Kitron

HALF YEAR AND SECOND QUARTER REPORT 2010

H1

Interim report per 30 June 2010

Expanding Kitron globally

Key items first half year 2010

Figures in brackets refer to the first half of 2009 unless otherwise stated.

- **Expanding Kitron globally**
  The integration and set up of the new operations in Germany and China are progressing according to plan. A plan to establish operation in the US was unveiled in the second quarter.
- **Strong order intake**
  The order intake increased by 17.7 per cent to NOK 914.5 million (NOK 777 million). The order backlog at the end of the first half was NOK 867.7 million (NOK 741.7 million). Several new customer accounts secured.
- **Drop in revenue**
  Revenue decreased by 13.8 per cent to NOK 836.8 million (NOK 971.1 million).
- **Decrease in operating profit**
  EBITDA and EBIT were NOK 25.8 million (NOK 58.1 million) and NOK 10.4 million respectively (NOK 40.5 million).
- **Profit before tax and discontinued operations**
  Profit before tax and discontinued operations amounted to NOK 4.7 million (NOK 27.6 million), which reflects a margin of 0.6 per cent (2.8 per cent).
- **Component shortage**
  The shortage in the component market has had a negative impact on revenue, productivity and profit.
- **Weaker cash-flow from operations**
  Cash flow from operations in the second half was NOK –45.4 million (NOK 20.5 million) due to an increase in working capital.
- **Discontinued operations**
  Due to sale of Kitron Development in Oslo in June 2010 loss for the period after discontinued operations was NOK 2.8 million.

Kitron’s revenue amounted to NOK 836.8 million in the first half of 2010, which represents a 13.8 per cent decrease compared with the same period last year. The profit before tax and discontinued operations reached NOK 4.7 million, a decrease of NOK 22.9 million compared with the first half of 2009. The order intake was NOK 914.5 million and the order backlog was NOK 867.7 million, an increase of 17.7 per cent and 17.0 per cent respectively. The headcount has been reduced from 1 145 at the end of 2009 to 1 086 at 30 June 2010, which means a reduction of 5.2 per cent. The cash flow from operational activities for the first half of 2010 was NOK –45.4 million compared to NOK 20.5 million for the same period in 2009. Before repayment of factoring debt the cash flow from operations was NOK -12.3 million.

Strong order intake

The strong order intake and backlog development in the first half of 2010 is a sign of market recovery. In addition it should be noted that Kitron has secured several new customers accounts in the period. Due to a particularly strong first quarter in 2009 the revenue for the first half of 2010 was lower than the same period last year. However, the recovery in order backlog in the first half signals an improved activity level in coming quarters. Furthermore the sales and marketing activity is high and there is an increase in the value of pending prospects.

Expanding globally

Kitron has taken strategic steps to expand the market coverage and further improve its competitiveness. In the first quarter Kitron aquired a small German EMS company (about 20 employees) as a stepping-stone to approach the German, Austrian and Swiss markets. In China Kitron has decided to set up a competitive manufacturing unit to serve Kitron’s existing customers and the Asian market. In the second quarter Kitron announced plans to set up a fully owned subsidiary in Johnstown, Pennsylvania, USA. The industrial operation will be running from 1 January 2011 and will predominantly be concentrated towards the defence industry and initially sales towards Kitron´s existing customers. It is expected that these strategic initiatives will drive growth from 2011 and beyond.

Sale of Kitron Development

In the second quarter Kitron signed an agreement to sell its Development Department located in Oslo to some of the local employees and Simpro AS. Kitron Development has about 25 employees and had an annual turnover of NOK 22 million and an operating result of negative NOK 11 million in 2009. The transaction was closed June 1 2010.

At the same time Kitron entered into a cooperation agreement with the new company for the provision of development services. This fits into Kitron’s strategy to increase its focus on industrialisation, test and new product introduction while cooperating with third party development houses. The objective is to improve the complete offering to the customers by combining the strengths of Kitron with dedicated development environments.

