

STRENGTHENED OPERATION DURING A GOOD QUARTER

HIGHLIGHTS

Figures in brackets refer to the first quarter of 2005 unless otherwise specified.

- **Improved profit before tax.** Profit before tax was NOK 16.1 million (NOK -7.0 million).
- **Increased operating income.** NOK 433.1 million (NOK 379.9 million).
- **Satisfactory gross margin.** 39.8 per cent (41.6 per cent).
- **Reduced payroll and operating expenses.** Reduced payroll and operating expenses of NOK 6.4 million.
- **Operating profit in all units.** EBITDA and EBIT were in profit by NOK 27.1 million and 20.6 million respectively (NOK 6.4 million and NOK -1.3 million).
- **High inflow of orders and increasing order reserves.** Order inflow increased by 25 per cent, to NOK 478 million (NOK 382 million). The order reserve was NOK 826 million (NOK 766 million).

Kitron's determined marketing and restructuring actions over an extended period are now showing results. During the first quarter the group achieved sales growth of NOK 53.2 million on the same period last year. This corresponds to a 14 per cent growth. The growth in sales, together with the cost reductions following the reorganisation in the Norwegian electronic manufacturing services (EMS) business, has produced profits before tax of NOK 16.1 million.

OPERATING INCOME

Kitron's operating revenue increased by 14.0 per cent compared to the first quarter 2005 and amounted to NOK 433.1 million (NOK 379.9 million). The growth came in both EMS and the microelectronics area. In recent quarters Kitron has reported a positive trend in the reserve of orders. Some of these contracts have helped to increase turnover in the first quarter. At the same time there is a greater trend than before for new and existing customers to demand Kitron's products in a wider section of the value chain.

This year's late Easter has to some extent helped turnover in the first quarter compared to last year.

Turnover in the Norwegian EMS operation, Kitron AS, represented 59.8 per cent of the group's turnover during the first quarter. The Swedish EMS operation, Kitron AB, provided 16.8 per cent of Kitron's turnover. Kitron Lithuania repre-

sented 8.6 per cent of the group's turnover in the first quarter. In total the EMS operation provided 84.0 per cent of turnover in the first quarter whereas during the same period last year it represented 88.2 per cent of Kitron's turnover.

Kitron Microelectronics provided 16.0 per cent of the group's turnover in the first quarter against 11.8 per cent for the same period last year. The increase is partly a result of higher volumes to established customers in the Norwegian part of the business as well as new sales to customers, particularly in the Swedish operation.

Turnover has increased in all market segments, but is greatest for the Defence/Marine segment. Turnover in this segment shows an increase of 25.8 per cent in the first quarter compared to the corresponding period last year. The other market segments all show an increase of between 9.8 and 11 per cent compared to the first quarter of 2005.

OPERATING INCOME BUSINESS AREAS

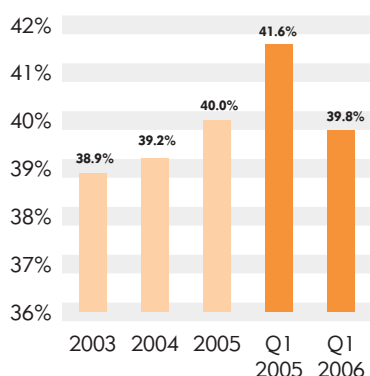
NOK million	Q1 2006	Q1 2005	31.12.05
Kitron AS (EMS)	280.4	260.0	1 088.9
Kitron AB (EMS)	78.6	81.0	316.2
Kitron Litauen (EMS)	40.3	33.0	129.5
Eliminations EMS	(34.1)	(31.8)	(124.6)
Total EMS	365.2	342.2	1 410.0
Microelectronics	69.8	46.0	195.5
Others and eliminations	(1.9)	(8.3)	(29.2)
Total group	433.1	379.9	1 576.3

OPERATING PROFIT (LOSS) BUSINESS AREAS

NOK million	Q1 2006	Q1 2005	31.12.05
Kitron AS (EMS)	10.1	(1.9)	(39.3)
Kitron AB (EMS)	2.2	(0.7)	(2.1)
Kitron Litauen (EMS)	1.6	1.6	6.4
Eliminations EMS	-	-	(0.3)
Total EMS	13.9	(1.0)	(35.3)
Microelectronics	7.7	1.4	9.1
Others and eliminations	(1.0)	(1.7)	(8.2)
Total group	20.6	(1.3)	(34.4)

GROSS MARGIN Group

NOK million



The group's four market segments are of almost equal size in terms of turnover, which gives good balance and reduced risk.

