Annual Report 2011

Content

Kitron in brief

Kitron is a medium-size Electronics 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; Defence/Aerospace, Energy/Telecoms, 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.

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

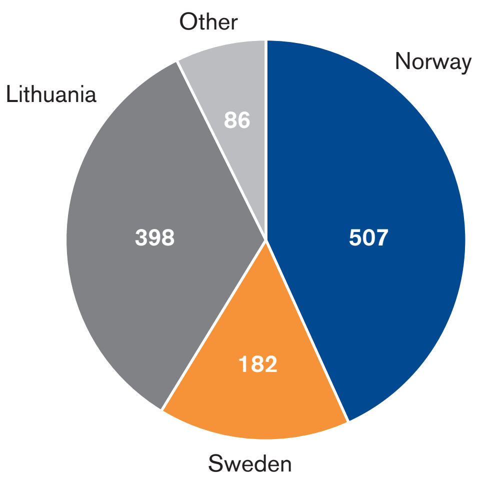
Kitron has an ambition for profitable growth in the Northern European, US and Chinese EMS markets targeting professional customers. To fulfil this ambition Kitron has developed a strategy along four key dimensions.

Profitable organic growth

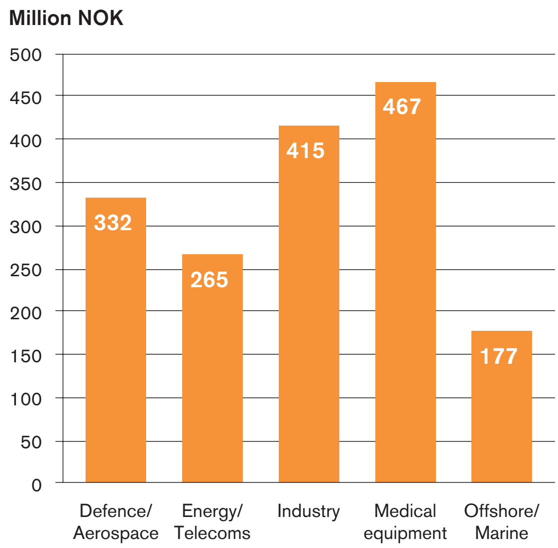
Kitron will continue to increase market shares in its Nordic home markets by leveraging on its key competences and competitive edge. There will be a particular focus to gain market share in Sweden.

Market expansion

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. The new factories in USA and China are now fully operational and are extending Kitron's platform for market expansion and growth.



Full Time Equivalents at 31 December 2011
Geographical distribution



Revenue per segment in 2011
Revenue in NOK million

Cost base reduction
Kitron will focus on reducing the cost base 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 key factors in fulfilling the company's strategy.

Consolidation within the Nordic EMS industry
Kitron intends to pursue M&A activities in the Nordic EMS industry. The focus is on targets 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, industrialisation, 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 addition Kitron established Kitron Electronics Manufacturing in Ningbo, China and Kitron Inc. in USA in 2010.

Board of directors' report 2011:

Improved competitiveness through global expansion

In 2011 Kitron has taken important steps towards becoming a more global company. Kitron opened a new factory in Johnstown (US) in Q2 and in Ningbo (China) in Q3. In parallel Kitron has secured several new customers in the German market through its recent acquisition. The global expansion is of crucial importance both in order to serve our customers in their key markets and to improve the competitiveness of Kitron's supply chain. At the same time Kitron has continued to streamline its Nordic operations. Kitron in Sweden is now merged into one company and a process to close down the Karlskoga site has been started. Both the global expansion and the restructuring of the Swedish operation are investments into the future but has had an impact on the short term result. Kitron's revenue for the year was NOK 1 656.1 million, which represents a 0.7 per cent increase compared with 2010. Despite the significant start up activities in China and USA and the restructuring in Sweden Kitron has been able to improve the profitability. The operating profit (EBIT) after restructuring and start up activities was NOK 38.7 million to be compared with NOK 7.9 million in 2010. Adding back restructuring and start up costs the operating result was NOK 81.3 million and the operating margin was 4.9 per cent. Kitron has managed to improve the profitability and at the same time to build a stronger operational foundation for future profitable growth.

The business

Kitron's business model is to provide manufacturing and assembly services for products containing electronics. The business model covers the whole value chain from development, industrialisation, purchasing, logistics and maintenance/repair to redesign. For customers having Kitron as their professional manufacturing partner, this means increased flexibility, reduced costs and improved quality.

The growing competition among OEMs requires a high focus on manufacturing efficiency and cost reduction. 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. When selecting an EMS partner geographical proximity and access to competitive manufacturing plays a crucial role in the customer's choice of supplier. With its global presence Kitron is well placed in this market.

The company has operations in Norway, Sweden, Lithuania, Germany, China and the US. All employees 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 Defence/Aerospace, Energy/Telecoms, Industry, Medical equipment and Offshore/Marine market segments.

Defence/Aerospace

The Defence/Aerospace segment decreased by 6.2 per cent in terms of revenue from NOK 353.4 million in 2010 to NOK 331.6 million in 2011. The segment accounted for 20.0 per cent (21.5 per cent) of the group's total revenues. The longer term outlook for the Defence/Aerospace segment remains positive. Kitron is currently involved in defence programs with among other the Kongsberg Group and Lockheed Martin that could yield more than 1 billion NOK in revenue in the years to come. Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. The contract with Kongsberg related to deliveries of electronics to the NSM (Naval Strike Missile) is further supporting the long term positive outlook. In addition a letter of intent to co-operate in the first phase of the manufacturing of electronics for the JSM (Joint Strike Missile) has been entered into. Defence/Aerospace is also a prioritised area for our new operation in Germany and Kitron is in promising dialogue with a major German defence company.

Energy/Telecoms

Revenue in the Energy/Telecoms segment was reduced by 33.0 per cent to NOK 265.5 million in 2011 (NOK 396.2 million). This represented 16.0 per cent of the group's revenue (24.1 per cent). The reported loss of a Energy/Telecoms client is explaining the drop in turnover. In general there is a strong competitive pressure in Energy/Telcoms. Despite this

Kitron remains optimistic about the future development in this segment. Firstly, the factories in Lithuania and China make Kitron less vulnerable to competitive pressure from low cost. Secondly, the niches and customers that Kitron is involved in are showing a stronger trend than the market in general. Within Telecoms Kitron deliver to one of the fastest growing mid sized telecoms infrastructure companies in Europe.

Industry
The Industry segment increased revenue by 37.1 per cent to NOK 415.3 million (NOK 302.9 million), accounting for 25.1 per cent of the group's total revenue (18.4 per cent). The revenue growth is primarily explained by the recovery in the Swedish industrial sector during 2011. Industry is the market segment within Kitron that is most closely correlated with the general economic development. So far, however, there are few signs of weaker demand from Kitron's customers.

Medical equipment
Revenue in the Medical equipment segment decreased by 7.4 per cent to NOK 467.0 million in 2011 (NOK 504.1 million), corresponding to 28.2 per cent of the group's revenue (30.7 per cent). The medical segment is less cyclical than other market segments and the small drop in volume is not seen as sign of lower demand going forward. Kitron focuses on additional growth in this segment and expects a long-term positive development with customers in Norway, Sweden and Germany. This trend is supported by strong market fundamentals for the products and services Kitron offers to the market. Kitron is working on several interesting new prospects within this segment.

Offshore/Marine
The Offshore/Marine segment increased by 102.4 per cent in terms of revenue from NOK 87.3 million in 2010 to NOK 176.7 million in 2011. The segment accounted for 10.7 per cent (5.3 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. At this point it is not expected that the slow down in the general economy will have a significant negative effect on the demand within the Offshore/Marine segment. On the contrary it is expected that the strong trend within Offshore/Marine segment will continue in 2012. We are in dialogue with existing and new customers about significant new business opportunities.

Important events in 2011
Global Expansion
In 2011 Kitron has taken several steps to expand the market coverage and further improve its competitiveness. The factory in US was opened in Q2 2011 and the factory in China was opened in Q3 2011. Both factories are now fully operational and are building up volume step by step. Kitron's strategy to enter the German market is starting to pay off with several smaller contracts secured, all with potential for growth.

The start up of new entities in China, USA and Germany has been a major investment and operational undertaking for Kitron during 2011. Adjusted for the negative impact from start up activities the EBIT result for 2011 would have been NOK 25.4 million higher. It is targeted that the new entities will turn profitable during 2012.

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

Restructuring of Kitron Sweden

During the fourth quarter Kitron reached the conclusion to start a process to significant downsize or close down the Karlskoga site. The background is that the single largest customer has decided to transfer manufacturing to Kitron's site in Ningbo, China and a weaker outlook for the defence segment. Kitron's assessment is that the future does not provide enough financial foundation to continue the operations at the site. Negotiations with the local union will continue and Kitron aims to be finished within the first quarter 2012. In total Kitron has a provision for the close down amounting to NOK 29.7 million per 31.12.2011 (whereof NOK 17.4 million was booked in Q4 2011). The provision is mainly related to lay off of personnel and facility costs.

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 2011 amounted to NOK 1,656.1 million, compared to NOK 1,643.9 million for 2010, which represents an increase of 0.7 per cent. The stable revenue reflects the mixed market development within which Kitron operates.

The order backlog at the end of 2011 amounted to NOK 799.3 million, compared to NOK 836.1 million in 2010. Kitron recognizes firm orders and four-month customer forecasts in the order backlog, while frame agreements and similar are not included (beyond the four-month forecast). The overall stable level of order backlog is in line with market development.

The gross margin for 2011 was 38.1 per cent, slightly up compared with 2010 (36.4 per cent). Gross margins were generally stable for each product category. Kitron aims to maintain or improve the gross margin through global sourcing. 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 labour content.

The number of full-time equivalents (FTE) increased from 1 112 at the end of 2010 to 1 173 at the end of 2011. The increase is related to the build up of the new operations in China and US and an increase in the activities in Lithuania while the number of FTEs in the Nordica was reduced by 5%. The group's payroll expenses were stable and amounted to NOK 431.6 million in 2011 compared with 429.5 million in 2010. The payroll expenses as a percentage of revenue was 26.1%, the same level as in 2010. The payroll expenses have been maintained at the same level despite the increase in FTEs through the transfer of operations to lower cost countries.

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 costs increased slightly from NOK 14.2 million in 2010 to NOK 15.5 in 2011. The overall liquidity situation has been satisfactory throughout the year.

Kitron's pre-tax profit for 2011 amounted to NOK 23.2 million, a significant increase from a loss of NOK 6.3 million for 2010. The businesses in Norway and Sweden have significant tax loss carried forward, whereof NOK 15.2 million is not capitalised by 31.12.2011.

The group's net profit for the year amounted to NOK 17.5 million (NOK 25.4 million loss). This corresponds to earnings per share of NOK 0.1 (NOK -0.15). Diluted earnings per share were the same as basic earnings per share.