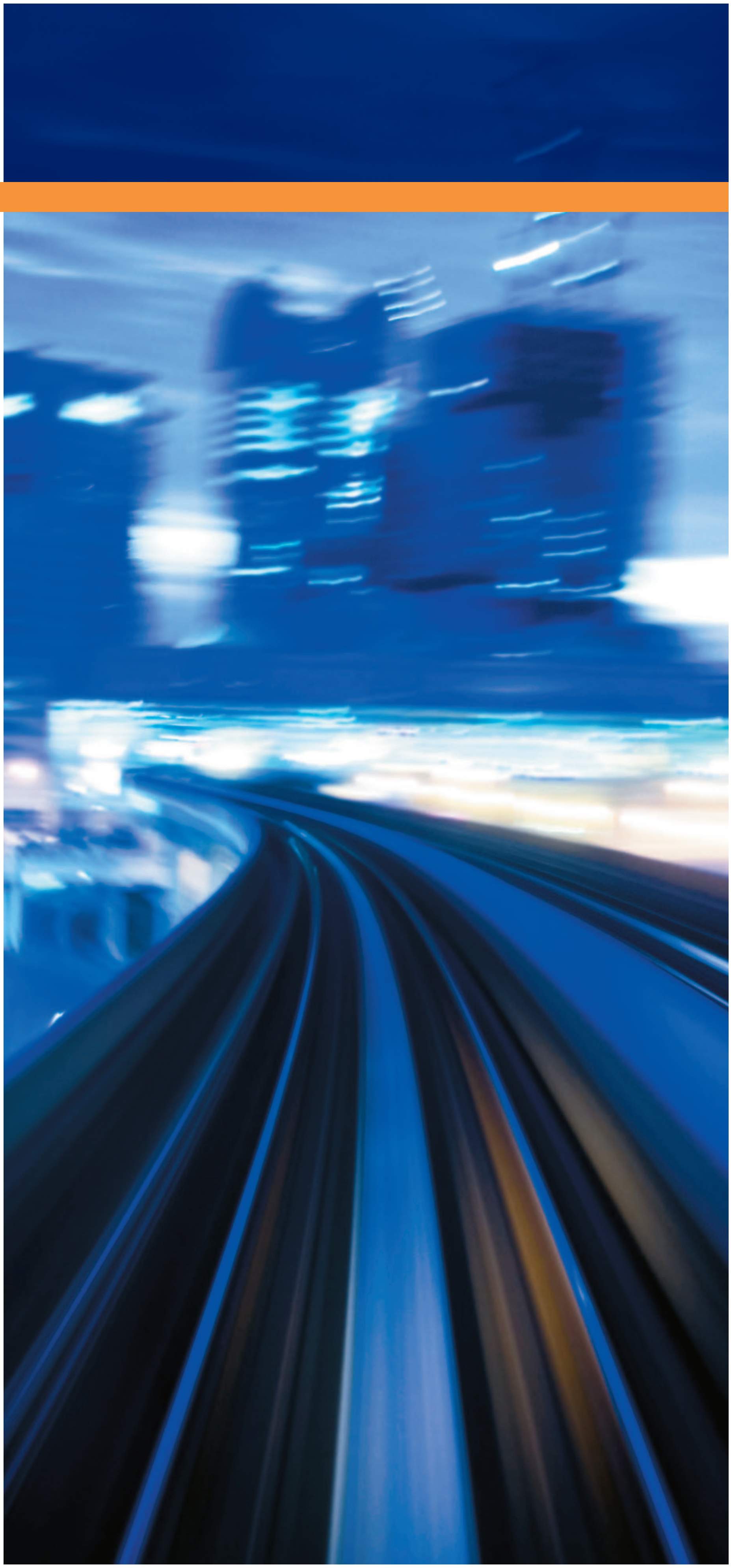
Kitron booked a loss of NOK 4.5 million in connection with the transaction. The loss and the operating result of Kitron Development for the first five months of 2010 have been booked as discontinued operations.

Challenges in Karlskoga

The operational challenges at Kitron AB in Karlskoga (Sweden) reported in the first quarter continued in the beginning of the second quarter. The challenges are related to unsatisfactory margins for certain customers and overcapacity within the work force. Kitron booked NOK 18.5 million of losses in Kitron AB in the first six months whereof NOK 6.0 million were provisions for restructuring costs. Firm measures have been taken and as a result the performance started to improve significantly in the second quarter.