GROSS MARGIN

The gross margin amounted to 39.8 per cent during the quarter. Despite a reduction of 1.8 percentage points from the first quarter last year, the gross margin is considered satisfactory. The change from the corresponding period last year is largely because of changes in the product mix in both EMS and Microelectronics. Quarterly variations must be expected.

PROFIT

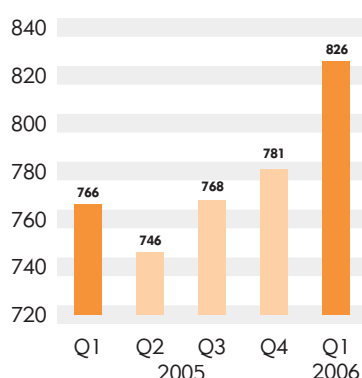
Operating profit for the first quarter was NOK 20.6 million and has improved by NOK 21.9 million compared to the corresponding period last year.

During 2004 and 2005 Kitron implemented a range of measures to reduce the company's operating costs:

- The measures since 2004 have given Kitron a lasting reduced cost base that has contributed to the good result in the first quarter. Despite the turnover increase, payroll costs and other operating costs have been reduced by NOK 4.3 million and 2.1 million respectively from the corresponding period last year.
- The structural measures decided during the fourth quarter last year have already produced an effect during the first quarter. The measures are being implemented according to plan and are expected to be completed during the second quarter. The measures will provide full impact from the third quarter 2006.

ORDER BACKLOG Group

NOK million



During the first quarter, net financial costs amounted to NOK 4.5 million, NOK 1.2 million lower than in the same period last year. The reduction is partly because of lower interest-bearing debt and partly because the accounts in the first quarter of 2005 accrued the expenses for renewal of loan agreements.

BALANCE SHEET

The company's final balance as at 31 March 2006 amounted to NOK 647.2 million against NOK 603.5 million at the same time last year. Group equity was NOK 167.1 million, corresponding to an equity ratio of 25.8 per cent.

Capital tied up in inventory represented NOK 255.8 million as at 31 March 2006, against NOK 254.7 million at the same time in 2005. Capital tied up in accounts receivable and other receivables was NOK 197.2 million at the end of the first quarter of 2006. Corresponding capital tie-up at the same time in 2005 was NOK 148.0 million. Sales of accounts receivable represented NOK 168.8 million as at 31 March 2006, against NOK 179.1 million on the same date last year.

Group capitalised interest-bearing debt totalled NOK 69.2 million as at 31 March 2006 of which long-term interest-bearing debt amounted to NOK 11.7 million. Capitalised interest-bearing debt at the end of the first quarter of 2005 was NOK 87.0 million.

Cash flow from operational activities for the first quarter of 2006 was NOK 73.9 million, against NOK -28.3 million for the corresponding period last year. The reduction is mainly because of increased capital tie-up in accounts receivable and other receivables at the end of the period. The increase of accounts receivable is connected to high degree of invoicing at the end of the period and the group's factoring agreement.

- ■ The group's four market segments are of almost equal size in terms of turnover, which gives good balance and reduced risk.

In the cash flow analysis, cash and bank credit as at 31 March comprises the following:

(Figures in NOK million)

Cash and cash equivalents	44.2
Drawings on overdraft facilities	(41.8)
Restricted bank deposits	(28.1)
Total	(25.7)

Disposable liquidity (unrestricted bank deposits and unused drawing rights) amounted to NOK 64.1 million at the end of the first quarter.

SHAREHOLDER MATTERS

As at 31 March 2006 Kitron had 3 115 shareholders holding a total of 172 961 625 shares (NOK 1 per share nominal). The ten largest shareholders as at 31 March 2006 are:

Clearstream Banking CID Dept. (UAB Hermis Capital)	39.97%
Kongsberg Gruppen ASA	19.33%
ING Luxembourg SA	13.69%
MP Pensjon	6.02%
Statoils Pensjonskasse	1.59%
Statoil Forsikring	1.00%
AS Hansabank clients	0.79%
AS Bemacs	0.78%
Verdipapirfondet NOR	0.78%
SES AS	0.73%

ORGANISATION

At the end of the first quarter of 2006 the number of full time equivalents (FTE) in Kitron was 1,167. This represents a reduction of 33 FTEs from the fourth quarter of 2005.