Cash flow

Cash flow from operating activities was NOK 14.9 million in 2011 (NOK -43.3 million). The difference between operating profit and cash flow from operations is mainly due to increase in operating working capital.

The net cash flow from investing activities in 2011 was minus NOK 50.0 million (minus NOK 49.6 million).

The net cash flow from financing activities was NOK 15.9 million (NOK 23.3 million). Kitron enters into financial leasing agreements when applicable. The leasing obligation is recognised as debt.

Kitron expects to generate sufficient cash to finance the operation in the foreseeable future. A positive cash generation is expected in 2012 as a result of stable working capital development and improved profitability.

Balance sheet and liquidity
Total assets at 31 December 2011 amounted to NOK 1 060.2 (NOK 1 015.5 million). At the same time equity amounted to NOK 436.0 million (NOK 420.6 million) and the equity ratio was 41.1 per cent (41.4 per cent).

Inventories increased by NOK 21.5 million during 2011 and amounted to NOK 346.8 million at the end of the year (NOK 325.3 million). Inventory turns went down from 4.2 to 3.8. The increase in inventory is partly explained by the build up of inventory in relation to the establishment of the new operations in US and China. Accounts receivable amounted to NOK 360.8 million at the end of 2011 (NOK 352.7 million). Overdue receivables are low and credit losses have been small during 2011.

At 31 December 2011, the group's interest-bearing debt was NOK 299.1 million (NOK 264.0 million). The debt is mainly related to factoring and financial leasing.

Cash and cash equivalents amounted to NOK 50.9 million at the balance sheet date (NOK 48.2 million). NOK 19.2 million of this amount was restricted deposits (NOK 18.8 million). The group's liquidity situation is satisfactory.

Going concern
There have been no events to date in 2012 that significantly affect the result for 2011 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 2011 have been prepared on the basis of this assumption.

Net profit (loss) of the parent company
The parent company Kitron ASA recorded a profit of NOK 29.7 for 2011 (2010: loss of NOK 19.2 million). The board of directors proposes the following allocations for Kitron ASA:

Dividends	NOK	8.6 million
Transferred to other equity	NOK	21.1 million
Total allocations	NOK	29.7 million

Free equity after dividends in the parent company amounts to NOK 27.4 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.

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 2011 the group employed a total of 1 198 people and adjusting for part time employees this translates to 1 173 full-time equivalents. The figures include temporary employees and have not been adjusted for sick leave. The competence of our employees represent a major asset and competitive advantage for Kitron.

There was one serious work-related accident in 2011. In December one production worker in Kaunas was injured during maintenance in the production area. The accident is under investigation by the local authorities and separately Kitron has conducted an internal investigation.

Sick leave in Kitron rose from 4.1 per cent in 2010 to 4.6 per cent in 2011. 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 represented 53.9 per cent of total fulltime equivalents (FTEs) at Kitron in 2011. Of 835 FTEs in manufacturing 61.6 per cent were women while of 339 indirect employees 34.8 per cent were women.

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 allowances) of women working directly in manufacturing in the Norwegian and Swedish companies was approximately 87.6 per cent of the average pay for men. The average pay for men and women vary due to differences in job categories and years of service, not because of gender.

Indirect functions include management employees, staff and other support functions. The employees in the company management teams are predominantly male. In the corporate management team there are only male members. 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 2011 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 2011 about 24 500 hours were spent on training which equals about 20 hours per employee. 14 800 hours were spent on Manufacturing/Technical subjects and 2 300 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 endeavours 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 2011 was a step in the right direction but did not fully meet our expectations. The reasons being a slower than predicted market development and further need for restructuring of the Swedish operation.

In 2012 Kitron management believe in a stable market and revenue development overall, but with variations between the segments. Kitron is working on several operational improvement programs that should yield a positive contribution on the profitability going forward. The focus on manufacturing efficiency is continuing and global sourcing initiatives remain a priority area.

Kitron's investments in China, US and Germany will expand our market reach and will provide new supply chain opportunities. It is targeted that the new operations will reach break even during 2012. This will gradually have a positive impact on the profitability compared to 2011. In 2011 the total cost (in terms of negative EBIT result) to start up new entities was NOK 25.4 million.

The restructuring of the Swedish operation is another factor which is expected to have a positive impact on the profitability. The costs for the restructuring have been booked in the 2011 accounts.

In summary Kitron believe in a relatively stable turnover and improved profitability in 2012 compared to 2011.

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

Oslo, 20 March 2012

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	2011	2010
Continuing operations:			
Revenue			
Sales revenues	5	**1 656 098**	1 643 948
Operating costs			
Cost of materials		**1 024 618**	1 045 562
Payroll expenses	6, 23	**431 560**	429 530
Depreciation and impairments	10, 11, 12	**33 137**	31 076
Other operating expenses	27	**126 068**	131 811
Total operating costs		**1 615 383**	1 637 978
Other gains/(losses)	31	**(2 052)**	1 923
Operating profit/(loss)		**38 663**	7 894
Financial income and expenses			
Finance income	7	**4 573**	2 841
Finance expenses	7	**(20 069)**	(17 062)
Net financial items		**(15 496)**	(14 220)
Profit/(loss) before tax		**23 167**	(6 326)
Tax	8	**4 638**	12 289
Net profit/(loss) from continuing operations		**18 529**	(18 616)
Discontinued operations:			
Profit/(loss) from discontinued operations	17	**(986)**	(6 750)
Net profit/(loss)		**17 543**	(25 366)
Allocation			
Shareholders		**17 543**	(25 366)
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	9	**0.11**	(0.11)
From discontinued operations	9	**(0.01)**	(0.04)
		0.10	(0.15)
Diluted earnings per share			
From continuing operations	9	**0.11**	(0.11)
From discontinued operations	9	**(0.01)**	(0.04)
		0.10	(0.15)

The notes on pages 15 to 59 are an integral part of the consolidated financial statement.

Consolidated statement of comprehensive income

Amounts in NOK 1000	2011	2010
Net profit/(loss)	**17 543**	(25 366)
Other comprehensive income:		
Currency translation differences	**(2 109)**	(4 465)
Other comprehensive income	**(2 109)**	(4 465)
Total comprehensive income	**15 434**	(29 830)
Allocation		
Shareholders	**15 434**	(29 830)

Consolidated balance sheet at 31 December

Amounts in NOK 1000	Note	2011	2010
Assets			
Non-current assets			
Goodwill	11	**26 786**	26 786
Other intangible assets	12	**40 743**	31 438
Property, plant and equipment	10	**139 520**	132 069
Available for sale financial assets	13	**1**	1
Deferred tax assets	22	**94 627**	95 847
Other receivables	14	**-**	3 227
Total non-current assets		**301 677**	289 368
Current assets			
Inventory	15	**346 795**	325 251
Accounts receivable and other receivables	14, 28	**360 829**	352 678
Cash and cash equivalents	16	**50 916**	48 243
Total current assets		**758 540**	726 171
Total assets		**1 060 217**	1 015 539

The notes on pages 15 to 59 are an integral part of the consolidated financial statement.

Consolidated balance sheet at 31 December

Amounts in NOK 1000	Note	2011	2010
Equity and liabilities			
Equity			
Equity allocated to shareholders			
Share capital and share premium reserve	18	**629 020**	629 020
Other equity unrecognised in the profit and loss		**(32 440)**	(30 331)
Retained earnings		**(160 571)**	(178 114)
Total equity		**436 009**	420 575
Liabilities			
Non-current liabilities			
Deferred tax liabilities	22	**1 121**	1 200
Loans	21	**53 134**	38 832
Pension commitments	23	**8 921**	12 076
Total non-current liabilities		**63 175**	52 108
Current liabilities			
Accounts payable and other current liabilities	20, 27	**285 120**	293 989
Tax payable		**194**	185
Loans	21	**246 042**	225 201
Other provisions	24	**29 677**	23 481
Total current liabilities		**561 032**	542 855
Total liabilities		**624 208**	594 964
Total liabilities and equity		**1 060 217**	1 015 539

The notes on pages 15 to 59 are an integral part of the consolidated financial statement.

Oslo, 20 March 2012

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	

Consolidated statement of changes in equity

	Allocated to shareholders				
Amounts in NOK 1000	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 2010	**629 020**	**(21 548)**	**(4 319)**	**(152 748)**	**450 406**
Net profit				(25 366)	**(25 366)**
Other comprehensive income		(4 465)			**(4 465)**
Equity at 31 December 2010	**629 020**	**(26 013)**	**(4 319)**	**(178 114)**	**420 575**
Equity at 1 January 2011	**629 020**	**(26 013)**	**(4 319)**	**(178 114)**	**420 575**
Net profit				17 543	**17 543**
Other comprehensive income		(2 109)			**(2 109)**
Equity at 31 December 2011	**629 020**	**(28 121)**	**(4 319)**	**(160 571)**	**436 009**

Consolidated statement of cash flow

Amounts in NOK 1000	Note	2011	2010
Cash flow from operational activities			
Cash flow from operations	26	**30 296**	(31 680)
Interest received		**1 599**	1 356
Interest paid		**(13 658)**	(9 819)
Income taxes paid		(3 332)	(3 163)
Net cash flow from operational activities		**14 906**	(43 306)
Cash flow from investment activities			
Aquisition of tangible fixed assets	10, 12	**(53 128)**	(49 585)
Sale of other assets		**2 302**	8
Currency conversions		**785**	-
Net cash flow from investment activities		**(50 041)**	(49 577)
Cash flow from financing activities			
Proceeds from new loans		**30 938**	23 265
Repayment of loans		**(15 048)**	-
Net cash flow from financing activities		**15 890**	23 265
Change in cash, cash equivalents and bank credit		**(19 245)**	(69 618)
Cash, cash equivalents and bank credit at 1 January	16	**14 354**	86 754
Currency conversion of cash, cash equivalents and bank credit at 1 January		**1 377**	(2 782)
Cash, cash equivalents and bank credit at 31 December		**(3 514)**	14 354

The notes on pages 15 to 59 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 energy/telecoms, defence/aerospace, 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 20 March 2012.

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
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

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.

Associated companies

The group has no joint ventures or associated companies.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments are defined as the corporate management.

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.

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 cash-generating units 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 mainly 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. Management determines the classification of its financial assets at initial recognition.

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.

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 net realisable value. Cost is determined using the weighted average method. Acquisition cost for work in progress are direct material costs and payroll expenses plus indirect costs (based on normal activity).

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.

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. 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). 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. 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 (2010: NOK 0.2 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 0.3 million (2010: NOK 0.5 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

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants on any of its borrowing facilities.

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.