Component shortage

In the first half of 2010 Kitron has experi-



enced component shortage due to the reduction of capacity following the recession. This has had a negative effect on the revenue as well as operating result in the first half. It is estimated that the revenue level in the first half is about 5 per cent lower due to the situation in the component market.

Related parties

Note 27 to the annual consolidated financial statements for 2009 provides details of related parties. During the first half of 2010 there have not been any changes or transactions that significantly impact the group's financial position or result for the period.

Q2

Interim report for second quarter 2010

Strong order intake development

Key items second quarter 2010

Figures in brackets refer to the second quarter of 2009 unless otherwise stated.

- **Strong order development**
  The order intake increased by 21.8 per cent to NOK 507.8 million (NOK 416.8 million). The order backlog at the end of the second quarter was NOK 867.7 million (NOK 741.7 million). Several new customer accounts secured.
- **Revenue**
  Revenue increased by 1.3 per cent to NOK 425.7 million (NOK 420.4 million).
- **Operating profit**
  EBITDA and EBIT were NOK 12.4 million (NOK 14.5 million) and NOK 4.5 million (NOK 6.1 million) respectively.
- **Profit before tax and discontinued operations**
  Profit before tax and discontinued operations amounted to NOK 1.7 million (NOK 2.7 million), which reflects a margin of 0.4 per cent (0.6 per cent).
- **Component shortage**
  The shortage in the component market has had a negative impact on revenue, productivity and profit.
- **Cash flow**
  Cash flow from operations in the second quarter was negative by NOK –13.7 million (NOK –14.4 million) mainly due to working capital changes.

Kitron's revenue amounted to NOK 425.7 million in the second quarter of 2010, a 1.3 per cent increase compared with the same period last year. The profit before tax and discontinued operations was NOK 1.7 million (NOK 2.7 million). Cash flow from operations was negative by NOK -13.7 million (NOK -14.4 million). The order intake was NOK 507.8 million and the order backlog was NOK 867.7 million, an increase of 21.8 and 17.0 per cent respectively.

Revenue

Kitron's revenue in the second quarter was 1.3 per cent higher than in the same period in 2009 and amounted to NOK 425.7 million (NOK 420.4 million). Revenue in the market segment Data/Telecoms was down 14.7 per cent, Defence was down 1.7 per cent, Industry increased by 22.6 per cent, Medical equipment was up by 38.9 per cent and Offshore/Marine was down 60.0 per cent compared to the second quarter of 2009.

Revenue in the Norwegian operation represented 62.2 per cent of Kitron's gross revenue during the second quarter (62.8 per cent). The Swedish operation represented 23.1 per cent of the group (21.3 per cent) and Kitron's operation in Lithuania provided for 14.7 per cent (15.9 per cent).

Kitron's revenue in the second quarter of 2010 was distributed as follows:

Data/Telecoms	23% (28%)
Defence	25% (25%)
Industry	17% (14%)
Medical equipment	31% (23%)
Offshore/Marine	4% (10%)

Revenue from customers in the Swedish market represented a 45.4 per cent share of the total revenue during the second quarter (30.4 per cent). The Norwegian market represented 53.9 per cent of Kitron's total revenue in the second quarter (62.9 per cent).

Gross and net margin

The gross margin decreased in second quarter 2010 compared to second quarter last year, and amounted to 36.1 per cent (39.6 per cent). The deviation is mainly due to the margin slippages on projects in the Karlskoga operation, which continued in the beginning of the second quarter. Furthermore the sale and reclassification of the Norwegian development department to discontinued operations reduced the gross margin (nearly 100 per cent gross margin on engineering and development sales). The net margin decreased from 21.9 per cent to 19.8 per cent.

Profit

Kitron's operating profit (EBIT) in the second quarter was NOK 4.5 million, which is a decrease, compared to the same period in 2009 (6.1 million). The operational challenges for the Karlskoga subsidiary continued in the beginning of the second quarter, which lead to a negative EBIT of NOK 4.5 million for the quarter. Firm measures have been taken and the performance improved significantly towards the end of the quarter. The shortages within the component market has also had a negative effect on the profitability in the quarter.

Profit before tax and discontinued operations in the second quarter of 2010 was NOK 1.7 million, which is a decrease of NOK 1.0 million compared to the same period last year.

