and operative finance, mergers and acquisitions. Mr Songedal holds a university degree in Finance and Auditing. Dag Songedal was granted 100 000 bonus units in 2010 connected to the value increase of the same number of shares. Mr Songedal is a Norwegian citizen.

YVONNE WENZEL

General Manager, Kitron Electronics Manufacturing Ningbo (Co.) Ltd

Born in 1968. In Kitron since 2010. Several years of experience from Management positions in various industries and holds a Master in Business Administration. Since 2007 she has held the position as General Manager for Duramotive (Beijing) Co Ltd in China. Duramotive is a supplier to the automotive Industry with BMW as customer. Ms Wenzel is a German citizen.

BJÖRN WIGSTRÖM

CFO

Born in 1966. In Kitron since 2008. Diverse experience from finance and administrative management in various industries. Master of Business Administration. In 2010 Mr Wigström has been granted 225 000 bonus units connected to the value increase of the same number of shares. Björn Wigström is a Swedish citizen.

ADDRESSES

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