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 financial liabilities 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 2011				
Bank overdraft	37 007	-	-	-
Leasing	14 980	16 117	43 102	-
Factoring debt	209 973	-	-	-
Other financial loans	-	-	16 442	-
Trade and other payables	285 314	-	-	-
Other provisions	29 677	-	-	-
At 31 December 2010				
Bank overdraft	15 850	-	-	-
Leasing	12 358	20 611	22 093	-
Factoring debt	210 916	-	-	-
Trade and other payables	294 174	-	-	-
Other provisions	23 481	-	-	-

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 2011, 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 1.6 million (2010: NOK 1.8 million) lower/higher, mainly as a result of higher/lower interst expense on floating rate borrowings. At 31 December 2011, 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 1.3 million (2010: 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 gearing ratios at 31 December 2011 and 2010 were as follows:

(Amounts in NOK 1000)	2011	2010
Total borrowings (note 21)	**299 176**	264 033
Cash and cash equivalents (note 16)	**(50 916)**	(48 243)
Net debt	**248 260**	215 790
Total equity	**436 009**	420 575
Total capital	**684 269**	636 365
Gearing ratio	**36%**	34%

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. 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. Additional information is disclosed in note 11.

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 23.

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 Segment information

The corporate management is the Group's chief operating decision maker. The Group's operating segments are based on the reporting the corporate management is steering by when it assigns resources and evaluates profitability.

The Corporate Management has evaluated, on the basis of internal reporting to the chief operating decision maker that the Group operates in one segment, electronics manufacturing services (EMS). The income comes from sales of goods and services in the fields of development, industrialization and production to customers involved in Defence/Aerospace, Energy/Telecoms, Industry, Medical equipment and Offshore/Marine. No operating segments have been aggregated to form this operating segment on which it is reported.

The corporate management assesses the results of the segment based on revenue and EBIT.

Sales by lines of business

The table shows the EMS turnover by industry:

(Amounts in NOK 1000)	2011	2010
Defence/Aerospace	331 620	353 433
Energy/Telecoms	265 498	396 152
Industry	415 336	302 938
Medical equipment	466 953	504 123
Offshore/Marine	176 691	87 302
Total sales revenues	**1 656 098**	**1 643 948**

Geographical breakdown sales

The geographical distribution is based on countries where the different production units are located.

(Amounts in NOK 1000)	2011	2010
Norway	799 123	893 183
Sweden	760 865	646 846
Rest of Europe	57 594	35 558
USA	38 516	68 361
Total	**1 656 098**	**1 643 948**

One customer counts for 13%, the others are below 10%.

Geographical breakdown of assets and investments

	Norway		Sweden		Lithuania	
(Amounts in NOK 1000)	2011	2010	2011	2010	2011	2010
Assets	519 618	543 605	191 462	176 355	188 379	161 875

	China		Germany		USA	
(Amounts in NOK 1000)	2011	2010	2011	2010	2011	2010
Assets	40 766	19 268	7 370	2 983	17 904	15 607

Included in assets under geographical segment is property, plant and equipment and intangible assets excluding deferred tax asset.

Note 6 Employee benefit

(Amounts in NOK 1000)	2011	2010
Pay	331 777	335 333
Payroll tax	67 317	67 089
Net pension costs defined benefit plans (note 23)	1 517	(5 568)
Pension costs defined contribution plans	10 744	9 522
Other remuneration	20 204	23 153
Total	**431 560**	**429 530**
Average number of man-years	1 135	1 094
Average number of employees	1 193	1 156

Note 7 Financial items

(Amounts in NOK 1000)	2011	2010
Interest income	1 599	1 356
Other financial income	2 974	1 485
Finance income	**4 573**	**2 841**
Interest expenses	(13 658)	(9 819)
Other financial expenses	(6 411)	(7 242)
Finance expenses	**(20 069)**	**(17 061)**
Net financial items	**(15 495)**	**(14 220)**

Note 8 Income tax expense

(Amounts in NOK 1000)	2011	2010
Tax payable	3 296	3 260
Deferred tax (Note 22)	1 342	9 029
Income tax expense	**4 638**	**12 289**

The tax on the group's profit before tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits of the consolidated entities as follows:

(Amounts in NOK 1000)	2011	2010
Ordinary profit before tax	23 167	(6 326)
Tax calculated at the domestic rate (28 %)	6 487	(1 771)
Expenses not deducible for tax purposes	925	1 938
Tax loss for which no deferred income tax asset was recognised	1 763	14 159
Effect on different tax rates in countries in which the group operates	(4 537)	(2 037)
Tax cost	**4 638**	**12 289**

The income tax expense is calculated using the domestic tax rate. 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, 34,0 % in USA and 15,0 % in Germany.

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

	2011			2010		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Currency translation differences	(2 109)	-	(2 109)	(4 465)	-	(4 465)
Current tax	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-

Note 9 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 company has no own shares. There are no differences between earnings per share and diluted earnings per share.

(Amounts in NOK 1000)	2011	2010
Profit attributable to equity holders of the company	**18 529**	(18 616)
Profit from discontinued operations attributable to equity holders of the company	**(986)**	(6 750)
Total	**17 543**	(25 366)
Weigthed avarage number of ordinary shares in issue (thousands)	**172 962**	172 962

Note 10 Property, plant and equipment

(Amounts in NOK 1000)	Machinery and equipment	Buildings and land	Total
At 1 January 2010			
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	2 617	451	3 068
Additions	27 235	783	28 018
Additions from business combinations	2 205	-	2 205
Disposals	(1 557)	-	(1 557)
Depreciation	(28 290)	(2 786)	(31 076)
Closing balance	**103 518**	**28 551**	**132 069**
At 31 December 2010			
Acquisition cost	690 374	77 865	768 239
Accumulated depreciation/impairment	(586 856)	(49 314)	(636 170)
Accounting carrying amount	**103 518**	**28 551**	**132 069**
Fiscal 2011			
Opening balance	103 518	28 551	132 069
Conversion differencies	117	(114)	3
Additions	36 874	3 107	39 981
Disposals	(3 002)	(85)	(3 087)
Depreciation	(27 626)	(1 820)	(29 447)
Closing balance	**109 881**	**29 639**	**139 520**
At 31 December 2011			
Acquisition cost	724 241	80 773	805 014
Accumulated depreciation/impairment	(614 360)	(51 134)	(665 494)
Accounting carrying amount	**109 881**	**29 639**	**139 520**

Accounting carrying amount includes the carrying amount of fixed assets which are treated for accounting purposes as financial leasing, see note 21. Machinery and equipment, buildings and land were provided at 31 December as security for NOK 81.9 million and NOK 5.4 million (2010: NOK 70.5 million and NOK 5.8 million), see note 21.

Note 11 Goodwill

(Amounts in NOK 1000)	Goodwill
At 1 January 2010	
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**
Fiscal 2011	
Opening balance	26 786
Additions	0
Closing balance	**26 786**
At 31 December 2011	
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)	2011	2010
Norway	**715**	715
Sweden	**3 555**	3 555
Lithuania	**20 062**	20 062
Germany	**2 454**	2 454
Total	**26 786**	26 786

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 (10 per cent annually) and no significant changes in margins. The calculations are based on cash flows for the next five years and a discount rate of 15 per cent.

Note 12 Other intangible assets

(Amounts in NOK 1000)	ERP System	MES System	Total
At 1 January 2010			
Acquisition cost	14 845	-	14 845
Accounting carrying amount	**14 845**	**-**	**14 845**
Fiscal 2010			
Opening balance	14 845	-	14 845
Additions	16 593	-	16 593
Closing balance	**31 438**	**-**	**31 438**
At 31 December 2010			
Acquisition cost	31 438	-	31 438
Accounting carrying amount	**31 438**	**-**	**31 438**
Fiscal 2011			
Opening balance	31 438	-	31 438
Conversion differencies	(152)	-	(152)
Additions	9 109	4 046	13 147
Depreciation	(3 686)	(4)	(3 690)
Closing balance	**36 701**	**4 042**	**40 743**
At 31 December 2011			
Acquisition cost	40 526	4 046	44 433
Accumulated depreciation	3 621	4	3 690
Accounting carrying amount	**36 906**	**4 042**	**40 743**

The software (MES system) is under implementation and is not yet fully operational. Therefore there is limited depreciation in 2011. The MES system will be depreciated over 7 years when fully operational, the same number of years as for the ERP system. Remaining amortisation period for the ERP system is 6 years.

Note 13 Available-for-sale financial assets

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 2010				**150**	**1**
Let's train AS	Oslo	20%	20%	150	1
Total 2011				**150**	**1**

Note 14 Accounts receivable and other receivables

(Amounts in NOK 1000)	2011	2010
Accounts receivable	309 032	270 733
Provision for bad debts	(7 698)	(5 673)
Accounts receivable - net	301 335	265 060
Receivable from related parties (note 28)	36 146	37 776
Earned non-invoiced income	1 943	3 485
Prepaid costs	3 188	5 497
Other receivables	18 217	44 086
Total	**360 829**	**355 904**
Deducted long-term items	-	3 227
Current items	360 829	352 678

Long-term receivables are non-interest-bearing long-term receivables. All long-term receivables fall due within five years from the balance sheet date.

Fair value of accounts receivable and other receivables:

(Amounts in NOK 1000)	2011	2010
Accounts receivable - net	301 335	265 060
Receivable from related parties (note 28)	36 146	37 776
Earned non-invoiced income	1 943	3 485
Prepaid costs	3 188	5 497
Other receivables	18 217	43 594
Total	**360 829**	**355 413**

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

As of 31 December 2011 accounts receivables of NOK 301.3 million were fully performing. (2010: 265.1 million).

As of 31 December 2011 accounts receivables of 33.3 million (2010: NOK 56.0 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

(Amounts in NOK 1000)	2011	2010
Up to 3 months	30 461	32 560
3 to 6 months	2 835	23 443
Total	**33 296**	**56 004**

As of 31 December 2011 trade receivables of NOK 8.6 million were impaired and provided for (2010: NOK 6.6). The amount of the provision was NOK 7.7 million as of 31 December 2011 (2010: NOK 5.7 million)

The ageing analysis of these trade receivables is as follows:

(Amounts in NOK 1000)	2011	2010
Up to 3 months	454	271
3 to 6 months	541	5 426
Over 6 months	7 624	886
Total	**8 619**	6 583

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

(Amounts in NOK 1000)	2011	2010
EUR	62 360	68 938
USD	15 508	24 127
LTL	8 309	5 438
CNY	3 221	430
SEK	100 139	105 969
NOK	171 293	151 002
Total	**360 829**	355 904

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

(Amounts in NOK 1000)	2011	2010
Provision at 1 January	(5 673)	(1 482)
Provision for receivables impairment	(2 024)	(4 192)
Provision at 31 December	**(7 698)**	(5 673)

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 carrying 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 2.0 million (2010: NOK 4.2 million).

No special concentration of accounts receivable exists which poses an abnormal credit risk. Accounts receivable and other receivables at 31 Desember 2011 provided security for NOK 228.8 million (2010: 265.4 million), see note 21.

Note 15 Inventories

(Amounts in NOK 1000)	2011	2010
Raw materials and purchased semi-manufactures	**245 222**	237 858
Work in progress	**69 916**	70 497
Finished goods	**31 657**	16 895
Total inventory	**346 795**	325 251

The total impairment charge recognised in the profit and loss account for the year is NOK 1.9 million (2010: NOK 6.6 million). Inventory at 31 December 2011 provides security for NOK 327.9 million, see note 21.