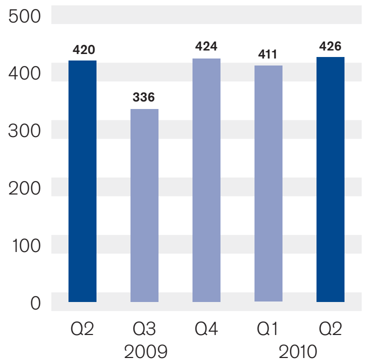
The company's total payroll expenses in the second quarter were NOK 5.5 million lower than the corresponding period in 2009. The reduction is mainly due to a decreased number of employees compared to the same quarter last year. The relative payroll costs went from 29.0 per cent of revenue in second quarter 2009 to 27.4 per cent of revenue in the second quarter this year. Other operating costs decreased to 5.8 per cent of revenue in the second quarter of 2010 (7.1 per cent).

During the quarter net financial items amounted to a cost of NOK 2.8 million. This was a decrease of NOK 0.7 million compared to the same period last year. The main reason is a positive effect from financial restructuring of the German operation of about NOK 0.8 million.

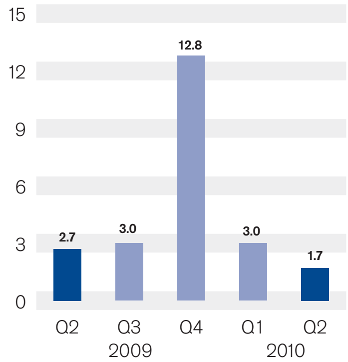
Balance sheet

Kitron's gross balance as at 30 June 2010 amounted to NOK 994.0 million, against

REVENUE Group
NOK million

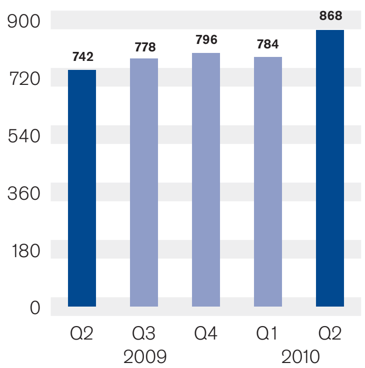


PROFIT BEFORE TAX Group
NOK million

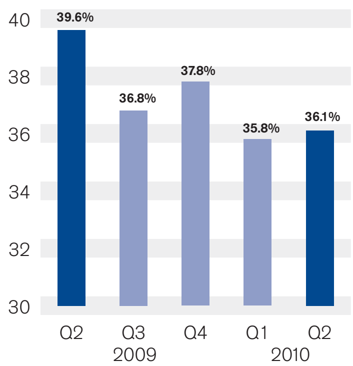


The market conditions are improving and the order intake shows a positive trend.

ORDER BACKLOG Group
NOK million



GROSS MARGIN Group
Per cent



REVENUE BUSINESS AREAS

NOK million	Q2 2010	Q2 2009	30.06.2010	30.06.2009	31.12.2009
Norway	282.5	279.5	549.6	624.3	1 143.9
Sweden	104.9	94.8	206.4	188.5	362.4
Lithuania	67.8	71.8	143.4	215.7	336.1
Others and eliminations	(29.5)	(25.7)	(62.5)	(57.4)	(111.7)
Total group	425.7	420.4	836.8	971.1	1 730.7

OPERATING PROFIT/(LOSS) BUSINESS AREAS

NOK million	Q2 2010	Q2 2009	30.06.2010	30.06.2009	31.12.2009
Norway	7.1	4.5	21.3	31.9	48.3
Sweden	(4.5)	(0.0)	(18.2)	(1.2)	(0.5)
Lithuania	4.6	3.9	11.4	15.1	20.9
Others and eliminations	(2.7)	(2.3)	(4.2)	(5.3)	(4.8)
Total group	4.5	6.1	10.3	40.5	64.0