- Kitron's products are characterised by a high technology content, low volume and significant flexibility both in process and end product.

Full time equivalents 31.03.06 31.12.05

Kitron AS	583	633
Kitron AB	226	228
UAB Kitron	219	198
Kitron Microelectronics	122	122
Kitron ASA and Kitron Sourcing AS	17	19
Total	1 167	1 200

Kitron's CEO will leave the company in medio May in agreement with the board. Kitron's CFO has resigned and will leave the company during third quarter 2006.

MARKET TRENDS

EMS

The Nordic EMS market shows a positive trend in which product owners increasingly outsource more steps of the production process. Kitron's products are characterised by a high technology content, low volume and significant flexibility both in process and end product. Demand in this part of the EMS market, is expected to grow in the Nordic and Baltic markets.

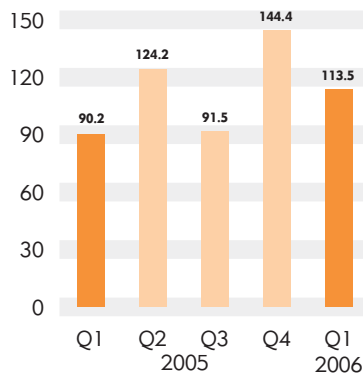
The market is demanding more and more complex modules and products. System assembly and system testing (high level assembly, HLA) is one of the tasks for which Kitron is experiencing a rising demand trend. For complex total solutions customers value geographic proximity to the producer, something that ensures flexibility throughout the process.

Kitron's strong competency in all steps of the value chain, combined with production at low prices through UAB Kitron, is increasingly recognised as a powerful concept. Combined with determined efforts in marketing this is putting Kitron in a strengthened position.

The merging of Kitron's development and production units has had beneficial effects. The group is now better equipped to meet market demand after closer collaboration with the EMS provider through-

TURNOVER Defence/Marine

NOK million



Turnover breakdown Q1 Defence/Marine

	NOK mill.	Share%
Kitron AS	83.7	74%
Kitron AB	29.9	26%
Kitron Litauen	4.5	4%
Microelectronics	-	0%
Others and eliminations	(4.6)	-4%
Total	113.5	100%

out the development process – from concept to industrialisation and mass production.

Since Kitron has customers in a number of international industries, demand for Kitron's services is affected by a range of factors in the world economy. For example high exploration activity as a result of high oil prices has contributed to increased turnover for Kitron.

On 1 July 2006 the EU requirements come into force on the removal of lead and other materials harmful to health from solder and components. Over recent years Kitron has been working systematically to be able to meet the new requirements and is ready to implement the new standard. Now Kitron is finding that the group has a unique competency in this area that is being sought by the market.

MICROELECTRONICS

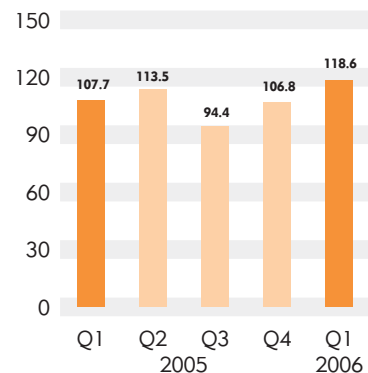
This area of activity is experiencing a positive trend. In particular the prioritisation of proactive selling efforts is paying off in the form of more enquiries that are expected to show up as new production tasks in due course.

In this market, growth is mainly in the Industry and Data/Telecom segments. Furthermore in future there will be greater utilisation of microelectronics in new application areas, including in solutions for the motor vehicle industry.

The demand for assembly of complete products (HLA), ready for delivery to the end user, is also increasing in the market for microelectronics.

TURNOVER Data/Telecom

NOK million



Turnover breakdown Q1 Data/Telecom

	NOK mill.	Share%
Kitron AS	63.2	68%
Kitron AB	0.3	1%
Kitron Litauen	9.7	4%
Microelectronics	54.4	39%
Others and eliminations	(9.0)	(12%)
Total	118.6	100%

HIGH ORDER INFLOW

Kitron's total order inflow during the first quarter of 2006 reached NOK 478 million. That is an increase of 25.1 per cent over the order inflow in the first quarter of 2005 (NOK 382 million) and an increase of above four per cent on the order inflow in the fourth quarter last year (NOK 458 million). The order inflow shows that Kitron is giving sales effort high priority and that the prospects for 2006 are good.