Note 16 Cash, Cash Equivalents and Bank Overdraft

(Amounts in NOK 1000)	2011	2010
Cash and cash eqiuvalents	**50 917**	48 243

Cash, cash equivalents and bank overdraft in the cash flow statement comprise:

(Amounts in NOK 1000)	2011	2010
Cash and cash equivalents	**50 916**	48 243
Overdraft drawn down	**(35 245)**	(15 094)
Locked-in bank deposits	**(19 186)**	(18 795)
Total	**(3 514)**	14 354

(Amounts in NOK 1000)	2011	2010
Bank overdraft facilities 31 December	**130 500**	95 600
Net drawn on overdraft facilities 31 December	**(35 245)**	(15 094)
Locked-in bank deposits 31 December		
Security for tax withholding	**148**	152
Security for factoring receivables	**10 811**	10 650
Security for rent guarantee	**8 227**	7 993
Total	**19 186**	18 795

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

Note 17 Assets of disposal group classified as held for sale and discontinued operations

Income statement information

(Amounts in NOK 1000)	2011	2010
Revenue	-	5 936
Expenses	(1 369)	(10 947)
Profit (loss) before income tax	**(1 369)**	**(5 011)**
Tax	383	2 625
Profit (loss) after income tax	(986)	(2 386)
Post tax loss on disposal of discontinued operations	-	(4 364)
Profit (loss) from discontinued operations	**(986)**	**(6 750)**

Cash flow statement information

(Amounts in NOK 1000)	2011	2010
Net cash flow from operating activities	-	(409)
Net cash flow from investment activities	-	-
Net cash flow from financing activities	-	-
Change in cash and bank credit	-	(409)
Cash and bank credit opening balance	-	409
Cash and bank credit closing balance	**-**	**-**

Discontinued operations

In June 2009 the Kitron Group sold Kitron Microelectronics AS. Loss on discontinued operations in 2011 is related to receivables tied to a loan Norbitech AS had to Kitron ASA. For 2010 the result is shown after tax and the tax effect is shown separately. This to be comparable with 2011. In 2010 Kitron divested its development department. For the financial accounts in 2010 the development department is recognised as discontinued operations. At the end of both years there are no disposal groups of assets and liabilities held for sale.

Note 18 Share capital and premium

Share capital and share premium reserve

(Amounts in NOK 1000)	Number of shares (thousands)	Ordinary shares	Premium	Total
At 1 January 2010	**172 962**	**172 962**	**456 058**	**629 020**
At 31 December 2010	**172 962**	**172 962**	**456 058**	**629 020**
At 31 December 2011	**172 962**	**172 962**	**456 058**	**629 020**

Shares and shareholder information

The company's share capital at 31 December 2011 comprised 172,961,625 shares with a nominal value of NOK 1 each. Each share carries one vote. There were 2,850 shareholders at 31 December 2011.

The 20 largest shareholders in Kitron ASA at 31 December 2011:

Shareholder	Number	Percentage
Nordea Bank Plc Finland 1)	57 037 000	32,98%
Kongsberg Gruppen ASA	33 439 153	19,33%
ING Luxembourg SA 2)	29 172 000	16,87%
MP Pensjon	10 792 537	6,24%
AS Bemacs	2 800 000	1,62%
SES AS	2 480 000	1,43%
Verdipapirfondet NORDEA SMB	2 263 346	1,31%
Bjørn Håheim	1 039 988	0,60%
Helge Hareland	1 000 000	0,58%
AS Swedbank clients	856 548	0,50%
AB SEB Bankas	806 073	0,47%
Jørgen Teigen	761 656	0,44%
Petter Torgersen	636 000	0,37%
Kjell Løite	633 902	0,37%
Hybrid AS	629 536	0,36%
JPMBLSA	520 572	0,30%
Handel Partner AS	450 000	0,26%
Malvin Sigbjørn Skjønhaug	395 685	0,23%
Vestvik Preservering A/S	370 000	0,21%
Morten Hyvik	338 000	0,20%
Total 20 largest shareholders	**146 421 996**	**84,66%**
Total other shareholders	**26 539 629**	**15,34%**
Total outstanding shares	**172 961 625**	**100,00%**

1) Sievi Capital plc.: 32.96%. Others: 0.02% of the shares in Kitron ASA
2) Amber Trust II SCA: 13.77%. KJK Fund SICAV-SIF: 3.09% of the shares in Kitron ASA

Mandates

Increasing the share capital

The ordinary general meeting of 28 April 2011 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 28 April 2011. 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 2012, but no longer than 30 June 2012. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2011.

Own shares

The ordinary general meeting on 28 April 2011 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 28 April 2011. 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 2012 but no longer than 30 June 2012. The authority had not been exercised at 31 December 2011.

Note 19 Share-based payments

There are at 31 December 2011 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 2011	Number of shares 2010
Harri Takanen, board member	(1)	-	-
Arne Solberg, deputy chairman	(2)	-	-
Elena Anfimova, board member	(3)	-	-

Corporate management team

	Number of shares 2011	Number of shares 2010
Jan Liholt, vice president	**107 660**	107 660
Bengt Enbom, vice president	**10 000**	10 000

(1) Harri Takanen was CEO of Sievi Capital plc. per 31 December 2011, which owns 32.96 per cent of the shares in Kitron ASA
(2) Arne Solberg is a director in Kongsberg Gruppen ASA, which owns 19.33 per cent of the shares 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 SCA which holds 13.77% of the shares in Kitron ASA

Note 20 Accounts payable and other current liabilities

(Amounts in NOK 1000)	**2011**	**2010**
Accounts payable	**195 255**	193 611
Public duties	**25 252**	28 587
Payable to related parties (note 28)	**952**	589
Costs incurred	**63 661**	71 202
Total	**285 120**	293 989

Note 21 Borrowings

Amounts in NOK 1000	2011	2010
Long-term loans		
Leasing	**37 839**	38 473
Other	**15 295**	359
Total	**53 134**	38 832
Current loans		
Bank overdraft	**35 245**	15 094
Factoring debt	**199 974**	200 872
Leasing	**10 823**	9 234
Total	**246 042**	225 201
Total loans	**299 176**	264 033

Periods to maturity of long-term loans:

(Amounts in NOK 1000)	2011	2010
Between one and two years	**12 663**	18 087
Between two and five years	**40 471**	20 745
More than five years	**-**	-
Total	**53 134**	38 832

Effective interest rate at the balance sheet date:

	2011		2010	
	NOK	Other	NOK	Other
Bank overdraft	**4,25%-5,25%**	**3,4%-4,25%**	4.0% - 4.8%	4.5% - 6.0%
Other loans	**4,5%-6,7%**	**3,3%-7,8%**	4.3% - 6.7%	4.0% - 4.6%

Carrying amount and fair value of long-term loans:

	Carrying amount		Fair value	
(Amounts in NOK 1000)	2011	2010	2011	2010
Leasing	**37 839**	38 473	**33 066**	35 218
Other	**15 295**	359	**13 158**	329
Total	**53 134**	38 832	**46 224**	35 547

Fair value is based on discounted cash flow with a discount rate of 6.0 per cent (2010: 6.0 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)	2011	2010
NOK	164 904	175 386
SEK	68 952	64 469
LTL	-	2 328
EURO	38 353	21 836
USD	4 791	14
CNY	21 755	-
Other	421	-
Total	**299 176**	**264 033**

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 2011. Loans include NOK 299.2 million (2010: 264.0 million) in secured commitments (bank loans and other secured loans).

Mortgages

(Amounts in NOK 1000)	2011	2010
Debt secured by mortgages	299 176	264 033

Carriying amount of assets provided as security:

(Amounts in NOK 1000)	2011	2010
Buildings and land	5 355	5 795
Machinery and equipment	81 902	70 490
Receivables	228 796	265 410
Inventory	327 838	247 988
Total	**643 891**	**589 683**

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 48.7 million at 31 December 2011 (2010: NOK 48.1 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 Finans.

The group's main bankers and other guarantors had provided guarantees at 31 December for bank engagement in Germany, leasing obligations and tax due but not paid. These totalled NOK 5.4 million, NOK 6.4 million and NOK 13.5 million respectively for the group.

Financial lease agreements, non-current assets

(Amounts in NOK 1 000)		2011	2010
Machinery and equipment			
Carrying amount 31 December		**58 294**	68 975
Depreciation		**7 808**	8 419
Nominal rent		**51 555**	52 299
Present value of future rent		**45 811**	48 354
Remaining lease period		**1-5 years**	1-5 years
Specification of estimated lease payments falling due within:			
Nominal rent	<1 year	**16 455**	15 681
	1-2 years	**12 928**	13 002
	3-5 years	**22 172**	23 617
Present value of future rent	<1 year	**16 132**	15 549
	1-2 years	12 013	12 201
	3-5 years	17 666	20 604

Note 22 Deferred income 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.

	2011	2010
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	**94 627**	95 847
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	**1 121**	1 200
Deferred tax asset (net)	**93 506**	94 647

Change in carrying amount of deferred tax asset:

	2011	2010
Opening balance	**94 647**	98 981
Conversion differences	**(182)**	2 070
Profit and loss account	**(1 342)**	(9 029)
Deferred tax from disposal group	**383**	2 625
Closing balance	**93 506**	94 647

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

Deferred tax liabilities	Current assets	Gain and loss account	Financial leasing	Total
At 1 January 2010	-	596	158	**754**
Profit/(loss) for the period	2 121	1 081	(158)	**3 044**
Conversion differences	-	-	-	**-**
Deferred tax from disposal group	-	-	-	**-**
At 31 December 2010	**2 121**	**1 677**	**-**	**3 798**
Profit/(loss) for the period	5 503	(171)	-	**5 332**
Conversion differences	420	(3)	-	**417**
Deferred tax from disposal group	-	-	-	**-**
At 31 December 2011	**8 044**	**1 503**	**-**	**9 547**

Deferred tax asset	Provision and current assets	Fixed assets and goodwill	Loss carried forward	Pension	Total
At 1 January 2010	5 624	10 235	77 905	5 971	**99 735**
Profit/(loss) for the period	(1 467)	(2 225)	296	(2 589)	**(5 985)**
Conversion differences	-	-	2 070	-	**2 070**
Deferred tax from disposal group	-	-	2 625	-	**2 625**
At 31 December 2010	**4 157**	**8 010**	**82 896**	**3 382**	**98 445**
Profit/(loss) for the period	(191)	(1 242)	6 307	(884)	**3 990**
Conversion differences	8	-	227	-	**235**
Deferred tax from disposal group	-	-	383	-	**383**
At 31 December 2011	**3 974**	**6 768**	**89 813**	**2 498**	**103 053**

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. Then group did not recognise deferred tax assets of TNOK 15 200 (2010: TNOK 13 454) in respect of losses amounting to TNOK 62 800 (2010: TNOK 50 473). There are no restrictions on the right to carry the tax loss forward.