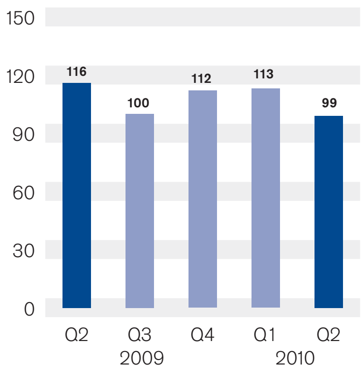
ORDER BACKLOG BUSINESS AREAS

NOK million	Data/ Telecoms	Defence	Industry	Medical equipment	Offshore/ Marine	Total
Norway	79.1	203.5	83.6	178.7	80.1	625.1
Sweden	41.5	47.0	20.9	59.7	-	169.2
Lithuania	16.7	-	45.2	5.5	5.8	73.3
Germany	-	-	0.2	-	-	0.2
Total group	137.3	250.5	149.9	243.9	86.0	867.7

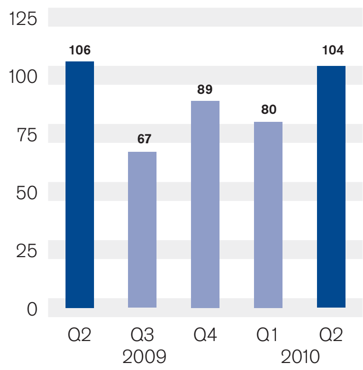
REVENUE GEOGRAPHIC DISTRIBUTION CUSTOMERS

NOK million	Q2 2010	Q2 2009	30.06.2010	30.06.2009	31.12.2009
Norway	229.5	264.5	476.2	614.8	1 038.3
Sweden	193.2	127.7	334.7	298.2	595.3
Rest of Europe	(3.6)	17.4	7.9	30.6	48.2
USA	6.9	10.8	18.1	26.8	47.0
Others	(0.5)	0.0	-	0.6	1.9
Total group	425.7	420.4	836.8	971.1	1 730.7

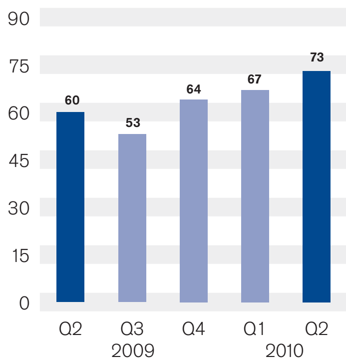
REVENUE Data/Telecoms
NOK million



REVENUE Defence
NOK million



REVENUE Industry
NOK million



NOK 967.8 million at the same time in 2009. Equity was NOK 438,8 million (NOK 453,6 million), corresponding to an equity ratio of 44.1 per cent (46.9 per cent).

Inventory was NOK 300.4 million at 30 June 2010 (NOK 294.5 million). Considerable resources have been applied to improve inventory management, and inventory turns increased from 4.5 in the second quarter of 2009 to 4.7 in the second quarter of 2010.

Trade debtors and other receivables amounted to NOK 374.6 million at the end of the second quarter of 2010. The corresponding amount at the same time in 2009 was NOK 324.1 million. Credit losses have been insignificant.

The group's reported interest-bearing debt amounted to NOK 200.8 million as of 30 June 2010. Interest-bearing debt at the end of the second quarter of 2009 was NOK 202.9 million.

Cash flow from operational activities for the second quarter of 2010 was negative by NOK –13.7 million (NOK –14.4 million). Kitron's cash and bank credit at 30 June 2010 comprised the following:

NOK million	
Cash and cash equivalents	38.6
Drawings on the overdraft facility	(5.6)
Restricted bank deposits	(18.5)
Total	14.5

Available liquidity (unrestricted bank deposits and unused credit lines) amounted to NOK 113.1 million at the end of the second quarter, versus NOK 131.1 million at the same time in 2009. The overall credit line at 30 June 2010 were NOK 93.0 million versus NOK 101.3 million at the same time last year.

Organisation

The Kitron workforce corresponded to 1,086 FTEs at 30 June 2010. This represents a decrease of 59 FTEs since the second quarter of 2009.

Full time equivalents	30.06.2010	30.06.2009
Norway	528	590
Sweden	205	220
Lithuania	332	330
Other	21	5
Total	1 086	1 145

Market

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

The market conditions are improving and the order intake shows a positive trend. Order intake in the quarter was NOK 508 million, which is 21.8 per cent higher than for the second quarter 2009. The order backlog was up by NOK 84 million in the quarter, and ended at NOK 868 million, which is 17.0 per cent higher than the same period last year. Four quarter moving average order intake was up from NOK 414 million at the beginning of the second quarter to NOK 437 million at the end of the quarter.