Kitron's turnover in the first quarter of 2006 is divided as follows:

	Q1 2006	Q1 2005
Defence/Marine	26%	24%
Data/Telecom	28%	28%
Medical equipment	22%	23%
Industry	24%	25%

DEFENCE/MARINE

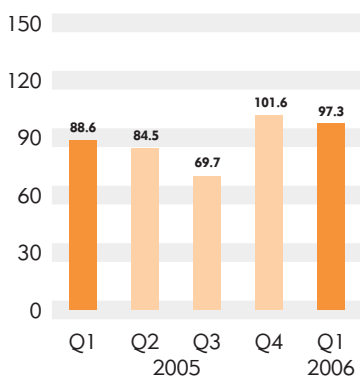
During the first quarter the turnover in this market segment was NOK 113.5 million against NOK 90.2 million in the first quarter last year. Despite the growth in turnover in the first quarter, 2006 is expected to be a medium year with lower turnover than in 2005 for the Defence sector of the segment. The Marine sector is expected to grow.

The segment is characterised by few and large customers in both Norway and Sweden. Kitron has been working for a long time to position itself in the market for offset agreements. Work continues on several opportunities in this market. The market is developing but is not expected to impact on Kitron before 2007.

■ ■ The group's activities in regard to the medical segment are increasing on a broad front. Kitron expects growth in the turnover in this market in future.

TURNOVER Medical Equipment

NOK million

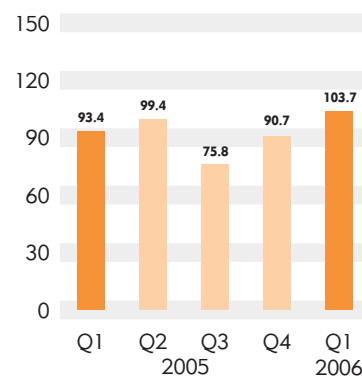


Turnover breakdown Q1 Medical Equipment

	NOK mill.	Share%
Kitron AS	60.9	63%
Kitron AB	34.8	36%
Kitron Litauen	12.3	13%
Microelectronics	2.8	3%
Others and eliminations	(13.5)	(15%)
Total	97.3	100%

TURNOVER Industry

NOK million



Turnover breakdown Q1 Industry

	NOK mill.	Share%
Kitron AS	72.6	70%
Kitron AB	13.6	13%
Kitron Litauen	13.8	13%
Microelectronics	12.6	12%
Others and eliminations	(8.9)	(8%)
Total	103.7	100%

Surveillance and control systems for ships are a growth area in the Marine segment. The demand for equipment for seismic companies is increasing as a result of great activity in oil exploration and production.

FMC Kongsberg Subsea supplies underwater systems for the oil industry and is one of Kitron's customers in the Marine segment. Activity in the oil industry is very high and is expected to provide further increased demand for electronic deliveries in future. Kitron has received FMC's supplier prize, the 'Supplier Award 2005' for having the best improvement program, and for its supply precision. The award confirms Kitron's position in this market segment.

DATA/TELECOM

During the first quarter Kitron's turnover in this segment was NOK 118.6 million against NOK 107.7 million in the same period last year.

The growth in this segment is mainly coming within Kitron Microelectronics. The growth in turnover is largely linked to solutions for connection of fibre optic cable networks. The production of transmitter units for traffic monitoring cameras also represents significant volume for Kitron.

The toll-chip company Q-Free has provided increased activity for Kitron after winning a contract for provision of chips for road charging in the Turkish market.

Kitron Microelectronics AB started in the fourth quarter 2005 production for a new client within the Data/Telecom segment. Expected production value for 2006

will be about SEK 60 million. A framework agreement is expected to be signed during the third quarter of 2006. Production value for 2007 expected to be on a level with 2006.

MEDICAL EQUIPMENT

During the first quarter Kitron's turnover in this segment was NOK 97.3 million against NOK 88.6 million in the same period last year.

The group's activities in regard to the medical segment are increasing on a broad front. Kitron expects growth in the turnover in this market in future. It is particularly higher activity with existing customers that has provided higher turnover during the first quarter, a factor expected to last. The growth in turnover mainly comprises HLA production.

UAB Kitron is listed with the US FDA (Food and Drug Administration). This is a stamp of quality that has already led to results in the form of a contract with HemoCue AB. One of the prerequisites for the contract for NOK 40 million over three years was precisely this FDA listing.

INDUSTRY

During the first quarter turnover in this segment was NOK 103.7 million against NOK 93.4 million in the same period last year. The increase is largely the result of significantly higher production for existing customers.