Note 23 Retirement benefit 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 was recognised as income in 2010, with the exception of the liability relating to previous employees who are now retirees in this scheme.

The pension obligation at the year also includes a provision of TNOK 2 594 (2010: 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.

Carrying amount of the obligation

(Amounts in NOK 1000)	2011	2010
Pension commitments	**8 921**	12 076
Costs recognised in the profit and loss account (incl in note 6)		
Pension costs defined benefit plans	**1 517**	(5 568)

Defined pension benefit plans

(Amounts in NOK 1000)	2011	2010
Carrying amount of the obligation is determined as follows		
Present value of accrued commitments in unfunded defined benefit plans	**(14 387)**	(17 721)
Unrecognised actuarial gains and losses	**5 466**	5 645
Net commitments in unfunded defined benefit plans	**(8 921)**	(12 076)
Hereof payroll tax on the pension obligations	**1 102**	1 492
Net pension commitment in the balance sheet	**(8 921)**	(12 076)

Net pension costs comprise

(Amounts in NOK 1000)	2011	2010
Present value of pension earnings for the year	**-**	436
Interest cost	**614**	724
Service cost	**-**	4 142
Curtailment of the old AFP scheme	**-**	(12 044)
Amortised actuarial gain and losses	**903**	1 174
Total, included in payroll costs	**1 517**	(5 568)

Change in carrying amount of pension commitments

(Amounts in NOK 1000)	2011	2010
Opening balance	**12 076**	21 326
Cost recognised in the profit and loss account for the year	**1 517**	(5 568)
Benefits paid	**(4 672)**	(3 682)
Closing balance	**8 921**	12 076

The following assumptions have been applied in calculating pension commitments:

(Amounts in NOK 1000)	2011	2010
Discount rate	**2,5%**	4,0%
Annual pay adjustment	**3,5%**	3,5%
Annual pension adjustment	**3,5%**	3,5%
Social security tax rate	**14,1%**	14,1%
Assumptions on mortality rates are based on published statistics in Norway	**K2005**	K2005
Number of employeees in defined benefit plans	**68**	65

Note 24 Provisions

(Amounts in NOK 1000)	Restructuring
Additions recognised in profit and loss account	17 200
Amounts incurred and charged in profit and loss account	(11 076)
Total charged in profit and loss account	**6 124**

Classification in the balance sheet

(Amounts in NOK 1000)	2011	2010
Value at 1 January	**23 481**	-
Conversion differencies	**(128)**	-
Additional provisions made in period	**17 400**	23 481
Amounts incurred and charged against provision in period	**(11 076)**	-
Total at 31 December	**29 677**	23 481

Of the provision at 31 December 2011 NOK 29.677.000 is related to restructuring of Kitron in Sweden. The provision is based on detailed calculations. The main components are cost for personnel and cost for rent and facilitity. About 7.0 million NOK of the provision is for other costs. Unsertainty in calculations is regarded to be about 10 per cent of the total provision.

Note 25 Dividends per share

In 2011 no dividend was paid. For the year ended 31 December 2011 a dividend of NOK 0.05 per share is to be proposed at the annual general meeting on 26 April 2012. The dividend is not included in the consolidated accounts for the group.

Note 26 Cash flow from operations

Continuing operations

(Amounts in NOK 1000)	2011	2010
Ordinary profit/(loss) before tax	**23 167**	(6 326)
Depreciation	**33 137**	31 076
(Profit)/loss in disposal of property, plant and equipment	**785**	1 557
Change in inventory	**(21 544)**	(68 963)
Change in accounts receivable and other short term receivables	**(8 151)**	(14 819)
Change in factoring debt	**(898)**	(7 287)
Change in accounts payable and other short term payables	**(8 869)**	22 583
Change in pension funds/obligations	**(3 155)**	(9 250)
Change in other items	**6 209**	10 084
Change in restricted bank deposits	**(391)**	(312)
Interest costs - net	**12 058**	8 463
Foreign exchange losses / (gains) on operating activities	**(2 052)**	1 923
Cash flow from continuing operations	**30 296**	(31 271)

Discontinuing operations

(Amounts in NOK 1000)	2011	2010
Loss from discontinued operations	**(1 369)**	(6 750)
Depreciation	**-**	100
Change in accounts receivable and other short term receivables	**-**	4 680
Change in factoring debt	**-**	(1 767)
Change in accounts payable and other short term payables	**-**	(649)
Change in other items	**2 355**	(387)
Pre tax loss on disposal of discontinued operations	**(986)**	4 364
Cash flow from discontinuing operations	**-**	(409)
Cash flow from operations	**30 296**	(31 680)

Note 27 Commitments

Operating leases, non-current assets

(Amounts in NOK 1 000)	2011	2010
Machinery and equipment		
Rent	**2 169**	6 196
Remaining lease	**1-5 years**	1-5 years
Buildings and land		
Rent	**28 323**	22 730
Remaining lease	**1-5 years**	1-5 years

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

Specification of estimated lease payments falling due within:

(Amounts in NOK 1 000)		2011	2010
Nominal rent	1 year	**29 116**	24 851
	2-5 years	**58 811**	64 132
	> 5years		2 376

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 Related-party transactions

(Amounts in NOK 1000)	2011	2010
i) Sale of goods and services		
Sale of goods (1)	**195 688**	**230 750**
ii) Purchase of goods and services		
Purchase of goods (1)	**4 421**	**3 620**
iii) Remuneration of senior executives		
Pay and other short-term benefits (2)	**17 356**	**18 299**
Severance pay		
Total	**17 356**	**18 299**
iv) Balance items at 31 December resulting from purchase/sale of goods and services		
Receivable from related parties		
Shareholders (1)	**36 146**	**37 776**
Total	**36 146**	**37 776**
Payable to related parties:		
Senior executives (3)	**952**	**589**
Total	**952**	**589**

(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 2011 comprises accrued bonuses to corporate management team.

Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)	2011	2010
Directors' fee:	**1 366**	1 354
- chairman	**373**	373
- board members	**993**	981
Auditors fee		
- statutory audit	**1 656**	1 853
- audit related services	**-**	135
- tax related services	**316**	289
- other services	**102**	62

Pay and other remuneration of senior executives in 2011:

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)	Pension contrib.	Bonus earned**
Jørgen Bredesen	CEO	01.01.2011-31.12.2011	2 987	123	251	3 361	49	
Bjørn Wigstrøm	CFO	01.01.2011-31.12.2011	1 924	103	205	2 232	49	
Jan Liholt	Vice president	01.01.2011-31.12.2011	1 422	51	26	1 499	49	
Gard Eliassen	Vice president	01.01.2011-31.12.2011	1 341	90	146	1 577	49	282
Bengt Enbom	Vice president	01.01.2011-31.12.2011	999	42	43	1 084	263	226
Roger Hovland	Vice president	01.01.2011-31.12.2011	1 528	31	179	1 738	49	
Yvonne Wenzel	Vice president	01.01.2011-31.10.2011	681	69	366	1 116	0	
Thomas Løfgren	Vice president	01.01.2011-31.12.2011	1 306	298	45	1 649	240	102
Mindaugas Sestokas	Vice president	01.01.2011-31.12.2011	1 044	41		1 085	0	195
Dag Songedal	Vice president	01.01.2011-31.12.2011	1 652	44	165	1 861	49	147
Leif Tore Smedås	Vice president	01.11.2011-31.12.2011	140		14	154	7	
Total			**15 024**	**892**	**1 440**	**17 356**	**804**	**952**

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)
Nerijus Dagilis	Chairman of the board	07.05.2010-08.11.2010	150		20	170
Asa-Matti Lyytinen	Chairman of the board	09.11.2010-28.04.2011	150		53	203
Arne Solberg	Deputy chair	07.05.2010-28.04.2011	100		40	140
Tomas Kucinskas	Board member	07.05.2010-08.11.2010	50		25	75
Harri Takanen	Board member	09.11.2010-28.04.2011	50		70	120
Elena Anfimova	Board member	07.05.2010-28.04.2011	100		63	163
Lisbeth Gustavsson	Board member	07.05.2010-28.04.2011	100		40	140
Liv Esther Johansen	Employee representative	07.05.2010-28.04.2011	100		35	135
Geir Vedøy	Employee representative	07.05.2010-28.04.2011	100		10	110
May Britt Gundersen	Employee representative	07.05.2010-28.04.2011	100		10	110
Total			**1 000**		**366**	**1 366**

*) Bonuses earned in 2010 and paid in 2011
**) Bonuses earned in 2011. The bonuses will be paid in 2012

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

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 & remun. (A+B+C)	Pension contrib.	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	-	185	1 878	46	31
Yvonne Wenzel	Vice president	01.08.2010-31.12.2010	309	-	308	617	-	26
Thoms Løfgren	Vice president	01.01.2010-31.12.2010	1 026	-	62	1 088	185	46
Mindaugas Sestokas	Vice president	01.01.2010-31.12.2010	1 002	326		1 328	-	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**

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)
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 Gustavsson	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		-	85
Ståle Kroken	Employee representative	07.05.2009-26.06.2010	25		-	25
Total			**1 010**		**344**	**1 354**

*) Bonuses earned in 2009 and paid in 2010
**) Bonuses earned in 2010 and paid in 2011

No payroll tax is included in the tables above. Pension contribution includes paid contribution to the company's pension scheme. For employee representatives only the board remuneration is declared.

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 26 April 2012.

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 50 per cent of base salary. For the other members of the corporate management team the total bonus is limited to 50 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 issues 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.

Note 29 Interest in subsidiaries

Set out below are the group's principal subsidiaries at 31 December 2011. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their principal business.