The strong order development is the result of improved market conditions and that several existing customers have extended their order horizon due to component shortage to secure deliveries. In addition it should be noted that Kitron has secured several new customers accounts in the period.

Kitron's order backlog generally includes four months customer forecast plus all firm orders.

The tender activity has increased in the second quarter and several important prospects will be concluded in the third quarter. A positive signal is that Kitron is starting to secure business with new customers.

The energy related markets are showing a strong growth trend. Kitron has decided to focus on these markets and is pursuing several opportunities.

Generally there has been a strong interest in Kitron's capability within NPI (new product introduction) and testing. The close interaction between Kitron's experts and the R&D department of the customer is crucial for success. This is an important channel to new business as most clients maintain a strong R&D presence in Scandinavia even if the manufacturing is moved to lower cost countries.

Data/Telecoms

Within the Data/Telecoms segment Kitron offers clients particular expertise to realise products such as transmission systems, high frequency microwave modules, radio frequency (RF), electrical metering and data/video projection equipment.

The order backlog increased by 5.1 per cent and revenue decreased by 14.7 per cent compared to the second quarter in 2009. The lower revenue is due to the phase out of a business area for one specific customer. Adjusting for this, the trend in this segment has been positive.

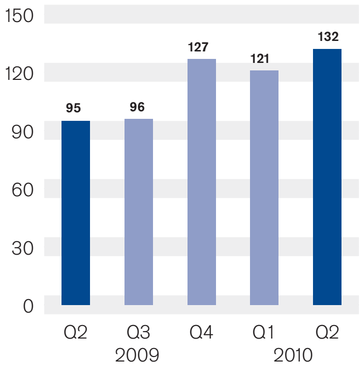
We are optimistic about the outlook for Data/Telecoms products. The demand within the electrical metering business looks very promising. Kitron has during the last year secured contracts with several metering companies and the revenue volume is expected to be more than NOK 50 million in 2010 and with a strong growth in 2011 and beyond.

Defence

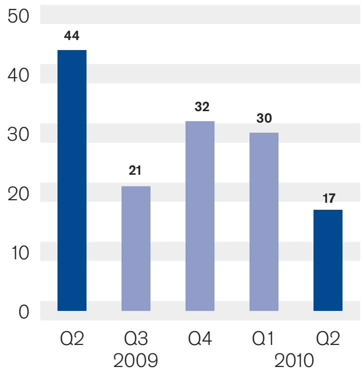
The Defence segment consists of three main product divisions: military avionics, military communication and weapon control systems.

The order backlog decreased by 5 per cent while the revenue decreased by 2 per cent

REVENUE Medical equipment
NOK million



REVENUE Offshore/Marine
NOK million



The shortage in the component market will contribute to a strong demand pressure going forward.

compared to the second quarter in 2009.

The longer term outlook for the Defence segment remains positive. Kitron is currently involved in defence programs with among others the Kongsberg Group and Lockheed Martin that could yield more than 1 billion NOK in revenue in the years to come. Under the Manufacturing License Agreement between Kitron ASA and Lockheed Martin Maritime Systems and Sensors Kitron will manufacture, test, maintain and repair the Integrated Backplane Assembly in the F-35 Joint Strike Fighter globally. The positive trend in the Swedish defence industry is further supporting our optimistic outlook. Defence is also a prioritised area for our new operation in Germany. Furthermore Kitron sees the opportunity for offset business in this segment.

Industry

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

The order backlog increased by 47 per cent while revenue increased by 23 per cent compared to the second quarter in 2009. The trend in Industry has been positive with four quarter in a row with increasing volumes.

The market situation within the Industry segment has improved and the signs of a recovery are clear. The order intake is gradually picking up again and we see an increasing number of RFI/RFQs in the market. The recovery is particularly strong in the Swedish industrial sector.

Medical equipment

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

The order backlog increased by 3.2 per cent and revenue increased by 38.9 per cent compared to the second quarter in 2009. The strong trend in Medical is driven by ramp up of production for existing clients.

The Medical equipment segment is less cyclical than other market segments. Kitron focuses on additional growth in this segment and expects a long-term positive development with customers in both Norway and Sweden. This trend is supported by strong market fundamentals for the products and services Kitron offers to the market, even though start-up companies are having difficulties in finding financing due to the turbulence in the financial markets. Kitron is working on several interesting new prospects within this segment.