An example of such a customer is Tomra which, having secured contracts in Germany, has placed several orders with Kitron.

After lengthy determined marketing work Kitron is experiencing increased tender activity and significant follow-on sales to existing customers.

PROSPECTS

Determined marketing and favorable market conditions for the company's key customers have paid off in the form of new contracts and an increasing number of enquiries. The high level of tendering activity is expected to produce increased production activity for Kitron in the future.

The reorganisation Kitron carried out last year has produced the planned results. Parts of the reorganisation that were decided in autumn 2005 will be implemented by the end of the first half of 2006. The full effect of the reorganisation will therefore be felt from the beginning of the third quarter of this year. The reduced cost base is already contributing positively to profitability.

Kitron's aim is to realise the identified savings opportunities in Norway. In addition the group will work to identify improvement opportunities that further strengthens operations and contributes to profitability in 2006.

Oslo, 10 May 2006

The Board of Directors of Kitron ASA

PROFIT AND LOSS ACCOUNT

(Figures in NOK 1 000)	Q1 2006	Q1 2005	31.12.2005
Operating income	433 113	379 867	1 576 341
Cost of materials	260 811	221 852	945 342
Gross profit margin	39,8%	41,6%	40,0%
Payroll expenses	117 658	121 986	475 273
Other operational expenses	27 588	29 678	151 410
EBITDA	27 056	6 351	4 316
Depreciation and impairments	6 467	7 662	38 675
Operating profit/(loss) (EBIT)	20 589	(1 311)	(34 359)
Net financial costs	(4 472)	(5 676)	(23 854)
Profit/(loss) before tax	16 117	(6 987)	(58 213)
Taxes	251	-	726
Profit/(loss) after tax	15 866	(6 987)	(58 939)
Earnings per share	0.09	(0.05)	(0.39)
Dilluted earnings per share	0.09	(0.05)	(0.39)

BALANCE SHEET

(Figures in NOK 1 000)	31.03.2006	31.03.2005	31.12.2005
ASSETS			
Tangible fixed assets	108 136	116 523	112 447
Goodwill	18 489	20 586	18 489
Investment in shares	190	190	190
Deferred tax assets	20 000	20 000	20 000
Other receivables	3 152	7 584	3 855
Total fixed assets	149 967	164 883	154 981
Inventory	255 761	254 663	242 542
Accounts receivable and other receivables	197 220	148 045	141 771
Cash and cash equivalents	44 221	35 948	113 229
Total current assets	497 202	438 656	497 542
Total assets	647 169	603 539	652 523
LIABILITIES AND EQUITY			
Equity	167 121	109 235	151 118
Minority interests	-	12 860	-
Total equity	167 121	122 095	151 118
Loans	41 149	42 922	40 678
Pension comitments	15 275	31 670	14 904
Other provisions	14 140	11 199	15 104
Total long-term liabilities	70 564	85 791	70 686
Accounts payable and other current liabilities	328 904	321 767	350 947
Loans	57 550	70 097	46 369
Other provisions	23 030	3 789	33 403
Total current liabilities	409 484	395 653	430 719
Total liabilities and equity	647 169	603 539	652 523

Financing of accounts receivable as at 31.03.06 was NOK 168.8 mill.

CASH FLOW STATEMENT

(Figures in NOK 1 000)	Q1 2006	Q1 2005	31.12.2005
Net cash flow from operational activities	(73 880)	(28 340)	9 367
Net cash flow from investment activities	(2 154)	(3 624)	(39 495)
Net cash flow from financing activities	(2 423)	(4 946)	91 981
Change in cash and bank credit	(78 458)	(36 910)	61 853
Cash and bank credit opening balance	52 807	(9 046)	(9 046)
Cash and bank credit closing balance	(25 651)	(45 956)	52 807

CHANGES IN EQUITY

(Figures in NOK 1 000)	31.03.2006	31.03.2005	31.12.2005
Equity opening balance	151 118	128 067	128 067
Profit/(loss) for the year	15 866	(6 987)	(58 939)
Share issue	-	-	90 760
Change in minority interests	-	-	(12 558)
Other*)	137	1 015	3 788
Equity closing balance	167 121	122 095	151 118

*) Conversion differences, share-based compensation etc.

This interim report has been prepared in accordance with the same accounting principles that are applied to the annual accounts.



Kitron ASA

Fornebuveien 1-3
Building 2, 2nd floor
P.O Box 332
NO-1326 Lysaker