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
Kitron AS	Arendal / Norway	100%	100%	EMS manufacturing
Kitron Sourcing AS	Oslo / Norway	100%	100%	Sourcing services
Kitron Karlskoga AB	Karlskoga / Sweden	100%	100%	EMS manufacturing
Kitron AB	Jönköping / Sweden	100%	100%	EMS manufacturing
Kitron Flen AB	Flen / Sweden	100%	100%	EMS manufacturing (dormant)
Kitron Hong Kong Ltd	Hong Kong	100%	100%	Trading, sourcing
Kitron GmbH	Grossbetlingen / Germany	100%	100%	EMS manufacturing
Kitron Inc	Johnstown, Pennsylvania / USA	100%	100%	EMS manufacturing
UAB Lumen Intellectus	Kaunas, Lithuania	100%	100%	Property
UAB Kitron	Kaunas, Lithuania	100%	100%	EMS manufacturing

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

Company name	Country of incorporation	Shareholding	Voting share	Principal activities
Kitron Electronics Manufacturing (Ningbo) CO., Ltd.	Ningbo China	100%	100%	EMS manufacturing
Kitron Electromechanical (Ningbo) CO. Ltd	Ningbo, China	100%	100%	Purchasing

Note 30 Business combinations

(Amounts in NOK 1000)	2011	2010
Cash Consideration	-	-
Total consideration transferred	-	-
Recognised amounts of identifiable assets acquired and liabilities assumed		
Cash and cashequivalents		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		2 454
Total identifiable assets and goodwill	-	-

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 where closed January 26th 2010. The goodwill is based on the view taht 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. There is no taxdeductables for the goodwill. There has been no new business combinations in 2011

Note 31 Other gains / (losses)

Other gains/(losses)

(Amounts in NOK 1000)	2011	2010
Currency gains	**2 152**	2 380
Currency losses	**(4 204)**	(457)
Other gains/(losses)	**(2 052)**	**1 923**

Kitron ASA
Annual accounts and notes

Profit and loss account, Kitron ASA

(Amounts in NOK 1000)	Note	2011	2010
Revenues			
Sales revenues	2	**61 847**	45 751
Total revenues		**61 847**	45 751
Operating costs			
Payroll expenses	3, 4, 13	**27 267**	21 803
Depreciation and impairments	5, 6	**5 938**	3 200
Other operating expenses		**26 163**	24 255
Total operating costs		**59 368**	49 258
Operating profit / (loss)		**2 479**	(3 507)
Financial income and expenses			
Intra-group interest income		**2 418**	3 510
Other interest income		**571**	227
Other financial income	18	**34 939**	26 783
Other interest expenses		**3 083**	1 191
Other financial expenses	18	**3 685**	50 704
Net financial items		**31 160**	(21 375)
Profit before tax		**33 639**	(24 882)
Tax	8	**3 964**	(5 707)
Net profit / (loss)		**29 675**	(19 176)

Balance sheet at 31 December, Kitron ASA

(Amounts in NOK 1000)	Note	2011	2010
Assets			
Fixed assets			
Intangible fixed assets			
Other intangible fixed assets		**31 415**	31 209
Deferred tax assets	8	**49 565**	53 529
Total intangible fixed assets		**80 980**	84 738
Tangible fixed assets			
Machinery, equipment etc	5, 16	**5 027**	7 816
Financial fixed assets			
Investment in subsidiaries	9, 16	**363 119**	364 479
Intra-group loans	7, 14	**66 446**	35 959
Other long-term receivables		**-**	3 125
Total financial fixed assets		**429 565**	403 563
Total fixed assets		**515 572**	496 117
Current assets			
Receivables			
Accounts receivables	7, 16	**42 726**	32 486
Other receivables	7	**33 673**	50 443
Total recevables		**76 399**	82 929
Bank deposits, cash in hand, etc	17	**11 384**	11 029
Total current assets		**87 783**	93 958
Total assets		**603 355**	590 075

(Table continued) Balance sheet at 31 December, Kitron ASA

(Amounts in NOK 1000)	Note	2011	2010
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		**76 929**	55 903
Total equity		**492 718**	471 692
Liabilities			
Long-term liabilities			
Pension commitments	4	**6 105**	6 369
Other long-term debt	15	**20 143**	23 576
Total long-term liabilities		**26 248**	29 945
Current liabilities			
Liabilities to financial institutions	16, 17	**64 888**	71 052
Accounts payable		**4 971**	7 894
Dividend		**8 648**	-
Other current liabilities	7	**5 882**	9 492
Total current liabilities		**84 389**	88 438
Total liabilities		**110 637**	118 383
Total liablities and equity		**603 355**	590 075

Oslo, 20 March 2012

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

Cash Flow Statement, Kitron ASA

(Amounts in NOK 1 000)	2011	2010
Cash flow from operational activities		
Profit before tax	33 639	(24 882)
Ordinary depreciation	5 938	3 200
Write down of subsidiaries	-	46 161
Change in accounts receivable	(10 240)	876
Change in accounts payable	(2 923)	703
Change in pension funds/obligations	(264)	(676)
Change in other accrual items	16 285	4 470
Net cash flow from operational activities	42 435	29 852
Cash flow from investment activities		
Acquisition of fixed assets	(15 152)	(21 043)
Sale of fixed assets	11 797	-
Investment in subsidiaries	-	(34 450)
Sale of shares	1 360	-
New lendings	(30 487)	-
Repayment of lendings	-	24 664
Net cash flow from investment activities	(32 482)	(19 118)
Cash flow from financing activities		
New long-term loans	-	23 576
Net change in overdraft facilities	(6 164)	(22 379)
Repayment of borrowings	(3 433)	-
Net cash flow from financing activities	(9 597)	1 197
Net change in cash and cash equivalents	356	220
Cash and cash equivalents at 1 January	11 029	10 809
Cash and cash equivalents at 31 December	11 384	11 029

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 2011.

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)	2011	2010
Norway	30 856	26 170
Sweden	10 201	9 483
Lithuania	16 063	9 919
Other	4 728	179
Total	**61 847**	**45 751**

Note 3 Payroll expenses

Payroll costs

(Amounts in NOK 1000)	2011	2010
Pay	14 262	15 651
Payroll taxes	2 115	2 419
Pension costs	820	327
Other remuneration	10 070	3 406
Total	**27 267**	**21 803**
Average number of FTEs	26	18

Note 4 Pension costs, funds and commitments

Employees in Kitrons ASA are covered by pension plans which give the right to future benefits according to Norwegian law (Norwegian mandatory service pension act). The plans embraces 11 employees. 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 obligation at year-end also includes a provision of TNOK 53 (2010: 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)	2011	2010
Carrying amount of the obligation is determined as follows:		
Present value of accrued pension commitments in unfunded benefit plans	6 622	6 378
+/- unrecognised actuarial gains and losses	(517)	(9)
Net commitments in unfunded defined benefit plans	6 105	6 369
Hereof payroll tax on the pension obligation	754	787
Pension costs comprise:		
+ Present value of pension earnings for the year	-	9
+ Interest costs	243	254
+ Amortisation actuarial gains and losses	3	(11)
+ Service cost	-	80
- Curtailment of the old AFP scheme	-	(430)
Net pension cost for unfunded plans	246	(98)
Net pension cost for contribution based pension plans	574	425
Net pension costs included in note 3	820	327

The following assumptions have been applied in calculating pension commitments

	2011	2010
Discount rate	2.5%	4.0%
Annual pay adjustment	3.5%	3.5%
Annual pension adjustment	3.5%	3.5%
Social scurity tax rate	14.1%	14.1%
Expected contractual pension withdrawals (early retirement scheme)	30%	30%

Note 5 Tangible fixed assets and depreciation

Tangible fixed assets and depreciation

(Amounts in NOK 1000)	Machinery and equipment
Acquisition cost at 1 January	30 342
Additions during the year	2 904
Disposals during the year	(19 715)
Acquisition cost at 31 December	**13 531**
Accumulated depreciation 1 January	22 526
Depreciation during the year	2 972
Disposals during the year	(16 994)
Accumulated depreciation at 31 December	**8 504**
Book value 31 December	**5 027**
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	>2012	725
Operating equipment	>2012	599
Vehicles	>2012	605

The company has an option to buy leased printers.

Note 6 Other intangible assets

Other intangible assets

(Amounts in NOK 1000)	System software
Acquisition cost at 1 January	31 524
Additions during the year	12 248
Disposals during the year	(9 076)
Acquisition cost at 31 December	34 696
Accumulated amortisation at 31 December	3 281
Book value 31 December	**31 415**
Ordinary amortisation for the year	2 966
Useful lifetime	7 years

Note 7 Related parties

(Amounts in NOK 1000)	2011	2010
Sales revenues		
From subsidiaries (1)	**61 847**	45 751
Purchase of goods and services		
From subsidiaries (1)	**15 230**	3 620
Remuneration of senior executives		
Pay and other short-term benefits (2)	**8 569**	9 893
Financial income		
Interest income from subsidiaries (1)	**2 418**	3 510
Dividend and group contribution from subsidiaries	**32 080**	25 170
Total	**34 498**	28 680

Balance items at 31 December resulting from transactions with related parties

	2011	2010
Receivables and loans		
Subsidiaries (1)	**141 111**	93 279
Total	**141 111**	37 776
Payables		
Subsidiaries (1)	**2 741**	4 637
Senior executives (3)	**226**	300
Total	**2 967**	4 937

(1) Revenues form subsidiaries consist primarily of group contributions. Purchase and sales of goods and services from subsidiaries consist primarily of services from corporate personnel employed in subsidiaries Interest income from subsidiaries consist of interest on long-term loans
(2) Senior executives comprise member of corporate management team emplyed in Kitron ASA. See table in note 13 for a more extensive description of remuneration of senior executives.
(3) The amount at 31 December comprises accrued bonuses to corporate management team.

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 8 Taxes

Taxes

(Amounts in NOK 1000)	2011	2010
Tax cost for the year breaks down into:		
Tax payable		
Change in deferred tax	3 964	(5 707)
Total tax cost	3 964	(5 707)
Calculation of tax base for the year:		
Profit before tax	33 640	(24 882)
Permanent differencies *)	(31 620)	21 423
Change in temporary differencies	1 126	(796)
Group contribution	12 139	1 079
Change in tax loss carried forward	(15 285)	3 176
Tax base for the year	-	-
Overview of temporary differencies		
Receivables	-	1 306
Fixed assets	(3 515)	(3 915)
Pensions	(6 104)	(6 370)
Other temporary differencies		305
Gain and loss account	722	902
Total	(8 898)	(7 772)
Loss carried forward	(168 119)	(183 404)
Total	(177 017)	(191 176)
Deferred tax asset (28%)	49 565	53 529
Explanation of why tax cost for the year does not equal 28% of pre-tax result		
28% of loss before tax	9 419	(6 967)
Permanent differencies (28%)	(8 854)	5 998
Group contribution	3 399	301
Effect of deferred tax asset unrecorded in balance sheet		(5 040)
Calculated tax cost	3 964	(5 707)
Effective tax rate **)	11,8%	22,9%

*) 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	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron AS	Arendal	100%	100%	157 121	17 413	232 336
Kitron Sourcing AS	Oslo	100%	100%	10 840	(1 758)	11 400
Kitron Karlskoga AB	Karlskoga, Sweden	100%	100%	6 822	2 644	30 000
Kitron AB	Jönköping, Sweden	100%	100%	19 739	(2 223)	13 463
Kitron Flen AB	Flen, Sweden	100%	100%	6 989	(3)	31 332
Kitron Hong Kong Ltd	Hong Kong	100%	100%	(710)	(631)	81
Kitron GmbH	Grossbetlingen, Germany	100%	100%	(7 138)	(3 809)	2 403
Kitron Inc	Johnstown, US	100%	100%	(7 446)	(5 503)	583
UAB Lumen Intellectus	Kaunas, Lithuania	100%	100%	1 868	241	12 421
UAB Kitron	Kaunas, Lithuania	100%	100%	111 013	27 848	29 180
Total investment in subsidiaries						**363 199**