Offshore/Marine

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

The revenue decreased by 60 per cent compared to the second quarter in 2009. The drop is related to lower volume with one specific customer.

The trend in the Offshore/Marine segment is closely correlated with the development of the oil price. In the last year there has been a sharp drop in demand from the offshore segment but lately the development has stabilised on a lower level. Kitron expects a stable trend within this segment for the second half of 2010.

Outlook

Kitron's markets are mainly Norway and Sweden, but most customers of Kitron sell their products on international markets. As the global economy recovers Kitron expects to see an increased demand from its customers. The shortage in the component market will contribute to a strong demand pressure going forward. The backlog position at the end of the second quarter indicates that the second half will show a growth compared to the second half of 2009.

Kitron is working on several operational improvement programs that should yield a positive contribution in the second half of 2010. The focus on manufacturing efficiency is continuing and global sourcing initiatives remain a priority area. The strong focus on balance sheet management and cash flow will continue in the second half of 2010. Particular attention is given to inventory management, payment terms and pricing.

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

The significant loss in Kitron AB and the operational challenges are being addressed, and it is expected that the company will be profitable during the rest of 2010.

Given the positive market outlook and the operational improvement initiatives being undertaken it is expected that the profitability will improve in the second half of the year.

Board of directors, Kitron ASA
Asker, 11. august 2010

Condensed profit and loss statement

NOK 1 000	Q2 2010	Q2 2009	30.06.2010	30.06.2009	31.12.2009
Revenue	425 685	420 390	836 788	971 098	1 730 690
Cost of materials	272 111	253 938	536 113	601 729	1 077 374
Payroll expenses	116 548	122 055	217 897	250 027	445 754
Other operational expenses	24 641	29 886	56 971	61 297	110 568
Operating profit before depreciation and impairments (EBITDA)	12 386	14 511	25 806	58 045	96 993
Depreciation and impairments	7 894	8 380	15 459	17 590	33 031
Operating profit (EBIT)	4 492	6 130	10 348	40 455	63 962
Net financial items	(2 810)	(3 469)	(5 634)	(12 814)	(20 547)
Profit before tax	1 682	2 661	4 714	27 641	43 415
Tax	(2 653)	331	(2 035)	4 889	1 543
Net profit (loss) from continuing operations	4 335	2 331	6 749	22 752	41 872
Profit (loss) from discontinued operations	(7 288)	(21 551)	(9 511)	(26 855)	(33 704)
Profit (loss) for the period	(2 953)	(19 220)	(2 762)	(4 103)	8 167
Earnings per share (basic and diluted)	(0.02)	(0.11)	(0.02)	(0.02)	0.05

Condensed balance sheet

NOK 1 000	30.06.2010	30.06.2009	31.12.2009
ASSETS			
Goodwill	26 786	24 352	24 332
Other intangible assets	28 065	156	14 845
Tangible fixed assets	124 264	148 595	131 411
Available for sale financial assets	1	9	9
Deferred tax assets	98 081	101 668	98 981
Other receivables	3 205	4 142	4 884
Total fixed assets	280 402	278 923	274 462
Inventory	300 388	294 514	256 288
Accounts receivable and other receivables	374 555	324 107	337 859
Cash and cash equivalents	38 628	58 791	105 238
Total current assets	713 571	677 413	699 384
Assets of disposal group classified as held for sale	-	11 507	8 316
Total assets	993 972	967 843	982 162
LIABILITIES AND EQUITY			
Equity	438 765	453 575	450 406
Total equity	438 765	453 575	450 406
Loans	10 805	20 040	12 802
Pension commitments	11 064	21 434	21 326
Total long-term liabilities	21 869	41 474	34 128
Accounts payable and other current liabilities	343 308	281 922	271 633
Loans	190 030	182 891	220 159
Total current liablities	533 338	464 813	491 792
Liabilities of disposal group classified as held for sale	-	7 981	5 836
Total liabilities and equity	993 972	967 843	982 162