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

Company

(Amounts in NOK 1000)	Business office	Share-holding	Voting share	Equity past year	Result past year	Book value
Kitron Electronics Manufacturing (Ningbo) Co., Ltd.	Ningbo China	100%	100%	(3 867)	(13 352)	14 531
Kitron Electromechanical (Ningbo) CO. Ltd.	Ningbo, China	100%	100%	914	(120)	1 524

Note 10 Equity

Equity

(Amounts in NOK 1000)	Share capital	Share premium fund	Other equity	Total equity
At 31 December 2010	172 962	242 827	55 903	471 692
Net profit	-	-	29 675	29 675
Dividend			(8 648)	(8 648)
At 31 December 2011	**172 962**	**242 827**	**76 929**	**492 718**

Note 11 Shares and subscription rights senior employees

There are at 31 December 2011 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		2011	2010
Harri Takanen, board member	(1)	-	-
Arne Solberg, deputy chairman	(2)	-	-
Elena Anfimova, board member	(3)	-	-

Corporate management team

Number of shares	2011	2010
Jørgen Bredesen, CEO	-	-
Jan Liholt, vice president	**107 660**	107 660
Bengt Enbom, vice president	**10 000**	10 000

(1) Harri Takanen was CEO of Sievi Capital plc. per 31 December 2011, which owns 32.96 per cent of the shares in Kitron ASA
(2) Arne Solberg is a director in Kongsberg Gruppen ASA, which owns 19.33 per cent of the shares 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 SCA which holds 13.77% of the shares in Kitron ASA

Note 12 Shares and shareholders information

The company's share capital at 31 December 2011 comprised 172.961.625 shares with a nominal value of NOK 1 each. Each share carries one vote. There were 2,850 shareholders at 31 December 2011.

The 20 largest shareholders in Kitron ASA at 31 December 2011:

Shareholder	Number	Percentage
Nordea Bank Plc Finland 1)	57 037 000	32.98%
Kongsberg Gruppen ASA	33 439 153	19.33%
ING Luxembourg SA 2)	29 172 000	16.87%
MP Pensjon	10 792 537	6.24%
AS Bemacs	2 800 000	1.62%
SES AS	2 480 000	1.43%
Verdipapirfondet NORDEA SMB	2 263 346	1.31%
Bjørn Håheim	1 039 988	0.60%
Helge Hareland	1 000 000	0.58%
AS Swedbank clients	856 548	0.50%
AB SEB Bankas	806 073	0.47%
Jørgen Teigen	761 656	0.44%
Petter Torgersen	636 000	0.37%
Kjell Løite	633 902	0.37%
Hybrid AS	629 536	0.36%
JPMBLSA	520 572	0.30%
Handel Partner AS	450 000	0.26%
Malvin Sigbjørn Skjønhaug	395 685	0.23%
Vestvik Preservering A/S	370 000	0.21%
Morten Hyvik	338 000	0.20%
Total 20 largest shareholders	**146 421 996**	**84.66%**
Total other shareholders	**26 539 629**	**15.34%**
Total outstanding shares	**172 961 625**	**100.00%**

1) Sievi Capital plc.: 32.96%. Others: 0.02% of the shares in Kitron ASA
2) Amber Trust II SCA: 13.77%. KJK Fund SICAV-SIF: 3.09% of the shares in Kitron ASA

MANDATES

Increasing the share capital

The ordinary general meeting of 28 April 2011 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 28 April 2011. 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 2012, but no longer than 30 June 2012. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2011.

Own shares

The ordinary general meeting on 28 April 2011 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 28 April 2011. 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 2012 but no longer than 30 June 2012. The authority had not been exercised at 31 December 2011.

Note 13 Remuneration of senior executives, directors and auditor

Remuneration of senior executives, directors and auditor

(Amounts in NOK 1000)	2011	2010
Directors' fee:	**1 366**	1 354
- chairman	**373**	373
- board members	**993**	981
Auditors fee		
- statutory audit	**330**	674
- audit related services	**399**	135
- tax related services	**33**	140
- other services	**4**	62

Pay and other remuneration of senior executives in 2011:

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)	Pension contrib.	Bonus earned**
Jørgen Bredesen	CEO	01.01.2011-31.12.2011	2 987	123	251	3 361	49	-
Bjørn Wigström	CFO	01.01.2011-31.12.2011	1 924	103	205	2 232	49	-
Jan Liholt	Vice president	01.01.2011-31.12.2011	1 422	51	26	1 499	49	-
Gard Eliassen	Vice president	01.01.2011-31.12.2011	1 341	90	146	1 577	49	282
Bengt Enbom	Vice president	01.01.2011-31.12.2011	999	42	43	1 084	263	226
Roger Hovland	Vice president	01.01.2011-31.12.2011	1 528	31	179	1 738	49	-
Yvonne Wenzel	Vice president	01.01.2011-31.10.2011	681	69	366	1 116	-	-
Thomas Löfgren	Vice president	01.01.2011-31.12.2011	1 306	298	45	1 649	240	102
Mindaugas Sestokas	Vice president	01.01.2011-31.12.2011	1 044	41		1 085	-	195
Dag Songedal	Vice president	01.01.2011-31.12.2011	1 652	44	165	1 861	49	147
Leif Tore Smedås	Vice president	01.11.2011-31.12.2011	140		14	154	7	-
Total			**15 024**	**892**	**1 440**	**17 356**	**804**	**952**

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)
Nerijus Dagilis	Chairman of the board	07.05.2010-08.11.2010	150		20	170
Asa-Matti Lyytinen	Chairman of the board	09.11.2010-28.04.2011	150		53	203
Arne Solberg	Deputy chair	07.05.2010-28.04.2011	100		40	140
Tomas Kucinskas	Board member	07.05.2010-08.11.2010	50		25	75
Harri Takanen	Board member	09.11.2010-28.04.2011	50		70	120
Elena Anfimova	Board member	07.05.2010-28.04.2011	100		63	163
Lisbeth Gustafsson	Board member	07.05.2010-28.04.2011	100		40	140
Liv Esther Johansen	Employee representative	07.05.2010-28.04.2011	100		35	135
Geir Vedøy	Employee representative	07.05.2010-28.04.2011	100		10	110
May Britt Gundersen	Employee representative	07.05.2010-28.04.2011	100		10	110
Total			**1 000**		**366**	**1 366**

*) Bonuses earned in 2010 and paid in 2011.
**) Bonuses earned in 2011. The bonuses will be paid in 2012

No payroll tax is included in the tables above. 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 2011 have been made.

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 & remun. (A+B+C)	Pension contrib.	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	-	185	1 878	46	31
Yvonne Wenzel	Vice president	01.08.2010-31.12.2010	309	-	308	617	-	26
Thoms Løfgren	Vice president	01.01.2010-31.12.2010	1 026	-	62	1 088	185	46
Mindaugas Sestokas	Vice president	01.01.2010-31.12.2010	1 002	326		1 328	-	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**

Name (Amounts in NOK 1000)	Function	Period	Basic salary (A)	Bonus paid*) (B)	Other remun. (C)	Total pay & remun. (A+B+C)
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		-	85
Ståle Kroken	Employee representative	07.05.2009-22.06.2010	25		-	25
Total			**1 010**		**344**	**1 354**

*) Bonuses earned in 2009 and paid in 2010.
**) Bonuses earned in 2010 and paid in 2011

No payroll tax is included in the tables above. 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 were 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 26 April 2012.

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 50 per cent of base salary. For the other members of the corporate management team the total bonus is limited to 50 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 66,446,000 of the NOK 66,446,000 in intra-group loans at 31 December 2011 falls due later than one year after the end of the fiscal year.

(Amounts in NOK 1000)	2011	2010
Kitron Hong Kong Ltd	**16 054**	10 261
Kitron Inc	**35 940**	11 134
UAB Lumen Intellectus	**14 452**	14 564
Total	**66 446**	35 959

Note 15 Information on long-term liabilities to financial institutions

The company has long-term leasing debt to leasing company of NOK 20,143,000 at 31 December 2011. This is a 5 year finance agreement. There is no long-term bank financing at 31. December 2011. 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 2011.

Note 16 Mortgages

Mortgages

(Amounts in NOK 1000)	2011	2010
Debt secured by mortgages:	**64 888**	71 052
Carriying amount of assets provided as security:		
Machinery and equipment	**5 027**	7 816
Investment in subsidiaries	**363 119**	364 479
Receivables	**142 845**	122 013
Total	**510 991**	494 308

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 bank. This embraces Kitron ASA and its Norwegian and Swedish subsidiaries. Unused credit lines amounted to NOK 82.6 million at the end of 2011. The company has a cash deposit of NOK 10.8 million related to the group's factoring agreement with DNB Finans.

Note 18 Items consolidated in the accounts

Other financial income

(Amounts in NOK 1000)	2011	2010
Other financial income	**32 080**	25 298
Currency gain	**2 859**	1 485
Total other financial income	**34 939**	26 783
Financial expenses		
Other financial expenses	**3 685**	47 284
Currency loss		3 420
Total financial expenses	**3 685**	50 704

Other financial expenses include write-down of long term receivable of NOK 1,369,000.

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 of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2011, 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 of the group comprise the balance sheet at 31 December 2011, income statement, statement of comprehensive income, changes in equity and 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 the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU 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.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Medlem av Den norske Revisorforening

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Kitron ASA as at 31 December 2011, and 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 of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Kitron ASA as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement 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 statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit 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 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, 20 March 2012
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant (Norway)

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

Responsibility statement

"We confirm to the best of our knowledge that:

- the consolidated financial statements for 2011 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 2011 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, 20 March 2012

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

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 2011 amounted to NOK 173 million. Total equity for the group at the same date was NOK 436.0 million, corresponding to an equity ratio of 41.1 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 2011.

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, Sievi Capital plc., 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.

During 2011 a question has been raised within the board if the board comply with the requirement of the code that at least two of the shareholder elected board members shall be independent of the company's main shareholders. In November 2010 Asa-Matti Lyytinen was elected as a member of the board independent of the main shareholders. Asa-Matti Lyytinen has been a member of the Sievi Capital plc. board since year 2000 and he is currently the chairman of the board of Sievi Capital plc, which is the largest owner in Kitron ASA. Among the remaining shareholder elected board members only one is independent of the main shareholders. The board has asked the nomination committee to evaluate the matter and make a proposal to the Annual General Meeting in 2012.

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 2011.

Kitron's board shall also 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 2011 there were six audit committee meetings.

The board's 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 includes flexibility, competence, quality, closeness and full value chain capability. 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.

To balance the financial risk and shareholders' interests, the equity ratio should be above 25 per cent. Kitron's equity ratio was 41.1 per cent at the end of 2011. Kitron's debt is predominantly short-term. The equity ratio and liquidity has been stable and on a satisfactory level in the past year.

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. 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 endeavour to ensure that all shareholders have equal access to the same information. Kitron comply with Oslo Børs' recommendation on reporting of IR 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 2011 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 2011. The fees paid for audit work and fees paid for other specific assignments are specified in the notes to the financial statements.

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 2011 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 2011.

Stock market listing

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

During 2011 the share price moved from NOK 2.29 to NOK 1.55, a decrease of 32.3 per cent. The Oslo Børs main index decreased by 13.1 per cent in the same period. The share price has varied between NOK 1.47 and NOK 2.40. At the end of 2011 the company's market capitalisation was NOK 268.1 million. A total of 18.6 million shares were traded during the year, corresponding to a turnover rate of 10.8 per cent.

Shareholder structure

At the end of 2011 Kitron had 2 850 shareholders, compared with 2 957 shareholders at the end of 2011. At the end of the year, the foreign shareholding amounted to 51.5 per cent. Sievi Capital plc. 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. Amber Trust II SCA is the third significant shareholder with 13.77 per cent of the shares. The 20 largest shareholders held a total of 84.6 per cent of the company's shares at the end of the year.

Mandates

Increasing the share capital

The ordinary general meeting of 28 April 2011 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 28 April 2011. 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 2012, but no longer than 30 June 2012. The authority may be utilised for mergers and acquisitions or to raise funds for investments. The authority had not been exercised at 31 December 2011.

Own shares

The ordinary general meeting on 28 April 2011 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 28 April 2011. 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 2012 but no longer than 30 June 2012. The authority had not been exercised at 31 December 2011.

Dividend policy

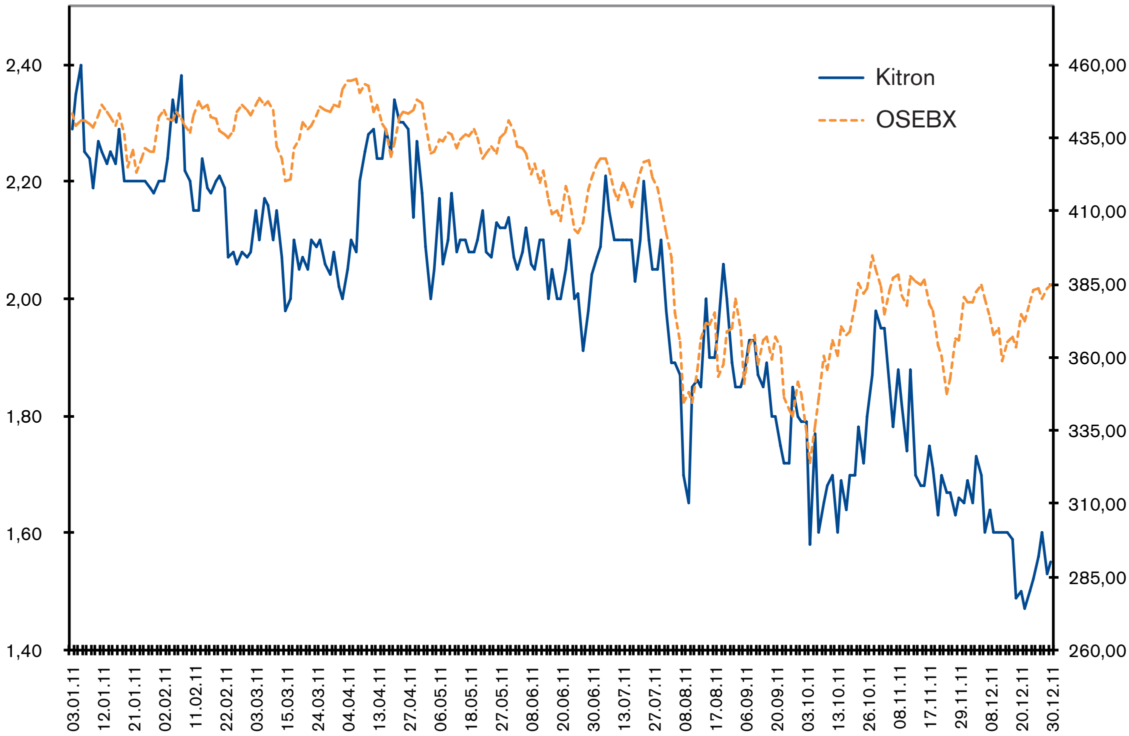
Kitron ASA has as a policy to pay dividend corresponding to between 30 and 50 per cent of net profit for the year, provided that the company's share capital and liquidity situation are acceptable after the dividend has been paid out.

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 – 2011

Board and management

Board

Asa-Matti Lyytinen
Chairman of the board
Elected for the period 2010-2012
Asa-Matti Lyytinen is born in 1950 and is a Finnish citizen. Mr Lyytinen holds a Master of Sciences, Economics and was from 2002 Chairman of numerous Finnish companies. He has 20 years of experience from management consulting in PriceWaterhouseCoopers where he held positions as Director of Management Consulting, Strategy and Organisation, CEO and Managing partner as well as member of Northern Board. Mr Lyytinen has been on the Kitron board since 2010 and has attended 9 out of 9 board meetings in 2011.

Arne Solberg
Vice Chairman of the Board
Elected for the period 2011–2013
Arne Solberg is born in 1953 and is a Norwegian citizen. He holds a Bachelor of Commerce and has diverse experience from administrative positions within finance and management including many years as CFO of Kongsberg Gruppen. Presently he is Executive Vice President Special Projects in Kongsberg Gruppen. At the end of 2011 Kongsberg Gruppen ASA controlled 33,439,153 shares in Kitron ASA. Mr Solberg has been on the Kitron board since 2000, and has attended 6 out of 9 board meetings in 2011.

Elena Anfimova
Board Member
Elected for the period 2011–2013
Elena Anfimova is born in 1975 and is a Ukrainian citizen. She has an MBA from Wharton and was previously a co-founder of Ukrainian Business Library LTD, and has worked as a sales executive at Internet Securities Inc., Ukraine. Ms Anfimova is now a Portfolio Manager at Firebird Management LLC, a hedge fund based in New York. Firebird is a partner in a joint venture that, at the end of 2011, controlled 29,172,000 shares in Kitron ASA. Ms Anfimova has been on the Kitron board since 2007 and attended 8 out of 9 board meetings in 2011.

May Britt Gundersen
Board Member, elected by and among the employees
Elected for the period 2009–2011
May Britt Gundersen is born in 1949 and is a Norwegian citizen. She is working as a Senior Planner at Kitron AS in Arendal, where she has been employed since 1976. Ms Gundersen has been on the Kitron board since 2009 and attended 9 out of 9 board meetings in 2011.

Lisbeth Gustafsson
Board Member
Elected for the period 2011–2013
Lisbeth Gustafsson is born in 1947 and is a Swedish citizen. She holds a Master of Science, and has diverse experience in sales and management from various industries, including four years as country general manager at Digital Equipment AB. Ms Gustafsson is now a business consultant in leadership and organisational development at Executive Action Management and board member of a number of Swedish companies. Lisbeth Gustafsson has been on the Kitron board since 2007 and attended 9 out of 9 board meetings in 2011.

Liv E. Johansen
Board Member, elected by and among the employees
Elected for the period 2009–2011
Liv Johansen is born in 1953 and is a Norwegian citizen. She holds a Craft certificate in electronics manufacturing, and is working as a production worker in Kitron AS in Arendal. Ms Johansen has been on the Kitron board since 2000 and attended 9 out of 9 board meetings in 2011.

Harri Takanen
Board member
Elected for the period 2010-2012
Harri Takanen is born in 1968 and is a Finnish citizen. He holds a Master of Science in Technology and has since 1992 held a number of positions in Scanfil; 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. Mr Takanen is now CEO of Scanfil plc. From 2007 to 2011 he was President of Sievi Capital plc. (formerly Scanfil Oyj). At the end of 2011 Sievi Capital plc. controlled 57 000 000 shares in Kitron ASA. Harri Takanen has been on the Kitron board since 2010 and has attended 9 out of 9 board meetings in 2011.

Geir Vedøy
Board Member, elected by and among the employees
Elected for the period 2009–2011
Geir Vedøy is born in 1966 and is a Norwegian citizen. He holds a

Bachelor of Science, Electronics and is now working as a Project Manager at Kitron AS in Arendal, where he has been employed since 1985 in various leadership positions within production and testing. Mr Vedøy has been on the Kitron board since 2007 and has attended 9 out of 9 board meetings in 2011.

Management

Jørgen Bredesen
CEO
Jørgen Bredesen is born in 1956 and is a Norwegian citizen. He has been studying Business Administration, and has diverse senior management experience from large multinationals within telecoms and high-tech companies. Mr Bredesen has been CEO in Kitron since 2006.

Gard Eliassen
Sourcing Director
Gard Eliassen is born in 1960 and is a Norwegian citizen. He holds a Bachelor of Science, and a Green Belt in the Six Sigma quality system. Mr Eliassen has diverse experience in sourcing management, mainly from EMS suppliers and technology firms such as GE Healthcare. He has been in Kitron since 2006.

Bengt Enbom
HR Director
Bengt Enbom is born in 1961 and is a Swedish citizen. He holds a Bachelor of Science in Human Resources, and has diverse experience from HR management in various industries. Mr Enbom has been in Kitron since 2007.

Jan Liholt
Managing Director, Kitron Inc.
Jan Liholt is born in 1954 and is a Norwegian citizen. Jan Liholt holds a Bachelor of Science in Electronics and has diverse experience from manufacturing and general management of manufacturing and development companies. Mr Liholt has been working for Kitron since 2000.

Thomas Löfgren
Managing Director, Kitron AB
Thomas Löfgren is born in 1966 and is a Swedish citizen. He graduated from a Swedish Technical school and has prior to Kitron worked as a Business Area Manager in Saab. Mr Löfgren has been in Kitron since 2000 where he has held the positions of Manufacturing Manager, Site Manager and Managing Director in Kitron Microelectronics AB and now Kitron AB.

Mindaugas Sestokas
Managing Director, UAB Kitron
Mindaugas Sestokas is born in 1971and is a Lithuanian citizen. He holds a Master of Business Administration and has diverse experience from sales and marketing in the beverage industry and general management of an appliance manufacturing company. Mr Sestokas has been in Kitron since 2008.

Leif Tore Smedås
Director Transfer and Globalisation
Leif Tore Smedås is born in 1958 and is a Norwegian citizen. He holds a Bachelor of Science in Electronics. Mr Smedås has long experience from electronics engineering, technology development and general management, whereof many years as Managing Director for Kitron Røros (now sold). He has been in Kitron since 1981.

Dag Songedal
Managing Director, Kitron AS
Dag Songedal is born in 1965 and is a Norwegian citizen. He holds a university degree in Finance and Auditing, and has extensive experience in organisational development, operational management, strategic and operative finance and mergers and acquisitions. Mr Songedal has been in Kitron since 2008.

Björn Wigström
CFO
Mr Wigström is born in 1966 and is a Swedish citizen. He holds a Master of Business Administration and has diverse experience from finance and administrative management in various industries. Mr Wigström has been working for Kitron since 2008.

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.

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