Condensed cash flow statement

NOK 1 000	Q2 2010	Q2 2009	30.06.2010	30.06.2009	31.12.2009
Net cash flow from operational activities	(13 675)	(14 416)	(45 388)	20 535	93 779
Net cash flow from investment activities	(18 115)	(3 365)	(22 183)	(7 889)	(24 041)
Net cash flow from financing activities	(4 137)	(11 054)	(4 681)	(14 628)	(14 792)
Change in cash and bank credit	(35 928)	(28 835)	(72 253)	(1 982)	54 946
Cash and bank credit opening balance	50 430	58 662	86 754	31 808	31 808
Cash and bank credit closing balance	14 502	29 826	14 502	29 826	86 754

Statement of comprehensive income

NOK 1 000	Q2 2010	Q2 2009	30.06.2010	30.06.2009	31.12.2009
Net profit	(2 953)	(9 220)	(2 762)	(4 103)	8 167
Currency translation differences and other changes	(1 824)	(6 150)	(8 879)	(22 720)	(38 160)
Total comprehensive income for the period	(4 778)	(25 370)	(11 641)	(26 823)	(29 993)
Profit attributable to shareholders	(2 953)	(19 220)	(2 762)	(4 103)	8 167

Changes in equity

NOK 1 000	30.06.2010	30.06.2009	31.12.2009
Equity opening balance	450 406	480 398	480 398
Comprehensive income for the period	(11 641)	(26 823)	(29 993)
Equity closing balance	438 765	453 575	450 406

Notes to the financial statements

Note 1 – General information and principles

The condensed consolidated financial statements for the second quarter of 2010 have been prepared in accordance with International Financial Accounting Standards (IFRS) and IAS 34 for interim financial reporting. Kitron has applied the same accounting policies as in the consolidated financial statements for 2009.

The interim financial statements do not include all the information required for a full financial report and should therefore be read in conjunction with the consolidated financial statements for 2009, which were prepared in accordance with the Norwegian Accounting Act and IFRS, as adopted by the EU. The consolidated financial statements for 2009 are available upon request from the company and at www.kitron.com

Note 2 – Estimates

The preparation of the interim financial statements requires the use of evaluations, estimates and assumptions that affect the application of the accounting principles and amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The important assessments underlying the application of Kitron's accounting policy and the main sources of uncertainty are the same for the interim financial statements as for the consolidated statements for 2009.

Note 3 – Financial risk management

Kitron's business exposes the company to financial risks. The purpose of the company's procedures for risk management is to minimise possibly negative effects caused by the company's financial arrangements. There has been no change of impact or material incidents in 2010.

Note 4 – Discontinued operations

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

On June 30 2009, the Kitron group sold Kitron Microelectronics AS for cash consideration of NOK 1.00. Kitron Microelectronics AS results are presented in this condensed interim financial information as discontinued operations.

Comparative figures have been restated.

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

Income statement information from discontinued operations

NOK 1 000	Q2 2010	Q2 2009	30.06.2010	30.06.2009	31.12.2009
Revenue	2 475	16 319	5 936	41 537	52 106
Expenses	(5 259)	(21 713)	(10 943)	(52 066)	(68 430)
Profit (loss) before income tax	(2 784)	(5 394)	(5 007)	(10 529)	(16 324)
Tax	-	-	-	-	-
Profit (loss) after income tax	(2 784)	(5 394)	(5 007)	(10 529)	(16 324)
Post tax loss on disposal of discontinued operations	(4 504)	(16 157)	(4 504)	(16 326)	(17 380)
Profit (loss) from discontinued operations	(7 288)	(21 551)	(9 511)	(26 855)	(33 704)

Cash flow statement information from discontinued operations

NOK 1 000	30.06.2010	30.06.2009	31.12.2009
Net cash flow from operating activities	(409)	902	(390)
Net cash flow from investment activities	-	(38)	(124)
Net cash flow from financing activities	-	-	-
Change in cash and bank credit	(409)	864	(514)
Cash and bank credit opening balance	409	923	923
Cash and bank credit closing balance	-	1 787	409

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2010 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Asker, 11 August 2010

Nerijus Dagilis
Chair

May Britt Gundersen
Employee elected board member

Arne Solberg
Deputy chair

Lisbeth Gustafsson

Liv Johansen
Employee elected board member

Elena Anfimova

Tomas Kucinskas

Geir Vedøy
Employee elected board member

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CEO

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Your ambition. Our passion.

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

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

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

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